SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2007 and 2006

SKIDMORE COLLEGE

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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, 2007 and 2006, 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, 2007 and 2006, 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.

As described in Note 2, the College implemented Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* in 2007.

UHY LLP

Albany, New York
September 18, 2007

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	**$ 36,826,572**	$ 31,227,193
Accounts receivable, net	**2,569,223**	2,350,803
Inventories	**662,295**	863,970
Prepaid expenses	**1,311,974**	1,395,157
Contributions receivable, net	**32,883,289**	32,908,141
Student loans receivable, net	**3,993,088**	4,864,900
Investments, at fair value	**332,796,261**	249,804,102
Deposits with bond trustees	**7,910,030**	20,138,079
Debt issuance costs	**2,116,663**	2,192,467
Prepaid benefit costs	**214,629**	1,057,496
Land, buildings and equipment, net	**136,734,690**	121,731,705
Total assets	**$ 558,018,714**	$ 468,534,013
LIABILITIES		
Accounts payable and accrued expenses	**$ 13,034,373**	$ 15,062,206
Student tuition deposits and deferred revenues	**9,955,101**	9,260,340
Accrued pension and postretirement benefits	**34,228,257**	19,581,540
Refundable government loan funds	**1,747,131**	1,718,692
Asset retirement obligation	**2,717,252**	3,218,687
Long-term debt	**74,571,409**	77,236,409
Total liabilities	**136,253,523**	126,077,874
NET ASSETS		
Unrestricted:		
Board designated	**285,872,039**	203,665,889
Undesignated	**9,098,532**	23,407,532
	294,970,571	227,073,421
Temporarily restricted	**39,312,855**	32,458,048
Permanently restricted	**87,481,765**	82,924,670
Total net assets	**421,765,191**	342,456,139
Total liabilities and net assets	**$ 558,018,714**	$ 468,534,013

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 92,837,135	$ -	$ -	**$ 92,837,135**
Less: institutional aid	(22,514,606)	-	-	**(22,514,606)**
Net tuition and fees	70,322,529	-	-	**70,322,529**
Sales and services of auxiliary enterprises	24,221,428	-	-	**24,221,428**
Private gifts and grants	4,314,662	3,858,377	-	**8,173,039**
Government grants and appropriations	280,998	1,750,261	-	**2,031,259**
Investment return:				
Dividends and interest	5,050,472	1,620,863	-	**6,671,335**
Realized gains used to support operations	4,277,158	4,886,968	-	**9,164,126**
Interest on student loans	222,117	-	-	**222,117**
Other	1,415,163	183,176	-	**1,598,339**
Total operating revenue	110,104,527	12,299,645	-	**122,404,172**
Net assets released from restrictions	28,663,180	(28,663,180)	-	**-**
Total operating revenue and net assets released from restrictions	138,767,707	(16,363,535)	-	**122,404,172**
Operating expenses:				
Instruction	45,650,727	-	-	**45,650,727**
Research	910,019	-	-	**910,019**
Academic support	13,633,437	-	-	**13,633,437**
Student services	12,155,915	-	-	**12,155,915**
Institutional support	22,621,932	-	-	**22,621,932**
Auxiliary enterprises	21,457,693	-	-	**21,457,693**
Total operating expenses	116,429,723	-	-	**116,429,723**
Non-operating:				
Dividends and interest	173,963	1,312,810	-	**1,486,773**
Realized and unrealized gains	18,194,504	17,388,496	-	**35,583,000**
Capital gifts	39,696,700	5,621,329	4,495,502	**49,813,531**
Net loss on disposal of fixed assets	(459,135)	-	-	**(459,135)**
Other net (expense) revenue	391,024	95,396	61,593	**548,013**
Net assets released from restrictions	1,199,689	(1,199,689)	-	**-**
Changes in net assets from non-operating activities	59,196,745	23,218,342	4,557,095	**86,972,182**
Increase in net assets before a cumulative effect of a change in accounting principle	81,534,729	6,854,807	4,557,095	**92,946,631**
Cumulative effect of a change in accounting principle	(13,637,579)	-	-	**(13,637,579)**
Increase in net assets	67,897,150	6,854,807	4,557,095	**79,309,052**
Net assets at beginning of year	227,073,421	32,458,048	82,924,670	**342,456,139**
Net assets at end of year	$ 294,970,571	$ 39,312,855	$ 87,481,765	**$ 421,765,191**

