FINANCIAL STATEMENTS TOGETHER WITH REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SKIDMORE COLLEGE

For the years ended May 31, 2004 and 2003

CONTENTS

Grant Thornton

Accountants and Business Advisors

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Skidmore College

We have audited the accompanying statements of financial position of Skidmore College (the "College") as of May 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skidmore College as of May 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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September 2, 2004

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Skidmore College

STATEMENTS OF FINANCIAL POSITION

As of May 31, 2004 and 2003

ASSETS	2004	2003
Cash and cash equivalents	$ 15,683,607	$ 689,825
Accounts receivable, net (Note C)	1,791,887	1,628,212
Inventories	884,526	728,571
Prepaid expenses	990,917	1,423,620
Contributions receivable, net (Note D)	13,138,534	13,524,656
Student loans receivable, net (Note C)	6,371,215	7,662,969
Investments, at fair value (Note E)	199,005,162	181,944,404
Deposits with bond trustees (Note G)	39,441,605	19,176,588
Deferred financing costs (Note B)	2,262,116	2,474,819
Land, buildings and equipment, net (Notes F and G)	98,119,967	100,050,764
Total assets	$ 377,689,536	$ 329,304,428
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 8,968,981	$ 9,067,077
Student tuition deposits and deferred revenues	7,328,797	6,987,005
Accrued pension and postretirement benefits (Note I)	16,549,052	14,561,286
Refundable government advances	1,617,780	1,602,100
Long-term debt (Note G)	81,418,626	58,336,923
Total liabilities	115,883,236	90,554,391
Commitments (Note J)		
Net assets (Note H):		
Unrestricted	182,822,077	162,504,298
Temporarily restricted	14,044,900	12,711,897
Permanently restricted	64,939,323	63,533,842
Total net assets	261,806,300	238,750,037
Total liabilities and net assets	$ 377,689,536	$ 329,304,428

The accompanying notes are an integral part of these statements.

Skidmore College

STATEMENT OF ACTIVITIES

For the year ended May 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees (Note G)	$ 70,618,335	$ -	$ -	$ 70,618,335
Less: institutional aid	(16,085,238)	-	-	(16,085,238)
Net tuition and fees	54,533,097	-	-	54,533,097
Sales and services of auxiliary enterprises	18,527,438	-	-	18,527,438
Private gifts and grants	3,934,082	1,492,467	-	5,426,549
Government grants and appropriations	346,206	2,972,483	-	3,318,689
Dividends and interest	2,971,561	2,062,394	-	5,033,955
Investment return (Note B)	3,130,496	3,959,394	-	7,089,890
Interest on student loans	472,507	-	-	472,507
Other	947,826	572,527	-	1,520,353
Net assets released from restriction	19,923,617	(19,923,617)	-	-
Total operating revenues and other support	104,786,830	(8,864,352)	-	95,922,478
Operating expenses:				
Instruction	34,962,582	-	-	34,962,582
Research	959,202	-	-	959,202
Academic support	11,216,054	-	-	11,216,054
Student services	9,832,559	-	-	9,832,559
Institutional support	18,059,448	-	-	18,059,448
Auxiliary enterprises	16,647,330	-	-	16,647,330
Total operating expenses	91,677,175	-	-	91,677,175
Increase (decrease) in net assets from operating activities	13,109,655	(8,864,352)	-	4,245,303
Nonoperating activities:				
Dividends and interest	10,854	64,605	-	75,459
Realized and unrealized gains	8,422,100	8,567,915	-	16,990,015
Capital gifts	704,013	1,240,476	1,203,725	3,148,214
Net loss on disposal of fixed assets	(354,176)	-	-	(354,176)
Other revenue (expenses), net	(1,574,667)	324,359	201,756	(1,048,552)
Increase in net assets from nonoperating activities	7,208,124	10,197,355	1,405,481	18,810,960
Change in net assets	20,317,779	1,333,003	1,405,481	23,056,263
Net assets, beginning of year	162,504,298	12,711,897	63,533,842	238,750,037
Net assets, end of year	$ 182,822,077	$ 14,044,900	$ 64,939,323	$ 261,806,300

The accompanying notes are an integral part of this statement.

