SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2006 and 2005

SKIDMORE COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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, 2006, 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, 2005, were audited by other auditors whose report dated September 2, 2005, 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, 2006, 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.

As discussed in Note 2 to the financial statements, the College changed its method of accounting for its conditional asset retirement obligation in 2006.

UHY LLP

Albany, New York
September 1, 2006

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	**$ 31,227,193**	$ 24,484,457
Accounts receivable, net	**2,350,803**	2,269,660
Inventories	**863,970**	800,810
Prepaid expenses	**1,395,157**	1,336,019
Contributions receivable, net	**32,908,141**	33,453,566
Student loans receivable, net	**4,864,900**	5,744,260
Investments, at fair value	**249,804,102**	222,355,123
Deposits with bond trustees	**20,138,079**	36,927,849
Debt issuance costs	**2,192,467**	2,266,364
Prepaid benefit costs	**1,057,496**	691,758
Land, buildings and equipment, net	**121,731,705**	100,126,776
Total assets	**$ 468,534,013**	$ 430,456,642
LIABILITIES		
Accounts payable and accrued expenses	**$ 15,062,206**	$ 10,799,707
Student tuition deposits and deferred revenues	**9,260,340**	8,576,224
Accrued pension and postretirement benefits	**19,581,540**	18,907,080
Refundable government loan funds	**1,718,692**	1,675,368
Asset retirement obligation	**3,218,687**	-
Long-term debt	**77,236,409**	80,553,626
Total liabilities	**126,077,874**	120,512,005
NET ASSETS		
Unrestricted:		
Board designated	**203,665,889**	144,837,416
Undesignated	**23,407,532**	48,495,922
	227,073,421	193,333,338
Temporarily restricted	**32,458,048**	39,937,911
Permanently restricted	**82,924,670**	76,673,388
Total net assets	**342,456,139**	309,944,637
Total liabilities and net assets	**$ 468,534,013**	$ 430,456,642

