SKIDMORE COLLEGE

Financial Statements

May 31, 2002 and 2001

(With Report of Independent Certified
Public Accountants)

SKIDMORE COLLEGE

Table of Contents

Report of Independent Certified Public Accountants

To the Board of Trustees of
Skidmore College:

We have audited the accompanying statement of financial position of Skidmore College (the "College") as of May 31, 2002, and the related statements of activities and cash flows for the year 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 audit. The financial statements of the College as of and for the year ended May 31, 2001, were audited by other auditors whose report dated September 11, 2001, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
September 13, 2002

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SKIDMORE COLLEGE

Statements of Financial Position

As of May 31, 2002 and 2001

		2002	2001
Assets:			
Cash and cash equivalents	$	6,051,405	9,116,122
Accounts receivable, net (note 3)		2,758,927	2,081,949
Inventories		614,040	487,603
Prepaid expenses		975,374	776,547
Pledges, contributions, and bequests receivable, net (note 4)		14,452,738	13,792,162
Student loans receivable, net (note 3)		9,310,718	11,018,546
Investments, at market (note 5)		183,796,480	176,116,567
Deposits with bond trustees (note 7)		13,060,372	15,605,536
Land, buildings and equipment, net (note 6)		98,367,437	96,165,222
Deferred financing costs		2,547,667	2,616,833
Total assets	$	331,935,158	327,777,087
Liabilities:			
Accounts payable and accrued expenses		9,042,366	9,561,972
Student tuition deposits and deferred revenues		6,563,047	5,815,779
Accrued pension and postretirement benefits (note 9)		12,381,576	11,601,593
Refundable government loan funds		1,602,284	1,552,165
Long-term debt (note 7)		61,346,923	64,091,923
Total liabilities		90,936,196	92,623,432
Commitments (note 5)			
Net assets (note 8):			
Unrestricted		166,574,409	165,553,651
Temporarily restricted		12,511,841	9,997,610
Permanently restricted		61,912,712	59,602,394
Total net assets		240,998,962	235,153,655
Total liabilities and net assets	$	331,935,158	327,777,087

See accompanying notes to financial statements.

SKIDMORE COLLEGE

Statement of Activities

For the year ended May 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 61,902,578	—	—	61,902,578
Less institutional aid	(13,334,603)	—	—	(13,334,603)
Net tuition and fees	48,567,975	—	—	48,567,975
Sales and services of auxiliary enterprises	16,929,676	—	—	16,929,676
Private gifts and grants	3,096,108	3,216,563	—	6,312,671
Government grants and appropriations	284,951	2,535,387	—	2,820,338
Investment return (note 2(i)):				
Dividends and interest	3,034,687	1,717,935	—	4,752,622
Realized gains spent to support operations	2,343,544	2,722,005	—	5,065,549
Interest on student loans	627,630	—	—	627,630
Other	1,064,712	261,639	—	1,326,351
Total operating revenue	75,949,283	10,453,529	—	86,402,812
Net assets released from restrictions	7,327,703	(7,327,703)	—	—
Total operating revenue and net assets released from restrictions	83,276,986	3,125,826	—	86,402,812
Operating expenses:				
Instruction	31,736,379	—	—	31,736,379
Research	618,817	—	—	618,817
Academic support	10,206,461	—	—	10,206,461
Student services	9,259,654	—	—	9,259,654
Institutional support	16,298,970	—	—	16,298,970
Auxiliary enterprises	15,321,222	—	—	15,321,222
Total operating expenses	83,441,503	—	—	83,441,503
Changes in net assets from operating activities	(164,517)	3,125,826	—	2,961,309
Non-operating:				
Dividends and interest	221,730	61,242	—	282,972
Realized and unrealized losses	(893,248)	(2,682,062)	—	(3,575,310)
Capital gifts	2,199,764	1,498,047	1,528,522	5,226,333
Net loss on disposal of fixed assets	(322,580)	—	—	(322,580)
Other net revenue/(expense) (note 2(k))	(20,391)	511,178	781,796	1,272,583
Changes in net assets from non-operating activities	1,185,275	(611,595)	2,310,318	2,883,998
Increase in net assets	1,020,758	2,514,231	2,310,318	5,845,307
Net assets at beginning of year	165,553,651	9,997,610	59,602,394	235,153,655
Net assets at end of year	$ 166,574,409	12,511,841	61,912,712	240,998,962

See accompanying notes to financial statements.