Skidmore College

STATEMENT OF ACTIVITIES

For the year ended May 31, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees (Note G)	$ 65,429,445	$ -	$ -	$ 65,429,445
Less: institutional aid	(15,048,584)	-	-	(15,048,584)
Net tuition and fees	50,380,861	-	-	50,380,861
Sales and services of auxiliary enterprises	17,793,568	-	-	17,793,568
Private gifts and grants	3,989,870	18,854	-	4,008,724
Government grants and appropriations	276,114	2,655,105	-	2,931,219
Dividends and interest	2,256,488	1,079,798	-	3,336,286
Investment return (Note B)	3,053,943	3,453,699	-	6,507,642
Interest on student loans	516,566	-	-	516,566
Other	1,103,721	61,069	-	1,164,790
Net assets released from restrictions	6,663,227	(6,663,227)	-	-
Total operating revenues and other support	86,034,358	605,298	-	86,639,656
Operating expenses:				
Instruction	34,090,751	-	-	34,090,751
Research	883,435	-	-	883,435
Academic support	10,940,800	-	-	10,940,800
Student services	9,747,944	-	-	9,747,944
Institutional support	17,560,756	-	-	17,560,756
Auxiliary enterprises	15,881,824	-	-	15,881,824
Total operating expenses	89,105,510	-	-	89,105,510
(Decrease) increase in net assets from operating activities	(3,071,152)	605,298	-	(2,465,854)
Nonoperating activities:				
Dividends and interest	40,816	56,684	-	97,500
Realized and unrealized gains	(2,470,474)	(2,547,296)	-	(5,017,770)
Capital gifts	309,208	2,745,634	1,580,489	4,635,331
Net loss on disposal of fixed assets	(49,543)	-	-	(49,543)
Other revenue (expenses), net	1,171,034	(660,264)	40,641	551,411
(Decrease) increase in net assets from nonoperating activities	(998,959)	(405,242)	1,621,130	216,929
Change in net assets	(4,070,111)	200,056	1,621,130	(2,248,925)
Net assets, beginning of year	166,574,409	12,511,841	61,912,712	240,998,962
Net assets, end of year	$ 162,504,298	$ 12,711,897	$ 63,533,842	$ 238,750,037

The accompanying notes are an integral part of this statement.

Skidmore College

STATEMENTS OF CASH FLOWS

For the years ended May 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	$ 23,056,263	$ (2,248,925)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,164,391	7,765,644
Amortization of deferred financing costs	212,703	72,848
Amortization of bond discount	(3,228)	(10,725)
Increase in pledge discount	45,389	381,242
Loss on disposal of fixed assets	354,176	49,543
Decrease in allowance for doubtful accounts	(263,525)	(105,510)
Realized and unrealized gains on investments	(24,079,905)	(1,489,872)
Capital gifts	(3,148,214)	(4,635,331)
Gifts in kind	(1,021,980)	(1,053,746)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(159,759)	1,125,238
Increase in inventories	(155,955)	(114,531)
Decrease (increase) in prepaid expenses	432,703	(448,246)
(Decrease) increase in accounts payable and accrued expenses	(98,096)	24,711
Increase in student tuition deposits and deferred income	341,792	423,958
Increase in accrued pension and postretirement benefits	1,987,766	2,179,710
Net cash provided by operating activities	5,664,521	1,916,008
Cash flows from investing activities:		
Proceeds from sale of investments	75,476,148	82,002,390
Purchases of investments	(68,453,773)	(78,649,716)
Student loan principal collected	1,783,817	1,858,074
Student loans originated	(391,523)	(244,278)
Purchases of land, buildings and equipment	(5,565,790)	(8,444,768)
Net cash provided by (used in) investing activities	2,848,879	(3,478,298)
Cash flows from financing activities:		
Capital gifts	3,148,214	4,635,331
Decrease in contributions receivable	499,802	691,779
Proceeds from bond issuances	61,805,000	-
Principal paid on long-term debt	(38,723,297)	(3,010,000)
Increase in deposits with trustee	(20,265,017)	(6,116,216)
Increase (decrease) in refundable government advances	15,680	(184)
Net cash provided by (used in) financing activities	6,480,382	(3,799,290)
Net increase (decrease) in cash and cash equivalents	14,993,782	(5,361,580)
Cash and cash equivalents, beginning of year	689,825	6,051,405
Cash and cash equivalents, end of year	$ 15,683,607	$ 689,825
Supplemental disclosures:		
Gifts in kind	$ 1,021,980	$ 1,053,746
Interest paid	$ 2,661,184	$ 2,826,225