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 used 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 net (expense) revenue	(88,971)	(227,660)	34,794	**(281,837)**
Net assets released from restrictions	47,314	(47,314)	-	**-**
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 of a 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
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	**$ 79,309,052**	$ 32,511,502
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**9,609,238**	9,516,840
Amortization of debt issuance costs	**75,804**	63,897
(Increase) decrease in pledge discount	**581,624**	(3,207)
Loss on disposal of fixed assets	**459,135**	171,366
Increase (decrease) in allowance for uncollectible receivables	**711,088**	(182,465)
Realized and unrealized gains on investments	**(44,747,126)**	(25,530,115)
Capital gifts	**(50,280,359)**	(9,899,972)
Gifts in kind	**(645,513)**	(649,977)
Cumulative effect of a change in accounting principle	**13,637,579**	3,132,332
Changes in operating assets and liabilities (prior to cumulative effect of a change in accounting principle):		
Accounts receivable	**(394,797)**	(65,478)
Inventories	**201,675**	(63,160)
Prepaid expenses	**83,183**	(59,138)
Prepaid pension costs	**(135,384)**	(365,738)
Accounts payable and accrued expenses	**(2,027,833)**	4,262,499
Student tuition deposits and deferred revenue	**694,761**	684,116
Accrued postretirement benefits	**1,987,389**	674,460
Asset retirement obligation	**(501,435)**	-
Net cash provided by operating activities	**8,618,081**	14,197,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**112,970,516**	158,126,316
Purchases of investments	**(151,215,550)**	(160,045,180)
Student loan principal collected	**1,215,261**	1,316,117
Student loans originated	**(403,866)**	(360,134)
Purchases of land, buildings and equipment	**(24,425,845)**	(30,556,803)
Net cash used in investing activities	**(61,859,484)**	(31,519,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	**50,280,359**	9,899,972
Change in pledges, contributions, and bequests receivable	**(1,031,065)**	638,809
Payments on long-term debt	**(2,665,000)**	(3,317,217)
Decrease in deposits with bond trustee	**12,228,049**	16,789,770
Refund of debt issuance costs	**-**	10,000
Change in refundable government loan funds	**28,439**	43,324
Net cash provided by financing activities	**58,840,782**	24,064,658
Net increase in cash and cash equivalents	**5,599,379**	6,742,736
Cash and cash equivalents at beginning of year	**31,227,193**	24,484,457
Cash and cash equivalents at end of year	**$ 36,826,572**	$ 31,227,193
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 3,049,476**	$ 3,138,518
Interest capitalized	**$ -**	$ 807,435

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:

Unrestricted – Net assets that are not subject to donor-imposed stipulations, but may be internally designated by the College.

Temporarily restricted – 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 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 equivalents (current operating assets) are comprised of investments with maturities of less than 90 days except for cash equivalents included in investment pools, which are included in 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 $10,934,000 and $5,173,000 as of May 31, 2007 and 2006, 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 reported at fair value 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 Receivable

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, contributions receivable, deposits held by bond trustees, and accounts payable and accrued expenses approximate fair value.

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 of a change in accounting principle.

Accrued Pension and Postretirement Benefits

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (*SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit postretirement plan's funded status as either an asset or liability on the Statement of Financial Position. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period. The College has elected to adopt SFAS No. 158 for the year ended May 31, 2007, with the initial application recorded as a cumulative effect of a change in accounting principle.

The following table summarizes the incremental effect of applying FASB Statement No. 158 on the individual line Items in the Statement of Financial Position as of May 31, 2007:

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Prepaid benefit costs	$ 1,192,880	$ (978,251)	$ 214,629
Accrued pension and post retirement benefits	21,568,929	12,659,328	34,228,257
Unrestricted net assets	308,608,150	(13,637,579)	294,970,571

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.