SKIDMORE COLLEGE

Statement of Activities

For the year ended May 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 58,856,193	—	—	58,856,193
Less institutional aid	(12,198,024)	—	—	(12,198,024)
Net tuition and fees	46,658,169	—	—	46,658,169
Sales and services of auxiliary enterprises	16,682,644	—	—	16,682,644
Private gifts and grants	3,261,776	709,535	—	3,971,311
Government grants and appropriations	336,624	1,647,630	—	1,984,254
Investment return (note 2(i)):				
Dividends and interest	3,120,114	1,953,455	—	5,073,569
Realized gains spent to support operations	1,790,583	2,003,110	—	3,793,693
Interest on student loans	730,073	—	—	730,073
Other	1,136,421	361,101	—	1,497,522
Total operating revenue	73,716,404	6,674,831	—	80,391,235
Net assets released from restrictions	20,450,984	(20,450,984)	—	—
Total operating revenue and net assets released from restrictions	94,167,388	(13,776,153)	—	80,391,235
Operating expenses:				
Instruction	29,790,107	—	—	29,790,107
Research	505,399	—	—	505,399
Academic support	9,609,519	—	—	9,609,519
Student services	8,900,556	—	—	8,900,556
Institutional support	14,943,784	—	—	14,943,784
Auxiliary enterprises	14,799,825	—	—	14,799,825
Total operating expenses	78,549,190	—	—	78,549,190
Changes in net assets from operating activities	15,618,198	(13,776,153)	—	1,842,045
Non-operating:				
Dividends and interest	1,120,653	61,242	—	1,181,895
Realized and unrealized gains	2,531,892	3,010,503	—	5,542,395
Capital gifts	7,972,550	3,112,304	3,034,621	14,119,475
Net loss on disposal of fixed assets	(316,714)	—	—	(316,714)
Other net revenue/(expense) (note 2(k))	(319,474)	(6,320,458)	1,142,849	(5,497,083)
Changes in net assets from non-operating activities	10,988,907	(136,409)	4,177,470	15,029,968
Increase in net assets	26,607,105	(13,912,562)	4,177,470	16,872,013
Net assets at beginning of year	138,946,546	23,910,172	55,424,924	218,281,642
Net assets at end of year	$ 165,553,651	9,997,610	59,602,394	235,153,655

See accompanying notes to financial statements.

SKIDMORE COLLEGE

Statements of Cash Flows

For the years ended May 31, 2002 and 2001

		2002	2001
Cash flows from operating activities:			
Increase in net assets	$	5,845,307	16,872,013
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation		7,174,659	6,769,265
Amortization of deferred financing costs		69,166	56,897
Amortization of bond discount		(22,203)	(22,048)
Increase (decrease) in pledge discount		78,323	(824,651)
Loss on disposal of fixed assets		322,580	316,714
Increase (decrease) in provision for bad debts		152,301	(180,374)
Realized and unrealized gains on investments		(1,490,239)	(9,336,088)
Capital gifts		(5,226,333)	(14,119,475)
Gifts in kind		(558,367)	(890,125)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable		(687,156)	172,829
Increase in inventories		(126,437)	(38,423)
Increase in prepaid expenses		(198,827)	(101,291)
(Decrease) increase in accounts payable and accrued expenses		(519,606)	747,967
Increase in student tuition deposits and deferred income		747,268	1,801,408
Increase in accrued postretirement benefits		779,983	28,308
Net cash provided by operating activities		6,340,419	1,252,926
Cash flows from investing activities:			
Proceeds from sale of investments		96,283,762	61,754,141
Purchases of investments		(102,451,233)	(83,403,965)
Student loan principal collected		1,921,142	1,457,840
Student loans originated		(310,369)	(435,003)
Purchases of land, buildings and equipment		(9,141,087)	(13,797,480)
Net cash used in investing activities		(13,697,785)	(34,424,467)
Cash flows from financing activities:			
Capital gifts		5,226,333	14,119,475
(Increase) decrease in pledges, contributions, and bequests receivable		(783,967)	13,322,296
Principal paid on long-term debt		(2,745,000)	(2,451,504)
Decrease in deposits with trustee		2,545,164	3,183,189
Increase in refundable government loan funds		50,119	57,807
Net cash provided by financing activities		4,292,649	28,231,263
Net decrease in cash and cash equivalents		(3,064,717)	(4,940,278)
Cash and cash equivalents at beginning of year		9,116,122	14,056,400
Cash and cash equivalents at end of year	$	6,051,405	9,116,122
Supplemental disclosures:			
Non-cash investing and financing activities-gifts in kind	$	558,367	890,125
Interest paid	$	2,962,098	3,084,019

See accompanying notes to financial statements.