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

May 31, 2004 and 2003

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Skidmore College (the "College") was founded in 1903 and is a predominantly residential, independent, nonsectarian, four-year coeducational liberal arts college. The College operates on an 850-acre campus located in Saratoga Springs, New York. The College serves approximately 2,200 undergraduate students.

The College is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes pursuant to Section 501(a) of the Code.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Accounting*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

2. *Basis of Presentation*

The College's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Under US GAAP, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be satisfied either by actions of the College and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations, requiring the principal to be invested in perpetuity. Generally, donors of these assets permit the College to use the income earned on related investments for general or specific purposes.

3. *Cash and Cash Equivalents*

Cash and cash equivalents (current operating assets) are comprised of investments with maturities of less than 90 days except for cash and cash equivalents included in investment pools, which are included in intermediate and long-term investments in the accompanying statements of financial position.

NOTE B (continued)

4. *Investments*

All investments with readily determinable market values have been reported in the accompanying financial statements at fair value. Certain limited partnerships and other investments totaling approximately $6,976,000 and $19,047,000 as of May 31, 2004 and 2003, respectively, whose fair values are not readily determinable have been reported at cost. Realized and unrealized gains and losses are recognized in the accompanying statements of activities. Gains or losses on investments are recognized as increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investments in fixed income and equity securities are recorded at fair value based upon values provided by the College's external investment bankers or quoted market prices. Market prices on specific investments frequently change, and could affect the future fair values of the College's investments.

5. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. *Inventories*

Inventories are stated at the lower of cost or market, based upon the first-in, first-out ("FIFO") method. Inventories consist principally of items held for sale in the College bookstore.

7. *Land, Buildings and Equipment, Net*

Land, buildings and equipment are carried at cost, if purchased, or fair market value at the date of receipt, if acquired by contribution, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Art collections are stated at cost, if purchased, or fair market value at the date of receipt, if acquired by contribution; however, these

NOTE B (continued)

items are not depreciated. All gifts of land, buildings and equipment are recorded as unrestricted non-operating resources, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted nonoperating resources. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions is reported as being released from restriction when the donated or acquired long-lived asset is placed in service.

8. *Deferred Financing Costs*

Deferred financing costs consist of legal, underwriting, and other fees for services rendered in connection with the issuance of long-term debt. Deferred financing costs are amortized using the effective interest rate method over the life of the related debt.

9. *Donor-Imposed Restrictions*

Unconditional promises to give (pledges), and gifts of cash and other non-capital assets are reported at their fair value as restricted operating revenue if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or the purpose of the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

10. *Endowment Investment Return Spending Policy*

The College has an endowment and similar funds "total return" investment spending policy, which is applied to substantially all of the College's endowment and similar funds investments. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of endowment and similar funds investment return (yield and appreciation) used annually to support operations is equivalent to 5% of the weighted average of these investments over the prior three years. Investment returns equal to the annual spending rate are reflected as operating support and investment returns in excess of the spending rate are reflected as nonoperating support in the accompanying statements of activities.

NOTE B (continued)

11. *Program Expenses*

Total program expenses for the years ended May 31, 2004 and 2003 were approximately $73,618,000 and $71,545,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

12. *Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, student accounts receivable, pledges receivable funds held by bond trustees, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

The fair value of investments is based on the quoted market value of the underlying securities; the fair value of long-term debt as compared to the carrying amount is discussed further in Note G.

A reasonable estimate of the fair value of student loans receivable under government loan programs could not be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

13. *Reclassifications*

Certain prior year balances have been reclassified in order to conform to the current year presentation.