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 86,865,005	$ -	$ -	**$ 86,865,005**
Less: institutional aid	(20,955,682)	-	-	**(20,955,682)**
Net tuition and fees	65,909,323	-	-	**65,909,323**
Sales and services of auxiliary enterprises	21,294,265	-	-	**21,294,265**
Private gifts and grants	2,709,325	5,562,592	-	**8,271,917**
Government grants and appropriations	237,344	1,577,676	-	**1,815,020**
Investment return:				
Dividends and interest	4,382,806	1,348,930	-	**5,731,736**
Realized gains spent to support operations	3,608,300	4,654,421	-	**8,262,721**
Interest on student loans	281,199	-	-	**281,199**
Other	1,487,329	331,608	-	**1,818,937**
Total operating revenue	99,909,891	13,475,227	-	**113,385,118**
Net assets released from restrictions	32,244,357	(32,244,357)		**-**
Total operating revenue and net assets released from restrictions	132,154,248	(18,769,130)	-	**113,385,118**
Operating expenses:				
Instruction	41,503,706	-	-	**41,503,706**
Research	705,539	-	-	**705,539**
Academic support	13,100,514	-	-	**13,100,514**
Student services	10,842,878	-	-	**10,842,878**
Institutional support	20,074,784	-	-	**20,074,784**
Auxiliary enterprises	18,679,877	-	-	**18,679,877**
Total operating expenses	104,907,298	-	-	**104,907,298**
Non-operating:				
Dividends and interest	266,732	185,119	-	**451,851**
Realized and unrealized gains	8,097,912	9,169,482	-	**17,267,394**
Capital gifts	1,473,844	2,209,640	6,216,488	**9,899,972**
Net loss on disposal of fixed assets	(171,366)	-	-	**(171,366)**
Other	(41,657)	(274,974)	34,794	**(281,837)**
Changes in net assets from non-operating activities	9,625,465	11,289,267	6,251,282	**27,166,014**
Increase (decrease) in net assets before a cumulative effect of a change in accounting principle	36,872,415	(7,479,863)	6,251,282	**35,643,834**
Cumulative effect for change in accounting principle	(3,132,332)	-	-	**(3,132,332)**
Increase (decrease) in net assets	33,740,083	(7,479,863)	6,251,282	**32,511,502**
Net assets at beginning of year	193,333,338	39,937,911	76,673,388	**309,944,637**
Net assets at end of year	$ 227,073,421	$ 32,458,048	$ 82,924,670	**$ 342,456,139**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 76,783,527	$ -	$ -	**$ 76,783,527**
Less: institutional aid	(18,662,039)	-	-	**(18,662,039)**
Net tuition and fees	58,121,488	-	-	**58,121,488**
Sales and services of auxiliary enterprises	20,483,416	-	-	**20,483,416**
Private gifts and grants	3,013,912	17,076,706	-	**20,090,618**
Government grants and appropriations	246,667	2,630,639	-	**2,877,306**
Investment return:				
Dividends and interest	4,294,727	1,803,591	-	**6,098,318**
Realized gains spent to support operations	2,937,742	3,527,341	-	**6,465,083**
Interest on student loans	302,606	-	-	**302,606**
Other	1,106,879	443,095	-	**1,549,974**
Total operating revenue	90,507,437	25,481,372	-	**115,988,809**
Net assets released from restrictions	10,190,890	(10,190,890)		**-**
Total operating revenue and net assets released from restrictions	100,698,327	15,290,482	-	**115,988,809**
Operating expenses:				
Instruction	37,440,238	-	-	**37,440,238**
Research	812,405	-	-	**812,405**
Academic support	11,320,782	-	-	**11,320,782**
Student services	10,665,860	-	-	**10,665,860**
Institutional support	19,081,915	-	-	**19,081,915**
Auxiliary enterprises	18,309,757	-	-	**18,309,757**
Total operating expenses	97,630,957	-	-	**97,630,957**
Non-operating:				
Dividends and interest	392,336	95,931	-	**488,267**
Realized and unrealized gains	6,855,985	8,760,709	-	**15,616,694**
Capital gifts	1,842,289	1,634,057	10,025,194	**13,501,540**
Net loss on disposal of fixed assets	(34,197)	-	-	**(34,197)**
Other net (expense) revenue	(1,612,522)	111,832	1,708,871	**208,181**
Changes in net assets from non-operating activities	7,443,891	10,602,529	11,734,065	**29,780,485**
Increase in net assets	10,511,261	25,893,011	11,734,065	**48,138,337**
Net assets at beginning of year	182,822,077	14,044,900	64,939,323	**261,806,300**
Net assets at end of year	$ 193,333,338	$ 39,937,911	$ 76,673,388	**$ 309,944,637**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	**$ 32,511,502**	$ 48,138,337
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**9,516,840**	8,549,212
Amortization of deferred financing costs	**63,897**	41,954
(Increase) decrease in pledge discount	**(3,207)**	(2,801,504)
Loss on disposal of fixed assets	**171,366**	34,197
Increase (decrease) in provision for bad debts	**(182,465)**	1,686,156
Realized and unrealized gains on investments	**(25,530,115)**	(22,081,777)
Capital gifts	**(9,899,972)**	(13,501,540)
Gifts in kind	**(649,977)**	(543,357)
Cumulative effect of a change in accounting principle	**3,132,332**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(65,478)**	(376,044)
Inventories	**(63,160)**	83,716
Prepaid expenses	**(59,138)**	(345,102)
Prepaid pension costs	**(365,738)**	(272,294)
Accounts payable and accrued expenses	**4,262,499**	1,830,726
Student tuition deposits and deferred income	**684,116**	1,247,427
Accrued postretirement benefits	**674,460**	1,938,564
Net cash provided by operating activities	**14,197,762**	23,628,671
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**158,126,316**	176,808,030
Purchases of investments	**(160,045,180)**	(178,076,214)
Student loan principal collected	**1,316,117**	1,230,063
Student loans originated	**(360,134)**	(535,574)
Purchases of land, buildings and equipment	**(30,556,803)**	(10,046,859)
Net cash used in investing activities	**(31,519,684)**	(10,620,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	**9,899,972**	13,501,540
Change in pledges, contributions, and bequests receivable	**638,809**	(19,368,949)
Principal paid on long-term debt	**(3,317,217)**	(865,000)
Decrease in deposits with trustee	**16,789,770**	2,513,756
Refund (payment) of debt issuance costs	**10,000**	(46,202)
Change in refundable government loan funds	**43,324**	57,588
Net cash provided by (used in) financing activities	**24,064,658**	(4,207,267)
Net increase in cash and cash equivalents	**6,742,736**	8,800,850
Cash and cash equivalents at beginning of year	**24,484,457**	15,683,607
Cash and cash equivalents at end of year	**$ 31,227,193**	$ 24,484,457
SUPPLEMENTAL DISCLOSURES		
Non-cash investing and financing activities-gifts in kind	**$ 649,977**	$ 543,357
Interest paid	**$ 3,138,518**	$ 2,882,700

