SKIDMORE COLLEGE

Financial Statements

May 31, 2003 and 2002

(With Report of Independent Certified Public Accountants)

SKIDMORE COLLEGE

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Grant Thornton

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, 2003 and 2002, 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, 2003 and 2002, 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.

Grant Thornton LLP

New York, New York
September 4, 2003

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Statements of Financial Position
As of May 31, 2003 and 2002

Assets:		**2003**	**2002**
Cash and cash equivalents	$	689,825	6,051,405
Accounts receivable, net (note 3)		1,628,212	2,758,927
Inventories		728,571	614,040
Prepaid expenses		1,423,620	975,374
Pledges, contributions, and bequests receivable, net (note 4)		13,524,656	14,452,738
Student loans receivable, net (note 3)		7,662,969	9,310,718
Investments, at market (note 5)		181,944,404	183,796,480
Deposits with bond trustees (note 7)		19,176,588	13,060,372
Land, buildings and equipment, net (notes 6 and 7)		100,050,764	98,367,437
Deferred financing costs		2,474,819	2,547,667
Total assets	$	329,304,428	331,935,158
Liabilities:			
Accounts payable and accrued expenses		9,067,077	9,042,366
Student tuition deposits and deferred revenues		6,987,005	6,563,047
Accrued pension and postretirement benefits (note 9)		14,561,286	12,381,576
Refundable government loan funds		1,602,100	1,602,284
Long-term debt (note 7)		58,336,923	61,346,923
Total liabilities		90,554,391	90,936,196
Commitments (note 5)			
Net assets (note 8):			
Unrestricted		162,504,298	166,574,409
Temporarily restricted		12,711,897	12,511,841
Permanently restricted		63,533,842	61,912,712
Total net assets		238,750,037	240,998,962
Total liabilities and net assets	$	329,304,428	331,935,158

See accompanying notes to financial statements.

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Statement of Activities

For the year ended May 31, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees (note 7)	$ 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
Investment return (note 2(j)):				
Dividends and interest	2,256,488	1,079,798	—	3,336,286
Realized gains spent to support operations	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
Total operating revenue	79,371,131	7,268,525	—	86,639,656
Net assets released from restrictions	6,663,227	(6,663,227)	—	—
Total operating revenue and net assets released	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
Changes in net assets from operating activities	(3,071,152)	605,298	—	(2,465,854)
Non-operating:				
Dividends and interest	40,816	56,684	—	97,500
Realized and unrealized losses on investments	(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 net revenue/(expense)	1,171,034	(660,264)	40,641	551,411
Changes in net assets from non-operating activities	(998,959)	(405,242)	1,621,130	216,929
(Decrease) increase in net assets	(4,070,111)	200,056	1,621,130	(2,248,925)
Net assets at beginning of year	166,574,409	12,511,841	61,912,712	240,998,962
Net assets at end of year	$ 162,504,298	12,711,897	63,533,842	238,750,037

See accompanying notes to financial statements.

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SKIDMORE COLLEGE

Statement of Activities

For the year ended May 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees (note 7)	$ 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	16,980,459	—	—	16,980,459
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(j)):				
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	76,000,066	10,453,529	—	86,453,595
Net assets released from restrictions	7,327,703	(7,327,703)	—	—
Total operating revenue and net assets released	83,327,769	3,125,826	—	86,453,595
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	15,372,005	—	—	15,372,005
Total operating expenses	83,492,286	—	—	83,492,286
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 on investments	(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)	(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.