NOTE C - ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable and student loans receivable are recognized net of an allowance for uncollectible accounts of approximately $217,000 and $784,000, respectively, as of May 31, 2004 and approximately $221,000 and $885,000, respectively, as of May 31, 2003.

Student loans receivable are comprised primarily of College-sponsored loans that were capitalized through the issuance of tax-exempt bonds as discussed in Note G and Federally sponsored student loans with U.S. Government-mandated interest rates and repayment terms.

NOTE D - CONTRIBUTIONS RECEIVABLE, NET

The College recognizes pledges, contributions, and bequests at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows, net of an allowance for uncollectible pledges. Discount rates ranged from 1.93% to 5.88% for fiscal years 2004 and 2003.

Pledges, contributions, and bequests receivable as of May 31, 2004 and 2003, were due as follows:

	2004	2003
Gross amounts due in:		
One year	**$ 1,732,035**	$ 2,021,885
One to five years	**6,097,280**	6,364,154
More than five years	**6,315,999**	6,345,996
	14,145,314	14,732,035
Less discount to present value	**(598,489)**	(643,878)
	13,546,825	14,088,157
Less allowance for doubtful accounts	**(408,291)**	(563,501)
Total	**$ 13,138,534**	$ 13,524,656

As of May 31, 2004 and 2003, the College had also received notification of bequest intentions totaling approximately $11,620,000 and $12,099,000, respectively. These bequests, if received, would be used for general operations, program activities and new facilities. These amounts are not included in pledges receivable due to the conditional nature of the gifts.

The College supports institutional development through the activities of the offices of: annual fund, foundations and corporate relations, planned giving, campaign, parent relations, and major gifts. The expenses incurred for these activities were approximately $3,014,000 and $3,048,540 for the years ended May 31, 2004 and 2003, respectively. These expenses are reflected in institutional support in the accompanying statements of activities.

NOTE E - INVESTMENTS

The fair value and cost of intermediate and long-term investments by type of investment as of May 31, 2004 and 2003 were as follows:

	2004	
	Fair Value	**Cost**
Cash equivalents	**$ 18,613,754**	**$ 18,610,864**
Fixed income securities	**39,607,426**	**39,951,440**
Equity securities	**95,662,780**	**67,538,349**
Limited partnerships	**45,031,806**	**33,654,088**
Other	**89,396**	**89,396**
Total	**$ 199,005,162**	**$ 159,844,137**

	2003	
	Fair Value	Cost
Cash equivalents	$ 8,882,971	$ 8,882,593
Fixed income securities	45,427,393	43,501,450
Equity securities	74,685,638	66,099,310
Limited partnerships	52,866,383	45,224,429
Other	82,019	82,019
Total	$ 181,944,404	$ 163,789,801

The College has committed to investing an additional $2,250,000 in two private equity limited partnerships over the next three years and $3,454,000 in three real estate limited partnerships over the next two years.

Investment management and custodial fees are netted against investment returns, and were approximately $718,000 and $466,000 for the years ended May 31, 2004 and 2003, respectively.

NOTE E (continued)

The fair value and cost of intermediate and long-term investments by traditional fund classification as of May 31, 2004 and 2003 were as follows:

	2004	
	Fair Value	**Costs**
Pooled Investments		
Endowment and similar funds	**$ 186,311,831**	**$ 148,167,601**
Non-pooled Investments		
Current funds	**6,266,278**	**5,885,150**
Life income funds	**6,427,053**	**5,791,386**
Total non-pooled	**12,693,331**	**11,676,536**
Total	**$ 199,005,162**	**$ 159,844,137**

	2003	
	Fair Value	Cost
Pooled Investments		
Endowment and similar funds	$ 166,561,964	$ 149,678,105
Non-pooled Investments		
Current funds	9,434,263	8,963,055
Life income funds	5,948,177	5,148,641
Total non-pooled	15,382,440	14,111,696
Total	$ 181,944,404	163,789,801

NOTE E (continued)

Pooled endowment and similar funds are accounted for on a unit market value basis. Funds are added to or withdrawn from the pool at the unit market value at the beginning of the fiscal quarter in which the transaction takes place. A summary of changes in the relationship between cost and market value of the pooled investments is as follows:

	2004			
	Pooled Investments			
	Market	**Cost**	**Net Gain**	**Market value per unit**
End of year	**$ 186,311,831**	**$ 148,167,601**	**$ 38,144,230**	**$5.49**
Beginning of year	**166,561,964**	**149,678,105**	**16,883,859**	**4.80**
Unrealized net gain for year			**21,260,371**	
Net realized gain for year			**2,785,253**	
Net total gain for year			**$ 24,045,624**	**$0.69**

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.12 for the year ended May 31, 2004.