(1) 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

The College's financial statements are presented in accordance with the AICPA Audit and Accounting Guide for Not-for-Profit Organizations (the "Guide"). Under the provisions of the Guide, 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:

<u>Unrestricted net assets</u> - Net assets that are not subject to donor-imposed stipulations.

<u>Temporarily restricted net assets</u> - 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.

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

(c) Cash and Cash Equivalents

Cash and cash equivalents are defined as current operating assets which are investments with average 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 on the statements of financial position.

(d) ***Investments***

All investments with readily determinable market values have been reported in the financial statements at market value. Certain limited partnerships and other investments totaling $20,424,000 and $9,213,000 in 2002 and 2001, respectively, with market values not readily determinable have been reported at cost. Realized and unrealized gains and losses are recognized in the statements of activities. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

(e) ***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.

(f) ***Land, Buildings and Equipment***

Land, buildings and equipment are carried at cost, if purchased, or fair market value at date of receipt, if acquired by contribution. 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 date of receipt, if acquired by contribution; however these items are not depreciated. All gifts of land, buildings and equipment are recorded as unrestricted non-operating activity 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 non-operating activity. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions are reported as being released from restriction when the donated or acquired long-lived assets are placed in service.

(g) ***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 debt.

(h) ***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 statements of activities as net assets released from restrictions.

(i) ***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 income and investment returns in excess of the spending rate are reflected as non-operating income in the statements of activities.

(j) ***Program Expenses***

Total program expenses for the years ended May 31, 2002 and 2001 were approximately \$67,143,000 and \$63,605,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

(k) ***Other Net Revenue/Expense***

During fiscal year 2001, the College revised its accounting for split-interest agreements. The adjustment reduced temporarily restricted net assets by approximately \$5,400,000.

(l) ***Use of Estimates***

To prepare these financial statements in conformity with accounting principles generally accepted in the United States of America, management of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Accounts Receivable and Student Loans Receivable

Accounts receivable and student loans receivable are recognized net of an allowance for uncollectible accounts of \$216,000 and \$851,000, respectively, at May 31, 2002 and \$205,000 and \$753,000, respectively, at May 31, 2001.

Student loans receivable are comprised primarily of College sponsored loans that were capitalized through the issuance of tax-exempt bonds as discussed in note 7 and Federally sponsored student loans with U.S. government mandated interest rates and repayment terms. It is not practicable to determine the fair market value of these student loans receivable as they are subject to significant restrictions as to their transfer or disposition based on their underlying structure.

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(4) Pledges, Contributions, and Bequests Receivable

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. The discount rate used in determining the net present value of pledges receivable was 5.88% and 5.80% at May 31, 2002 and 2001, respectively.

Pledges, contributions, and bequests receivable, net of an allowance of $708,000 and $663,000 for uncollectible pledges at May 31, 2002 and 2001, are due as follows:

	2002	2001
Less than one year	$ 1,065,048	1,254,101
One to five years	7,844,400	7,086,456
More than five years	5,543,290	5,451,605
Total	$ 14,452,738	13,792,162

As of May 31, 2002 and 2001, the College had also received conditional promises to give totaling approximately $12,154,000 and $11,744,000, respectively. These conditional promises, 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 annual fund, foundations and corporate relations, planned giving and major gift offices. The expenses incurred for these activities in 2002 and 2001 were approximately $2,410,000 and $2,115,000, respectively. These expenses are reflected within institutional support expenses in the accompanying statements of activities.

(5) Investments

The market value and cost of intermediate and long-term investments by type of investment at May 31, 2002 and 2001 are as follows:

	2002	
	Market Value	Cost
Short-term investments	$ 50,798,937	50,798,937
Fixed income securities	7,009,371	6,719,704
Equity securities	50,069,722	42,456,766
Limited partnerships	75,545,312	66,995,323
Other	373,138	373,138
Total	$ 183,796,480	167,343,868

	2001	
	Market Value	**Cost**
Short-term investments	$ 16,453,745	16,453,745
Fixed income securities	36,522,236	35,315,205
Equity securities	64,990,509	53,707,105
Limited partnerships	57,795,950	51,576,951
Other	354,127	354,127
Total	$ 176,116,567	157,407,133

The College has committed to investing an additional $3,630,000 in two private equity limited partnerships over the next three years and $4,319,000 in three real estate limited partnerships over the next two years.