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SKIDMORE COLLEGE

Statements of Cash Flows

For the years ended May 31, 2003 and 2002

		2003	2002
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(2,248,925)	5,845,307
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation		7,765,644	7,174,659
Amortization of deferred financing costs		72,848	69,166
Amortization of purchase discount		(10,725)	(22,203)
Increase in pledge discount		381,242	78,323
Loss on disposal of fixed assets		49,543	322,580
(Decrease) increase in provision for bad debts		(105,510)	152,301
Realized and unrealized gains on investments		(1,489,872)	(1,490,239)
Capital gifts		(4,635,331)	(5,226,333)
Gifts in kind		(1,053,746)	(558,367)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable		1,125,238	(687,156)
Increase in inventories		(114,531)	(126,437)
Increase in prepaid expenses		(448,246)	(198,827)
Increase (decrease) in accounts payable and accrued expenses		24,711	(519,606)
Increase in student tuition deposits and deferred revenues		423,958	747,268
Increase in accrued pension and postretirement benefits		2,179,710	779,983
Net cash provided by operating activities		1,916,008	6,340,419
Cash flows from investing activities:			
Proceeds from sale of investments		82,002,390	96,283,762
Purchases of investments		(78,649,716)	(102,451,233)
Student loans principal collected		1,858,074	1,921,142
Student loans originated		(244,278)	(310,369)
Purchases of land, buildings and equipment		(8,444,768)	(9,141,087)
Net cash used in investing activities		(3,478,298)	(13,697,785)
Cash flows from financing activities:			
Capital gifts		4,635,331	5,226,333
Decrease (increase) in pledges, contributions, and bequests receivable		691,779	(783,967)
Principal paid on long-term debt		(3,010,000)	(2,745,000)
(Increase) decrease in deposits with bond trustees		(6,116,216)	2,545,164
(Decrease) increase in refundable government loan funds		(184)	50,119
Net cash (used in) provided by financing activities		(3,799,290)	4,292,649
Net decrease in cash and cash equivalents		(5,361,580)	(3,064,717)
Cash and cash equivalents at beginning of year		6,051,405	9,116,122
Cash and cash equivalents at end of year	$	689,825	6,051,405
Supplemental disclosures:			
Non-cash investing and financing activities-gifts in kind	$	1,053,746	558,367
Interest paid	$	2,826,225	2,962,098

(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 in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

(b) 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 that require the principal to be invested in perpetuity. Generally, the donors of these assets permit the College to 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 accompanying statements of financial position.

(d) Investments

All investments with readily determinable market values have been reported in the accompanying financial statements at market value. Certain limited partnerships and other investments totaling approximately $19,047,000 and $20,424,000 as of May 31, 2003 and 2002, respectively, with market values 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 increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

(e) 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.

(f) 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.

(g) 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 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.

(h) 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.

(i) 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.

(j) ***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 accompanying statements of activities.

(k) Program Expenses

Total program expenses for the years ended May 31, 2003 and 2002 were approximately $71,545,000 and $67,193,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

(l) Fair Value of Financial Instruments

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

(3) Accounts Receivable and Student Loans Receivable, net

Accounts receivable and student loans receivable are recognized net of an allowance for uncollectible accounts of $221,000 and $885,000, respectively, as of May 31, 2003 and $216,000 and $851,000, respectively, as of May 31, 2002.

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.

(4) Pledges, Contributions, and Bequests 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% and from 5.8% to 5.88% for fiscal 2003 and 2002, respectively.

Pledges, contributions, and bequests receivable, net of an allowance of $564,000 and $708,000 for uncollectible pledges as of May 31, 2003 and 2002, are due as follows:

	2003	2002
Less than one year	$ 1,889,507	1,065,048
One to five years	5,369,648	7,844,400
More than five years	6,265,501	5,543,290
Total	$ 13,524,656	14,452,738

As of May 31, 2003 and 2002, the College had also received notification of bequest intentions totaling approximately $12,099,000 and $12,154,000, 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 and major gifts. The expenses incurred for these activities were approximately $2,710,000 and $2,410,000, for the years ended May 31, 2003 and 2002 respectively. These expenses are reflected in institutional support in the accompanying statements of activities.