	2003			
	Pooled Investments			
	Market	Cost	Net Gain	Market value per unit
End of year	$ 166,561,964	$ 149,678,105	$ 16,883,859	$4.80
Beginning of year	168,819,474	153,418,467	15,401,007	4.78
Unrealized net gain for year			1,482,852	
Net realized gain for year			(449,230)	
Net total gain for year			$ 1,033,622	$0.02

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.07 for the year ended May 31, 2003.

NOTE F - LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2004 and 2003, consisted of the following:

	2004	2003
Land	**$ 1,198,656**	$ 1,198,656
Buildings and building improvements	**131,840,678**	127,235,448
Equipment and furnishings	**40,029,727**	37,127,728
Library holdings and art collections	**17,025,551**	15,902,496
Construction in progress	**2,169,318**	4,597,009
	192,263,930	186,061,337
Less accumulated depreciation	**94,143,963**	86,010,573
Land, buildings, and equipment, net	**$ 98,119,967**	$ 100,050,764

NOTE G - LONG-TERM DEBT

The College classifies its long-term debt into two categories, plant debt and student loan debt. Plant debt was issued to finance facilities additions/renovations and major equipment purchases, and will be repaid from the general operations of the College. Student loan debt was issued to capitalize the College's student loan program and will be repaid from principal and interest collected from the underlying loan portfolio.

Long-term debt of the College (including the current portion) as of May 31, 2004 and 2003, is summarized as follows:

	2004	2003
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '93; 5.29%; due 2023	**$ -**	$ 32,555,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	**13,945,000**	14,180,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	**29,560,000**	-
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	**32,245,000**	-
Total plant debt	**75,750,000**	46,735,000

NOTE G (continued)

	2004	2003
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	$ 344,525	$ 832,821
Series '93; 5.05%; due 2013	1,560,048	3,605,048
Series '95; 5.75%; due 2016	3,764,053	7,164,054
Total student loan debt	5,668,626	11,601,923
Total long-term debt	$ 81,418,626	$ 58,336,923

The Dormitory Authority of the State of New York (the "Authority") issues consist of serial bonds, term bonds and capital appreciation bonds in varying combinations. Maturities noted are the final year of maturity for the issue. Interest rates noted are annualized based on a weighted average for the entire issue. All of the Authority issues, as well as the Saratoga County Industrial Development Agency issue, are collateralized by municipal bond insurance as well as certain pledges of tuition and fees. As additional security for its plant-related debt, the College has granted mortgages on various campus properties whose aggregate value is roughly equal to the amount of the financing.

All of the Authority agreements require the establishment of various reserve funds (debt service and building and equipment reserves). Balances in these reserves, which are comprised primarily of treasury notes, are reflected in deposits with bond trustees in the accompanying statements of financial position.

On July 1, 2003, the College defeased $5,149,127 of the student loan debt portfolio. College and University Education Loan Revenue Bonds were called as stipulated in each series' Official Statement and funded by proceeds from prepaid loan payments. On May 30, 2003, the College deposited $5,149,127 via wire transfer with the bond trustee, Manufacturers and Traders Trust Company. The funds were invested in United States Treasury Notes for approximately 30 days preceding the July 1, 2003 defeasance date.

On July 22, 2003, the College issued Civic Facility Refunding Bonds (Skidmore College Project) Series 2003 A through the Saratoga County Industrial Development Agency in the amount of $29,560,000. The bonds bear interest at rates ranging from 3.75% to 4.50% per annum. The proceeds from this issue were used to refund the Dormitory Authority of the State of New York Skidmore College Insured Revenue Bonds, Series 1993.