See notes to financial statements.

NOTE 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 2,300 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 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation

The College's 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, 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.

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.

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 long-term investments in the accompanying statements of financial position.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $5,173,000 and $6,373,000 as of May 31, 2006 and 2005, 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 an 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 money managers or quoted market prices. Market prices on specific investments frequently change, and could affect the future fair values of the College's investments.

Student Loans

Student loans receivable are reported net of an allowance for doubtful accounts. A reasonable estimate of the market 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.

Fair Value of Financial Instruments

The carrying amount 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.

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 and the Tang Museum Shop.

Land, Building and Equipment, net

Land, buildings and equipment are carried at cost, if purchased, or at 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 ranging from 3 to 45 years. 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 nonoperating 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 are reported as being released from restriction when the donated or acquired long-lived assets are placed in service.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional Asset Retirement Obligations

In March 2005, the Financial Accounting Standards Board issued interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations.* The Interpretation requires the current recognition of a liability when a legal obligation exists to perform an asset retirement in which the timing of method of settlement are conditional on a future event that may or may not be under the control of the entity. The interpretation also requires an asset retirement obligation (ARO) to be recognized as a liability at its net present value with a corresponding increase in the carrying amount of the long-lived asset to which the ARO relates. The liability is accreted through periodic charges to accretion expense through the expected dates of the asset retirement. The capitalized asset cost is depreciated over the useful life of the related long lived asset. As described in Note 6, the College adopted FIN 47 effective as of May 31, 2006 with the initial application recorded as a cumulative effect for a change in accounting principle.

Debt Issuance Costs

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

Contributions

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.

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.

Program Expenses

Total program expenses for the years ended May 31, 2006 and 2005 were approximately $84,833,000 and $78,549,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

NOTE 3 — ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable and student loans receivable are recognized net of an allowance for uncollectible accounts of approximately $70,000 and $640,000, respectively, as of May 31, 2006 and approximately $86,000 and $716,000, respectively, as of May 31, 2005.

Student loans receivable are comprised primarily of College sponsored loans that were funded 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.

NOTE 4 — 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 2006 and 2005.

Pledges, contributions, and bequests receivable as of May 31, 2006 and 2005, were due as follows:

	2006	2005
Gross amounts due in:		
One year	$ 1,146,418	$ 1,501,642
One to five years	26,379,388	26,165,256
More than five years	11,219,613	11,710,619
	38,745,419	39,377,517
Less: discount to present value (1.93% to 5.88%)	(3,663,745)	(3,660,241)
	35,081,674	35,717,276
Less: allowance for doubtful accounts	(2,173,533)	(2,263,710)
Total	$ 32,908,141	$ 33,453,566

As of May 31, 2006 and 2005, the College had also received notification of bequest intentions totaling approximately $13,357,000 and $13,999,000, 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 $3,749,000 and $3,182,000 for the years ended May 31, 2006 and 2005, respectively. These expenses are reflected in institutional support in the accompanying statements of activities.