(5) Investments

The market value and cost of intermediate and long-term investments by type of investment as of May 31, 2003 and 2002 are as follows:

	2003	
	Market Value	Cost
Cash equivalents	$ 8,882,971	8,882,593
Fixed income securities	45,427,393	43,501,450
Equity securities	62,875,290	53,746,324
Limited partnerships	64,676,731	57,577,415
Other	82,019	82,019
Total	$ 181,944,404	163,789,801

	2002	
	Market Value	Cost
Cash equivalents	$ 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

The College has committed to investing an additional $3,051,000 in two private equity limited partnerships over the next three years and $3,505,000 in three real estate limited partnerships over the next two years.

Investment management and custodial fees are netted against investment returns, and were approximately $466,000 and $513,000 for the years ended May 31, 2003 and 2002, respectively.

The market value and cost of intermediate and long-term investments by traditional fund classification as of May 31, 2003 and 2002 are as follows:

	2003	
	Market 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

	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

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:

	2003			
	Pooled Investments			Market value per unit
	Market	Cost	Net gain	
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 loss 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.

	2002			
	Pooled Investments			Market value per unit
	Market	Cost	Net gain	
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

(6) Land, Buildings and Equipment, net

Land, buildings and equipment, net as of May 31, 2003 and 2002, consisted of the following:

	2003	2002
Land	$ 1,198,656	1,198,027
Buildings and building improvements	127,235,448	123,101,378
Equipment and furnishings	37,127,728	34,127,957
Library holdings and art collections	15,902,496	14,689,121
Construction in progress	4,597,009	3,509,483
	186,061,337	176,625,966
Less accumulated depreciation	86,010,573	78,258,529
Land, buildings, and equipment, net	$ 100,050,764	98,367,437

(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) as of May 31, 2003 and 2002, is summarized as follows:

		2003	2002
Plant Debt			
Dormitory Authority of the State of New York Insured Revenue Bonds, Series ‘93; 5.29%; due 2023	$	32,555,000	34,100,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series ‘98; 4.77%; due 2028		14,180,000	14,405,000
Total plant debt		46,735,000	48,505,000
Student Loan Debt			
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:			
Series ‘92; 6.39%; due 2013		832,821	1,057,821
Series ‘93; 5.05%; due 2013		3,605,048	3,970,048
Series ‘95; 5.75%; due 2016		7,164,054	7,814,054
Total student loan debt		11,601,923	12,841,923
Total long-term debt	$	58,336,923	61,346,923

Interest expense for the years ended May 31, 2003 and 2002 totaled approximately $3,161,000 and $3,278,000, 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 in the accompanying statements of financial position.

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

	Principal	Interest	Total
2004	$ 6,026,499	2,497,851	8,524,350
2005	2,812,901	2,353,547	5,166,448
2006	2,925,379	2,213,612	5,138,991
2007	3,048,932	2,063,822	5,112,754
2008	3,147,898	1,905,722	5,053,620
Thereafter	40,375,314	14,639,043	55,014,357
Total	$ 58,336,923	25,673,597	84,010,520

The fair market value of the College's financial debt instruments based on current borrowing rates for loans with similar terms and average maturities were estimated to be $68,730,506 and $66,878,051 as of May 31, 2003 and 2002, respectively.

Subsequent Events

(1) 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.

(2) 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.

(8) Net Assets

Unrestricted net assets consisted of the following as of May 31, 2003 and 2002:

	2003	2002
Undesignated	$ 45,164,904	44,716,373
Board designated for:		
Endowment	98,520,118	103,151,152
Facilities/equipment renewals and replacements	12,034,338	11,841,343
Student loans	143,299	385,435
Academic programs and scholarships	6,641,639	6,480,106
	$ 162,504,298	166,574,409

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, 2003 and 2002, are classified as follows:

	2003	2002
Student loans	$ 49,552	49,552
Funds for academic programs and scholarships	1,660,410	1,620,027
Funds for capital improvements	26,490	26,340
Life income and annuity funds	8,897,030	8,222,567
Pledges receivable	2,078,415	2,593,355
	$ 12,711,897	12,511,841

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 as of May 31, 2003 and 2002, are classified as follows:

	2003	2002
Endowment	$ 57,460,623	54,813,372
Life income and annuity funds	2,085,714	1,943,174
Pledges receivable	3,987,505	5,156,166
	$ 63,533,842	61,912,712

(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 this plan for the years ended May 31, 2003 and 2002 were approximately $3,272,000 and $3,178,000, 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, 2003 and 2002, were approximately $430,000 and $418,000, respectively.