During fiscal 2004, the College issued Insured Revenue Bonds Series 2004 through the Dormitory Authority of the State of New York in the amount of $32,245,000. The bonds bear interest at rates ranging from 2.00% to 5.00% per annum. The proceeds from this issue are to be used to construct new dormitory facilities on the College's campus as well as to renovate the existing dining halls.

NOTE G (continued)

A summary of long-term debt service payable for the next five years and thereafter is as follows:

	Principal	Interest	Total
2005	$ 865,000	$ 2,882,700	$ 3,747,700
2006	1,955,000	3,175,391	5,130,391
2007	2,665,000	3,139,067	5,804,067
2008	3,198,312	3,141,073	6,339,385
2009	4,206,613	3,347,691	7,554,304
Thereafter	68,528,701	38,587,696	107,116,397
Total	$ 81,418,626	$ 54,273,618	$ 135,692,244

The fair market value of the College's financial debt instruments based on current borrowing rates for loans with similar terms and average maturities was estimated to be $88,523,071 and $68,730,506 as of May 31, 2004 and 2003, respectively.

Interest expense for the years ended May 31, 2004 and 2003 totaled approximately $2,376,000 and $3,161,000, respectively.

NOTE H - NET ASSETS

Unrestricted net assets consisted of the following as of May 31, 2004 and 2003:

	2004	2003
Undesignated	**$ 48,452,546**	$ 45,164,904
Board designated for:		
Endowment	**114,739,358**	98,520,118
Facilities/equipment renewals and replacements	**10,783,012**	12,034,338
Student loans	**289,079**	143,299
Academic programs and scholarships	**8,558,082**	6,641,639
	$ 182,822,077	$ 162,504,298

NOTE H (continued)

Temporarily restricted net assets are subject to donor-imposed stipulations to support scholarships, program activities, and new construction. Such stipulations may or will be satisfied by the actions of the College and/or the passage of time. Temporarily restricted net assets as of May 31, 2004 and 2003, were classified as follows:

	2004	2003
Student loans	**$ 48,604**	$ 49,552
Funds for academic programs and scholarships	**2,139,521**	1,660,410
Funds for capital improvements	**20,767**	26,490
Life income and annuity funds	**10,097,220**	8,897,030
Pledges receivable	**1,738,788**	2,078,415
	$ 14,044,900	$ 12,711,897

Permanently restricted net assets are subject to donor-imposed stipulations that require the principal to be invested in perpetuity. Investment returns are expendable to support scholarships and program activities. Permanently restricted net assets as of May 31, 2004 and 2003, consisted of the following:

	2004	2003
Endowment	**$ 60,159,484**	$ 57,460,623
Life income and annuity funds	**2,123,495**	2,085,714
Pledges receivable	**2,656,344**	3,987,505
	$ 64,939,323	$ 63,533,842

NOTE I - EMPLOYEE BENEFIT PLANS

1. *Pension Plans*

Academic and certain other salaried employees of the College are participants in the Skidmore College Retirement Plan, a non-contributory defined contribution pension plan. Total contributions by the College for this plan for the years ended May 31, 2004 and 2003 were approximately $3,338,000 and $3,272,000, respectively. In addition, the College contributes to pension funds administered by various unions with which the College has collective bargaining agreements. Total contributions by the College to these union funds for the years ended May 31, 2004 and 2003, were approximately $426,000 and $430,000, respectively.

NOTE I (continued)

During 1990, the College determined that the early retirement option that had been offered to non-unionized employees and administered as a severance pay plan was deemed jurisdictional under Title 1 of ERISA as a defined benefit pension plan. Effective November 15, 1990, the College's Board of Trustees voted to freeze all benefits under the early retirement plan and close the plan to new employees. All non-unionized employees employed at the College on November 15, 1990 would be vested under the frozen plan after five years of service. The following table sets forth the plan's funded status and amounts recognized in the College's statements of financial position as of May 31, 2004 and 2003:

	2004	2003
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 2,159,448**	$ 2,085,546
Interest cost	**139,269**	141,585
Benefits paid	**(229,507)**	(265,644)
Actuarial loss	**128,432**	197,961
Benefit obligation at end of year	**$ 2,197,642**	$ 2,159,448
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 1,488,695**	$ 1,321,468
Actual return on plan assets	**28,570**	2,930
Employer contribution	**422,853**	429,941
Benefits paid	**(229,507)**	(265,644)
Fair value of plan assets at end of year	**$ 1,710,611**	$ 1,488,695
Components of pension liability:		
Funded status	**$ (487,031)**	$ (670,753)
Unrecognized net loss	**906,495**	861,111
Prepaid pension cost	**419,464**	190,358
Additional minimum liability	**(906,495)**	(861,111)
Pension liability	**$ (487,031)**	$ (670,753)
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	**$ 139,269**	$ 141,585
Expected return on assets	**(19,781)**	(27,513)
Amortization of unrecognized net loss	**74,259**	51,103
Net periodic pension cost	**$ 193,747**	$ 165,175

NOTE I (continued)

The College's funding policy is based upon and is in compliance with ERISA requirements. The College contributed $423,000 and $430,000 to the plan for the years ended May 31, 2004 and 2003, respectively. An assumed discount rate of 6.75% and 6.50% was used in accounting for the plan as of May 31, 2004 and 2003, respectively. An expected long-term rate of return on assets of 5.0% was used in accounting for the plan as of May 31, 2004 and 2003.

2. *Postretirement Health Benefits*

The College pays for a portion, based upon years of service at retirement date, of medical benefits for retired non-unionized employees. The College accrues the expected cost of postretirement benefits over the service life of active employees.

The following tables set forth the status of the plan, which is unfunded, as of May 31, 2004 and 2003:

	2004	2003
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 27,230,038**	$ 19,363,805
Service cost	**897,683**	823,561
Interest cost	**1,647,388**	1,623,585
Plan participant's contribution	**19,586**	-
Actuarial (gain) loss	**(2,425,912)**	6,170,422
Benefits paid	**(881,605)**	(751,335)
Benefit obligation at end of year	**$ 26,487,178**	$ 27,230,038
Change in plan assets:		
Employer contribution	**$ 862,019**	$ 751,335
Plan participants' contributions	**19,586**	-
Benefit paid	**$ (881,605)**	$ (751,335)
Components of accrued benefit cost:		
Funded status	**$ (26,487,178)**	$ (27,230,038)
Unrecognized prior service cost	**(535,830)**	(626,159)
Unrecognized actuarial net loss	**10,893,420**	13,965,664
Prepaid (accrued) benefit cost	**$ (16,129,588)**	$ (13,890,533)

NOTE I (continued)

Net periodic postretirement benefit cost for the years ended May 31, 2004 and 2003 includes the following components, and is included in the various functional classifications in the accompanying statements of activities:

	2004	2003
Components of net periodic benefit cost:		
Service cost	$ 897,683	$ 823,561
Interest cost	1,647,388	1,623,585
Amortization of gains and losses	646,332	667,567
Amortization of unrecognized prior service cost	(90,329)	(90,329)
Net periodic postretirement benefit cost	$ 3,101,074	$ 3,024,384

Actual net health care claims paid for retirees by the College for the years ended May 31, 2004 and 2003 totaled $862,019 and $751,000, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 6.75% and 6.50% as of May 31, 2004 and 2003, respectively. The assumed health care cost trend rate used was 8.25% for the current year, decreasing gradually in future years to 5% by fiscal 2010 and remaining at that level thereafter. Increasing the assumed health care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation as of May 31, 2004 by $523,397 and increase the aggregate of the service cost and interest cost by $4,573,163. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2004 by $433,203 and decrease the aggregate of the service cost and interest cost by $3,903,279.

NOTE J - LINE OF CREDIT

The College has a $4,000,000 line of credit for working capital purposes with a commercial bank. The rate of interest on the line is equivalent to the London Interbank Offered Rate ("LIBOR") plus 65 basis points. Outstanding balances on the line are secured by an interest in Board-designated funds functioning as Endowment funds. There were no borrowings outstanding under the line of credit as of May 31, 2004 or 2003.