NOTE 5 — INVESTMENTS

The fair value and cost of long-term investments by type of investment as of May 31, 2006 and 2005 were as follows:

	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	$ 8,342,284	$ 8,335,217	$ 20,701,377	$ 20,701,431
Fixed income securities	54,575,684	55,403,461	43,882,764	42,999,615
Equity securities	134,610,722	104,191,571	114,263,487	89,122,482
Limited partnerships	52,138,386	29,797,732	43,416,111	27,721,003
Other	137,026	137,026	91,384	91,384
Total	$ 249,804,102	$ 197,865,007	$ 222,355,123	$ 180,635,915

The College has committed to investing an additional $4,759,000 in two private equity limited partnerships over the next two years and $3,787,000 in three real estate limited partnerships over the next year.

Investment management and custodial fees are netted against investment returns, and were approximately $960,000 and $834,000 for the years ended May 31, 2006 and 2005, respectively.

The fair value and cost of investments by traditional fund classification as of May 31, 2006 and 2005 were as follows:

	2006		2005	
	Fair Value	Cost	Fair Value	Cost
Pooled Investments				
Endowment and similar funds	$ 235,850,881	$ 184,139,689	$ 209,316,441	$ 168,070,680
Non-pooled Investments				
Current funds	6,674,691	6,386,816	6,434,182	6,076,027
Life income funds	7,278,530	7,338,502	6,604,500	6,489,208
Total non-pooled	13,953,221	13,725,318	13,038,682	12,565,235
Total	$ 249,804,102	$ 197,865,007	$ 222,355,123	$ 180,635,915

NOTE 5 — INVESTMENTS (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:

	2006			
	Pooled Investments			Market
	Market	Cost	Net Gain	Value Per Unit
End of year	$ 235,850,881	$ 184,139,689	$ 51,711,192	$ 6.90
Beginning of year	209,316,441	168,070,680	41,245,761	6.15
Unrealized net gain for year			10,465,431	
Net realized gain for year			15,451,196	
Net total gain for year			$ 25,916,627	$ 0.75

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.10 for the year ended May 31, 2006.

	2005			
	Pooled Investments			Market
	Market	Cost	Net Gain	Value Per Unit
End of year	$ 209,316,441	$ 168,070,680	$ 41,245,761	$ 6.15
Beginning of year	186,311,831	148,167,601	38,144,230	5.49
Unrealized net gain for year			3,101,531	
Net realized gain for year			19,931,622	
Net total gain for year			$ 23,033,153	$ 0.66

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.11 for the year ended May 31, 2005.

NOTE 6 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2006 and 2005, consisted of the following:

	2006	2005
Land	$ 1,198,656	$ 1,198,656
Buildings and building improvements	138,539,756	135,750,528
Equipment and furnishings	48,799,710	43,204,450
Library holdings and art collections	19,822,339	18,196,297
Construction in progress	25,606,872	4,338,014
	233,967,333	202,687,945
Less: accumulated depreciation	(112,235,628)	(102,561,169)
Land, buildings, and equipment, net	$ 121,731,705	$ 100,126,776

Depreciation expense for the years ended May 31, 2006 and 2005 amounted to $9,516,840 and $8,549,212, respectively.

Contingencies Related To Land, Buildings, and Equipment

Asset Retirement Obligation

In the normal course of operation, the College performs maintenance and repairs on its facilities and is also involved in ongoing construction projects. As part of these activities, the College has identified areas containing materials that legally require removal (asset retirement obligation) at some point in the future. The primary material identified was asbestos that was used in the initial construction of many of the buildings at the College. At May 31, 2006, the College estimated the current cost to remove these materials at approximately $3,461,000. To recognize the asset retirement obligation as of May 31, 2006, the College recorded a liability of approximately $3,219,000, representing the present value of the future removal costs estimated to be incurred from 2006-2013; a long lived asset of approximately $528,000; and accumulated depreciation of approximately $442,000. A cumulative effect for a change in accounting principle adjustment of approximately $3,132,000 was also recognized at May 31, 2006. The asset retirement obligation has been calculated using the risk free discount rate of the College which approximates 5%.