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, 2003 and 2002:

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SKIDMORE COLLEGE

Notes to Financial Statements

May 31, 2003 and 2002

		2003	2002
Change in benefit obligation:			
Benefit obligation at beginning of year	$	2,085,546	2,221,937
Interest cost		141,585	147,768
Benefits paid		(265,644)	(284,818)
Actuarial loss		197,961	659
Benefit obligation at end of year	$	2,159,448	2,085,546
Change in plan assets:			
Fair value of plan assets at beginning of year	$	1,321,468	1,577,732
Actual return on plan assets		2,930	16,903
Employer contribution		429,941	11,651
Benefits paid		(265,644)	(284,818)
Fair value of plan assets at end of year	$	1,488,695	1,321,468
Components of pension liability:			
Funded status	$	(670,753)	(764,078)
Unrecognized net loss		861,111	689,670
Prepaid (accrued) pension cost		190,358	(74,408)
Additional minimum liability		(861,111)	(689,670)
Pension liability	$	(670,753)	(764,078)
Components of net periodic pension cost:			
Interest cost on projected benefit obligation	$	141,585	147,768
Expected return on assets		(27,513)	(39,584)
Amortization of unrecognized net loss		51,103	37,626
Net periodic pension cost	$	165,175	145,810

The College's funding policy is based upon and is in compliance with ERISA requirements. The College contributed $430,000 and $12,000 to the plan for the years ended May 31, 2003 and 2002, respectively. An assumed discount rate of 6.50% and 7.00% was used in accounting for the plan as of May 31, 2003 and 2002, respectively. An expected long-term rate of return on assets of 5.0% was used in accounting for the plan as of May 31, 2003 and 2002.

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(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, 2003 and 2002:

		2003	2002
Change in benefit obligation:			
Benefit obligation at beginning of year	$	19,363,805	12,572,714
Service cost		823,561	482,284
Interest cost		1,623,585	987,516
Actuarial loss		6,170,422	6,191,840
Benefits paid		(751,335)	(870,549)
Benefit obligation at end of year	$	27,230,038	19,363,805
Components of accrued benefit cost:			
Funded status	$	(27,230,038)	(19,363,805)
Unrecognized prior service cost		(626,159)	(716,488)
Unrecognized actuarial net loss		13,965,664	8,462,795
Accrued benefit cost	$	(13,890,533)	(11,617,498)

Net periodic postretirement benefit cost for the years ended May 31, 2003 and 2002 includes the following components, and is included in the various functional classifications in the accompanying statements of activities:

		2003	2002
Service cost of benefits earned	$	823,561	482,284
Interest cost on accumulated postretirement benefit obligation		1,623,585	987,516
Amortization of unrecognized loss		667,567	151,175
Amortization of unrecognized prior service cost		(90,329)	(90,329)
Net periodic postretirement benefit cost	$	3,024,384	1,530,646

Actual net health care claims paid for retirees by the College for the years ended May 31, 2003 and 2002 totaled $751,000 and $871,000, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 6.50% and 7.00% as of May 31, 2003 and 2002, 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, 2003 by $4,697,000 and increase the aggregate of the service cost and interest cost by $496,000. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2003 by $4,009,000 and decrease the aggregate of the service cost and interest cost by $412,000. During fiscal 2002, the College changed several of the actuarial assumptions utilized in computing the postretirement liability.

(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. The line of credit is renewed annually and expires November 30, 2003. There were no line of credit balances outstanding as of May 31, 2003 or 2002.