Investment management and custodial fees are netted against investment returns, and were approximately $513,000 and $581,000 in 2002 and 2001, respectively.

The market value and cost of intermediate and long-term investments by traditional fund classification at May 31, 2002 and 2001 are as follows:

	2002	
	Market Value	**Cost**
Pooled Investments		
Endowment and similar funds	$ 168,819,474	153,418,467
Non-pooled Investments		
Current funds	9,100,853	8,669,810
Life income funds	5,876,153	5,255,591
Total non-pooled	14,977,006	13,925,401
Total	$ 183,796,480	167,343,868

(Continued)

	2001	
	Market Value	**Cost**
Pooled Investments		
Endowment and similar funds	$ 156,808,474	140,094,836
Non-pooled Investments		
Current funds	8,984,448	8,423,313
Endowment and similar funds	4,014,000	3,200,000
Life income funds	6,309,645	5,688,984
Total non-pooled	19,308,093	17,312,297
Total	$ 176,116,567	157,407,133

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:

	2002			
	Pooled Investments			
	Market	**Cost**	**Net gain**	**Market value per unit**
End of year	$ 168,819,474	153,418,467	15,401,007	4.78
Beginning of year	156,808,474	140,094,836	16,713,638	4.74
Unrealized net loss for year			(1,312,631)	
Net realized gain for year			2,998,520	
Net total gain for year			$ 1,685,889	0.04

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.10 for the year ended May 31, 2002.

	2001			
	Pooled Investments			Market value per unit
	Market	Cost	Net gain	
End of year	$ 156,808,474	140,094,836	16,713,638	4.74
Beginning of year	128,396,006	109,266,794	19,129,212	4.45
Unrealized net loss for year			(2,415,574)	
Net realized gain for year			11,768,894	
Net total gain for year			$ 9,353,320	0.29

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.10 for the year ended May 31, 2001.

(6) Land, Buildings and Equipment

Land, buildings and equipment at May 31, 2002 and 2001 consists of the following:

	2002	2001
Land	$ 1,198,027	1,198,027
Buildings and building improvements	123,101,378	113,606,220
Equipment and furnishings	34,127,957	31,171,636
Library holdings and art collections	14,689,121	13,519,360
Construction in progress	3,509,483	7,872,195
	176,625,966	167,367,438
Less accumulated depreciation	78,258,529	71,202,216
Land, buildings, and equipment, net	$ 98,367,437	96,165,222

(7) 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) at May 31, 2002 and 2001 is summarized as follows:

	2002	2001
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '93; 5.29%; due 2023	$ 34,100,000	35,530,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98, 4.77%, due 2028	14,405,000	14,625,000
Total plant debt	48,505,000	50,155,000
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	1,057,821	1,272,821
Series '93; 5.05%; due 2013	3,970,048	4,320,048
Series '95; 5.75%; due 2016	7,814,054	8,344,054
Total student loan debt	12,841,923	13,936,923
Total long-term debt	$ 61,346,923	64,091,923

Interest expense for the years ended May 31, 2002 and 2001 totaled approximately $3,278,000 and $3,385,000, respectively.

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 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 at fair value in the statements of financial position.

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

	Principal	Interest	Total
2003	$ 3,010,000	2,826,225	5,836,225
2004	6,150,000	2,614,432	8,764,432
2005	2,945,000	2,408,541	5,353,541
2006	3,065,000	2,272,219	5,337,219
2006	3,195,000	2,126,580	5,321,580

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 $66,878,051 and $68,026,432 on May 31, 2002 and 2001, respectively.