Sale of Moore Hall

At May 31, 2006, the College had an agreement in effect with a third party for the sale of a residence hall located off the main campus in Saratoga Springs, NY. The College expects this transaction to close by November 2006.

Construction

The College has entered into various contracts in connection with ongoing construction on campus. The total commitments for these contracts totaled approximately $21,369,000. As of May 31, 2006, approximately $14,408,000 has been paid on these contracts, leaving the remaining balance of approximately $6,961,000 to be paid during fiscal year 2007.

NOTE 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 fund 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, 2006 and 2005, is summarized as follows:

	2006	2005
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	$ 13,445,000	$ 13,700,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	27,240,000	28,940,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	32,245,000	32,245,000
Total plant debt	72,930,000	74,885,000
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	297,307	344,525
Series '93; 5.05%; due 2013	1,200,048	1,560,048
Series '95; 5.75%; due 2016	2,809,054	3,764,053
Total student loan debt	4,306,409	5,668,626
Total long-term debt	$ 77,236,409	$ 80,553,626

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 U.S. government agency and treasury notes, are reflected in deposits with bond trustees in the accompanying statements of financial position.

NOTE 7 — LONG-TERM DEBT (Continued)

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

	Principal	Interest	Total
2007	$ 2,665,000	$ 3,049,476	$ 5,714,476
2008	2,690,000	3,037,320	5,727,320
2009	3,352,709	3,296,655	6,649,364
2010	6,957,975	3,550,286	10,508,261
2011	3,562,766	3,439,530	7,002,296
Thereafter	58,007,959	31,597,880	89,605,839
Total	$ 77,236,409	$ 47,971,147	$ 125,207,556

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 approximately $86,211,000 and $92,166,000 as of May 31, 2006 and 2005, respectively.

Interest expense for the years ended May 31, 2006 and 2005 totaled approximately $3,139,000 and $2,743,000, respectively.

NOTE 8 — NET ASSETS

Unrestricted net assets consisted of the following as of May 31, 2006 and 2005:

	2006	2005
Undesignated	$ 23,407,532	$ 48,495,922
Board designated for:		
Endowment	149,722,342	132,157,808
Facilities/equipment renewals and replacements	44,960,135	4,499,530
Student loans	154,023	203,618
Academic programs and scholarships	8,829,389	7,976,460
	$ 227,073,421	$ 193,333,338

NOTE 8 — NET ASSETS (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, 2006 and 2005 were classified as follows:

	2006	2005
Student loans	$ 48,604	$ 48,604
Funds for academic programs and scholarships	2,207,347	1,994,115
Funds for capital improvements	3,121,647	409,699
Life income and annuity funds	11,998,507	11,127,286
Pledges receivable	15,081,943	26,358,207
	$ 32,458,048	$ 39,937,911

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, 2006 and 2005 consisted of the following:

	2006	2005
Endowment	$ 72,327,753	$ 64,456,211
Life income and annuity funds	2,281,433	2,270,514
Pledges receivable	8,315,484	9,946,663
	$ 82,924,670	$ 76,673,388

NOTE 9 — EMPLOYEE BENEFIT PLANS

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, 2006 and 2005 were approximately $3,491,000 and $3,315,000, 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, 2006 and 2005 were approximately $480,000 and $439,000, respectively.

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Pension Plans (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, 2006 and 2005:

	2006	2005
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,311,821	$ 2,197,642
Interest cost	115,699	143,738
Benefits paid	(247,413)	(343,927)
Actuarial (gain) loss	(75,043)	314,368
Benefit obligation at end of year	$ 2,105,064	$ 2,311,821
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,806,375	$ 1,710,611
Actual return on plan assets	43,208	10,289
Employer contribution	527,179	429,402
Benefits paid	(247,413)	(343,927)
Fair value of plan assets at end of year	$ 2,129,349	$ 1,806,375
Components of pension asset (liability):		
Funded status	$ 24,285	$ (505,446)
Unrecognized net loss	1,033,211	1,197,204
Prepaid pension cost	1,057,496	691,758
Additional minimum liability	-	(1,197,204)
Pension asset (liability)	$ 1,057,496	$ (505,446)
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	$ 115,699	$ 143,738
Expected return on assets	(60,604)	(64,182)
Amortization of unrecognized net loss	106,346	77,552
Net periodic pension cost	$ 161,441	$ 157,108