Deposits With Bond Trustees

All borrowing arrangements between the College and the Dormitory Authority of the State of New York (see Note 7) 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. Deposits with bond trustees also includes unexpended proceeds from prior bond issuances that are earmarked for future capital expenditures.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Unconditional promises to give (pledges) and gifts of cash and other non-capital assets are reported at fair value (net present value). Such gifts are recorded as restricted 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. Gifts received without donor restrictions are recorded as unrestricted revenue.

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.

Capital Gift Revenue

Capital gift revenue (non-operating) includes endowed gifts, gifts of equipment or other property, life income funds, and/or other gifts that are designated by the College's Board of Trustees for non-operating purposes.

Program Expenses

Total program expenses for the years ended May 31, 2007 and 2006 were approximately $93,808,000 and $84,833,000, 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 $247,000 and $700,000, respectively, as of May 31, 2007 and approximately $70,000 and $640,000, respectively, as of May 31, 2006.

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

Contributions receivable consists of pledges, contributions, and bequests. The College recognizes contributions receivable 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 contributions. Discount rates ranged from 1.93% to 5.88% for fiscal years 2007 and 2006.

NOTE 4 — CONTRIBUTIONS RECEIVABLE, NET (Continued)

Contributions receivable as of May 31, 2007 and 2006, were due as follows:

	2007	2006
Gross amounts due in:		
One year	$ 2,660,089	$ 1,146,418
One to five years	27,853,557	26,379,388
More than five years	8,124,434	11,219,613
	38,638,080	38,745,419
Less: discount to present value	(3,106,963)	(3,663,745)
	35,531,117	35,081,674
Less: allowance for uncollectible contributions	(2,647,828)	(2,173,533)
Total	$ 32,883,289	$ 32,908,141

As of May 31, 2007 and 2006, the College had also received notification of bequest intentions totaling approximately $11,481,000 and $13,357,000, respectively. These bequests, if received, would be used for general operations, program activities and new facilities. These amounts are not included in contributions 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 $4,050,000 and $3,749,000 for the years ended May 31, 2007 and 2006, respectively. These expenses are reflected in institutional support in the accompanying statements of activities.

NOTE 5 — INVESTMENTS

The fair value and cost of investments, by type, as of May 31, 2007 and 2006 were as follows:

	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	$ 31,383,181	$ 31,379,903	$ 8,342,284	$ 8,335,217
Fixed income securities	55,368,467	55,592,829	54,575,684	55,403,461
Equity securities	178,132,261	127,263,507	134,610,722	104,191,571
Limited partnerships	67,785,548	35,558,893	52,138,386	29,797,732
Other	126,804	126,332	137,026	137,026
Total	$ 332,796,261	$ 249,921,464	$ 249,804,102	$ 197,865,007

The College has committed to investing an additional $25,340,000 in five private equity limited partnerships over the next seven years and $4,979,000 in three real estate limited partnerships over the next five years. These additional commitments are subject to call provisions included in the respective partnership agreements.

Investment management and custodial fees are netted against dividends and interest (operating), and were approximately $992,000 and $960,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE 5 — INVESTMENTS (Continued)

The fair value and cost of investments by traditional fund classification as of May 31, 2007 and 2006 were as follows:

	2007		2006	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Pooled Investments				
Endowment and similar funds	$ 318,409,517	$ 236,203,171	$ 235,850,881	$ 184,139,689
Non-pooled Investments				
Current funds	6,998,890	6,677,183	6,674,691	6,386,816
Life income funds	7,387,854	7,041,110	7,278,530	7,338,502
Total non-pooled	14,386,744	13,718,293	13,953,221	13,725,318
Total	$ 332,796,261	$ 249,921,464	$ 249,804,102	$ 197,865,007

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 month 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:

	2007			
	Pooled Investments			
	Market	**Cost**	**Net Gain**	**Market Value Per Unit**
End of year	$ 318,409,517	$ 236,203,171	$ 82,206,346	$ 8.07
Beginning of year	235,850,881	184,139,689	51,711,192	6.90
Unrealized net gain for year			30,495,154	
Net realized gain for year			15,266,580	
Net realized and unrealized gains			$ 45,761,734	$ 1.17

The average earnings per unit, exclusive of unrealized and realized net gains, amounted to $.11 for the year ended May 31, 2007.