(8) Net Assets

Unrestricted net assets consist of the following at May 31, 2002 and 2001:

	2002	2001
Undesignated	$ 44,716,373	39,429,061
Board designated for:		
Endowment	103,151,152	104,593,665
Facilities/equipment renewals and	11,841,343	14,978,029
Student loans	385,435	662,283
Internally designated for:		
Academic programs and scholarships	6,480,106	5,890,613
	$ 166,574,409	165,553,651

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 at May 31, 2002 and 2001 are classified as follows:

		2002	2001
Student loans	$	49,552	49,552
Funds for academic programs and scholarships		1,620,027	654,513
Funds for new facilities		26,340	26,764
Life income and annuity funds		8,222,567	8,140,783
Pledges receivable		2,593,355	1,125,998
	$	12,511,841	9,997,610

Permanently restricted net assets are subject to donor imposed stipulations that require the principal to be invested in perpetuity, the investment returns from which are expendable to support scholarships and program activities. Permanently restricted net assets at May 31, 2002 and 2001 are classified as follows :

		2002	2001
Endowment	$	54,813,372	51,662,061
Life income and annuity funds		1,943,174	1,925,314
Pledges receivable		5,156,166	6,015,019
	$	61,912,712	59,602,394

(9) Employee Benefit Plans

(a) 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 these plans for the years ended May 31, 2002 and 2001 were approximately $3,178,000 and $2,955,000, 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, 2002 and 2001 were approximately $418,000 and $400,000, respectively.

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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, 2002 and 2001:

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,221,937	2,022,816
Interest cost	147,768	158,382
Benefits paid	(284,818)	(235,769)
Actuarial loss	659	276,508
Benefit obligation at end of year	2,085,546	2,221,937
Change in plan assets:		
Fair value of plan assets at beginning of year	1,577,732	937,420
Actual return on plan assets	16,903	54,833
Employer contribution	11,651	821,248
Benefits paid	(284,818)	(235,769)
Fair value of plan assets at end of year	1,321,468	1,577,732
Funded status	(764,078)	(644,205)
Unrecognized net loss	689,670	703,956
Accrued pension cost	(74,408)	59,751
Additional minimum liability	(689,670)	(703,956)
Pension liability	$ (764,078)	(644,205)
Components of net periodic pension cost		
Interest cost on projected benefit obligation	$ 147,768	158,382
Expected return on assets	(39,584)	(32,700)
Amortization of unrecognized net loss	37,626	29,691
Net periodic pension cost	$ 145,810	155,373

The College's funding policy is based upon and is in compliance with ERISA requirements. The College contributed $12,000 and $821,000 to the plan during the years ended May 31, 2002 and 2001, respectively. An assumed discount rate of 7.25% and 8.0% was used in accounting for the plan as of May 31, 2002 and 2001, respectively. An expected long-term rate of return on assets of 5.0% was used in accounting for the plan as of May 31, 2002 and 2001.

(Continued)

(b) 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, 2002 and 2001:

	2002	2001
Change in benefit obligation		
Benefit obligation at beginning of year	$ 12,572,714	10,349,234
Service cost	482,284	338,054
Interest cost	987,516	842,916
Actuarial loss	6,191,840	1,672,162
Benefits paid	(870,549)	(629,652)
Benefit obligation at end of year	19,363,805	12,572,714
Components of accrued benefit cost		
Funded status	(19,363,805)	(12,572,714)
Unrecognized prior service cost	(716,488)	(806,817)
Unrecognized actuarial net loss	8,462,795	2,422,143
Accrued benefit cost	$ (11,617,498)	(10,957,388)

Net periodic postretirement benefit cost for the years ended May 31, 2002 and 2001 includes the following components, and is included in the various functional classifications in the statements of activities:

	2002	2001
Service cost of benefits earned	$ 482,284	338,054
Interest cost on accumulated postretirement benefit obligation	987,516	842,916
Amortization of unrecognized loss	151,175	8,506
Amortization of unrecognized prior service cost	(90,329)	(90,329)
Net periodic postretirement benefit cost	$ 1,530,646	1,099,147

(Continued)

Actual net health care claims paid for retirees by the College during fiscal 2002 and 2001 totaled \$871,000 and \$630,000 respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 7.00% and 7.25% for fiscal years 2002 and 2001, respectively. The assumed health care cost trend rate used was 6.00% for the current year, decreasing gradually in future years to 5% by fiscal year 2004 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, 2002 by \$3,185,000 and increase the aggregate of the service cost and interest cost by \$285,000. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2002 by \$2,734,000 and decrease the aggregate of the service cost and interest cost by \$238,000.

(10) 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 was no balance outstanding on the line at May 31, 2002 or 2001.