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Pension Plans (Continued)

The College's funding policy is based upon and is in compliance with ERISA requirements. The College contributed $527,000 and $429,000 to the plan for the years ended May 31, 2006 and 2005, respectively. An assumed discount rate of 6.0% and 5.50% was used in accounting for the plan as of May 31, 2006 and 2005, respectively. An expected long-term rate of return on assets of 5.0% was used in accounting for the plan as of May 31, 2006 and 2005.

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, 2006 and 2005:

	2006	2005
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 28,309,116	$ 26,487,178
Service cost	1,046,283	756,309
Interest cost	1,526,265	1,518,508
Plan participant's contribution	32,071	27,309
Amendments/curtailments/special termination	-	(1,868,743)
Actuarial loss (gain)	(140,744)	2,328,776
Benefits paid	(1,120,056)	(940,221)
Benefit obligation at end of year	$ 29,652,935	$ 28,309,116
Change in plan assets:		
Employer contribution	$ 1,087,985	$ 912,912
Plan participants' contributions	32,071	27,309
Benefits paid	$ (1,120,056)	$ (940,221)
Components of accrued benefit cost:		
Funded status	$ (29,652,935)	$ (28,309,116)
Unrecognized prior service cost	(1,957,376)	(2,236,740)
Unrecognized actuarial net loss	12,028,771	12,835,980
Accrued benefit cost	$ (19,581,540)	$ (17,709,876)

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

Net periodic postretirement benefit cost for the years ended May 31, 2006 and 2005 includes the following components, and is included in the various functional classifications in the accompanying statements of activities:

	2006	2005
Components of net periodic benefit cost:		
Service cost	$ 1,046,283	$ 756,309
Interest cost	1,526,265	1,518,508
Amortization of gains and losses	666,465	386,215
Amortization of unrecognized prior service cost	(279,364)	(169,833)
Net periodic postretirement benefit cost	$ 2,959,649	$ 2,491,199

Actual net health care claims paid for retirees by the College for the years ended May 31, 2006 and 2005 totaled $1,087,985 and $912,911, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 6.0% and 5.50% as of May 31, 2006 and 2005, respectively. The assumed health care cost trend rate used was 8.0% 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, 2006 by $5,206,481 and increase the aggregate of the service cost and interest cost by $549,783. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2006 by $4,430,012 and decrease the aggregate of the service cost and interest cost by $452,392.

Expected benefit payments reflect expected future service for each fiscal year. Shown below are the expected gross payments (including prescription drug benefits) and the expected amount of the subsidy receipts for the next five years and thereafter:

	Gross Payments	Subsidy Receipts
2007	$ 1,126,517	$ (132,422)
2008	1,289,117	(141,490)
2009	1,486,919	(160,051)
2010	1,689,477	(182,306)
2011	1,924,621	(206,664)
Years 2012-2016	13,234,658	(1,530,033)

NOTE 10 — CREDIT AGREEMENTS

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, 2006 and 2005.

At May 31, 2006 the College has an outstanding letter of credit approximating $432,000 issued in favor of the City of Saratoga Springs for site improvements associated with the construction of the Northwoods Apartments.

NOTE 11 – SUBSEQUENT EVENTS

Bequest

The College has been named the beneficiary of a bequest in the estate of a donor. The gift was not recorded in the accompanying financial statements because the donor's will had not been declared valid by the probate court as of May 31, 2006. The College anticipates that it will receive approximately $42,000,000 from the bequest, but that amount will not be recognized as revenue by the College until the donor's will is declared valid by the probate court.