	2006			
	Pooled Investments			
	Market	**Cost**	**Net Gain**	**Market 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 realized and unrealized gains			$ 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.

NOTE 6 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2007 and 2006, consisted of the following:

	2007	2006
Land	$ 1,198,656	$ 1,198,656
Buildings and building improvements	177,828,754	138,539,756
Equipment and furnishings	54,887,576	48,799,710
Library holdings and art collections	21,129,414	19,822,339
Construction in progress	2,611,476	25,606,872
	257,655,876	233,967,333
Less: accumulated depreciation	(120,921,186)	(112,235,628)
Land, buildings, and equipment, net	$ 136,734,690	$ 121,731,705

Depreciation expense for the years ended May 31, 2007 and 2006 amounted to $9,609,238 and $9,516,840, 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. There have not been any revisions to either the timing or the amount of the original estimate of cash flows required for the estimated obligations as of May 31, 2007. The asset retirement obligation has been discounted using the College's risk free rate of return which approximates 5%.

The liability recorded as an asset retirement obligation, with estimated future removal costs to be incurred from 2006-2013, as of May 31, 2007 and 2006 was $2,717,000 and $3,219,000, respectively. The associated long lived asset recorded at May 31, 2006 approximated $528,000. For the years ending May 31, 2007 and 2006, the accumulated depreciation relating to the associated long lived asset was approximately $451,000 and $442,000, respectively.

Sale of Moore Hall

At May 31, 2007, 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 October 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 as of May 31, 2007 and 2006, is summarized as follows:

	2007	2006
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	$ 13,185,000	$ 13,445,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	25,515,000	27,240,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	31,565,000	32,245,000
Total plant debt	70,265,000	72,930,000
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	297,307
Series '93; 5.05%; due 2013	1,200,048	1,200,048
Series '95; 5.75%; due 2016	2,809,054	2,809,054
Total student loan debt	4,306,409	4,306,409
Total long-term debt	$ 74,571,409	$ 77,236,409

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.

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
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
2012	3,562,147	3,254,526	6,816,673
Thereafter	54,445,812	28,343,354	82,789,166
Total	$ 74,571,409	$ 44,921,671	$ 119,493,080

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 $83,181,000 and $86,211,000 as of May 31, 2007 and 2006, respectively.

Interest expense for the years ended May 31, 2007 and 2006 totaled approximately $3,049,000 and $3,139,000, respectively. Interest capitalized approximated $807,000 for the year ended May 31, 2006. No interest was capitalized for the year ended May 31, 2007.

NOTE 8 — NET ASSETS

Unrestricted net assets consisted of the following as of May 31, 2007 and 2006:

	2007	2006
Undesignated	$ 9,001,184	$ 23,407,532
Board designated for:		
Endowment	207,691,494	149,722,342
Facilities/equipment renewals and replacements	68,867,726	44,960,135
Student loans	-	154,023
Academic programs and scholarships	9,410,167	8,829,389
	$ 294,970,571	$ 227,073,421

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, 2007 and 2006 were classified as follows:

	2007	2006
Student loans	$ 48,604	$ 48,604
Academic programs and scholarships	2,352,542	2,207,347
Capital improvements	7,817,604	3,121,647
Life income and annuity funds	12,286,770	11,998,507
Contributions receivable	16,807,335	15,081,943
	$ 39,312,855	$ 32,458,048

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, 2007 and 2006 consisted of the following:

	2007	2006
Endowment	$ 79,627,148	$ 72,327,753
Life income and annuity funds	1,768,658	2,281,433
Contributions receivable	6,085,959	8,315,484
	$ 87,481,765	$ 82,924,670

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, 2007 and 2006 were approximately $3,755,000 and $3,491,000, 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, 2007 and 2006 were approximately $555,000 and $480,000, 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, 2007 and 2006:

	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,105,064	$ 2,311,821
Interest cost	107,304	115,699
Benefits paid	(447,677)	(247,413)
Actuarial (gain) loss	79,888	(75,043)
Benefit obligation at end of year	$ 1,844,579	$ 2,105,064
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 2,129,349	$ 1,806,375
Actual return on plan assets	107,365	43,208
Employer contribution	270,171	527,179
Benefits paid	(447,677)	(247,413)
Fair value of plan assets at end of year	$ 2,059,208	$ 2,129,349
Funded status		
End of year	$ 214,629	$ 24,285
Unrecognized net loss	-	1,033,211
Net amount recognized	$ 214,629	$ 1,057,496
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	$ 107,304	$ 115,699
Expected return on assets	(69,876)	(60,604)
Amortization of unrecognized net loss	97,359	106,346
Net periodic pension cost	$ 134,787	$ 161,441

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 approximately $270,000 and $527,000 to the plan for the years ended May 31, 2007 and 2006, respectively. An assumed discount rate of 6.0% was used in accounting for the plan as of May 31, 2007 and 2006. An expected long-term rate of return on assets of 5.0% was used in accounting for the plan as of May 31, 2007 and 2006. The estimated net loss for the Skidmore College Retirement Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $96,662.

Postretirement Health Benefits

The College pays for a portion of medical benefits for retired non-unionized employees based upon years of service at retirement date. 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, 2007 and 2006:

	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 29,652,935	$ 28,309,116
Service cost	1,031,084	1,046,283
Interest cost	1,736,569	1,526,265
Plan participant's contribution	21,386	32,071
Medicare Part D Subsidy	82,135	-
Actuarial loss (gain)	2,937,603	(140,744)
Benefits paid	(1,233,455)	(1,120,056)
Benefit obligation at end of year	$ 34,228,257	$ 29,652,935
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	1,129,934	1,087,985
Plan participants' contributions	21,386	32,071
Medicare Part D Subsidy	82,135	-
Benefits paid	(1,233,455)	(1,120,056)
Fair value of plan assets at end of year	$ -	$ -
Funded status		
End of year	$ (34,228,257)	$ (29,652,935)
Unrecognized prior service cost	-	(1,957,376)
Unrecognized actuarial net loss	-	12,028,771
Net amount recognized	$ (34,228,257)	$ (19,581,540)

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

Net periodic postretirement benefit cost for the years ended May 31, 2007 and 2006 includes the following components, and is included in the various functional classifications in the accompanying statements of activities:

	2007	2006
Components of net periodic postretirement benefit cost:		
Service cost	$ 1,031,084	$ 1,046,283
Interest cost	1,736,569	1,526,265
Amortization of gains and losses	629,034	666,465
Amortization of unrecognized prior service cost	(279,364)	(279,364)
Net periodic postretirement benefit cost	$ 3,117,323	$ 2,959,649

Actual net health care claims paid for retirees by the College for the years ended May 31, 2007 and 2006 totaled $1,129,934 and $1,087,985, respectively. The discount rate used in determining the accumulated postretirement benefit obligation was 6.0% as of May 31, 2007 and 2006. The assumed pre-65 medical trend rate is 10.5% for the next year, decreasing gradually in future years to 5% by fiscal 2015 and remaining at that level thereafter. The assumed post-65 medical cost trend rate is 8.0% for the next year, decreasing gradually in future years to 5% by fiscal 2015 and remaining at that level thereafter. The assumed prescription drug cost trend rate is 14% for the next year, decreasing gradually in future years to 5% by fiscal 2015 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, 2007 by $5,910,511 and increase the aggregate of the service cost and interest cost by $565,946. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2007 by $5,035,942 and decrease the aggregate of the service cost and interest cost by $496,002.

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
2008	$ 1,155,163	$ (140,920)
2009	1,321,818	(164,278)
2010	1,486,609	(192,645)
2011	1,680,596	(225,922)
2012	1,859,738	(261,884)
Years 2013-2017	11,600,376	(1,969,225)

NOTE 10 — CREDIT AGREEMENTS

The College has a $10,000,000 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 40 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, 2007 and 2006.