SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2016 and 2015

SKIDMORE COLLEGE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Skidmore College

We have audited the accompanying financial statements of Skidmore College (a nonprofit organization) (the "College"), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
September 2, 2016

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	**$ 30,417,756**	$ 26,682,849
Accounts receivable, net	**1,959,950**	2,272,000
Inventories	**661,957**	733,172
Prepaid expenses	**3,615,890**	2,406,164
Contributions receivable, net	**17,732,862**	18,058,933
Student loans receivable, net	**1,737,688**	1,845,896
Investments	**405,481,931**	415,263,388
Investments under split interest agreements	**6,868,622**	7,013,582
Deposits with bond trustees	**2,653,272**	2,843,759
Debt issuance costs, net	**1,087,495**	1,142,872
Pension assets, net	**138,499**	74,238
Land, buildings and equipment, net	**221,771,019**	223,371,430
Total assets	**$ 694,126,941**	$ 701,708,283
LIABILITIES		
Accounts payable and accrued expenses	**$ 11,587,559**	$ 11,836,541
Student tuition deposits and deferred revenues	**7,405,060**	7,811,917
Liabilities to beneficiaries under split interest agreements	**3,606,608**	2,274,058
Accrued postretirement benefits	**58,426,796**	87,068,080
Refundable government loan funds	**1,279,039**	1,921,760
Asset retirement obligation	**417,171**	422,971
Long-term debt	**65,557,962**	68,472,822
Total liabilities	**148,280,195**	179,808,149
NET ASSETS		
Unrestricted		
Board designated for endowment	**130,804,526**	142,667,756
Undesignated	**166,594,437**	131,790,966
Temporarily restricted	**112,906,482**	120,238,433
Permanently restricted	**135,541,301**	127,202,979
Total net assets	**545,846,746**	521,900,134
Total liabilities and net assets	**$ 694,126,941**	$ 701,708,283

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 131,381,348	$ -	$ -	**$ 131,381,348**
Less: institutional aid	(41,955,018)	-	-	**(41,955,018)**
Net tuition and fees	89,426,330	-	-	**89,426,330**
Sales and services of auxiliary enterprises	34,851,290	-	-	**34,851,290**
Private gifts and grants	4,266,572	4,168,878	-	**8,435,450**
Government grants and appropriations	181,023	1,833,029	-	**2,014,052**
Dividends and interest	367,090	182,218	-	**549,308**
Realized gains used to support operations	7,871,348	9,781,416	-	**17,652,764**
Interest on student loans	18,434	-	-	**18,434**
Other	1,924,691	610,528	-	**2,535,219**
Total operating revenue	138,906,778	16,576,069	-	**155,482,847**
Net assets released from restrictions	16,895,706	(16,895,706)	-	**-**
Total operating revenue and net assets released from restrictions	155,802,484	(319,637)	-	**155,482,847**
Operating expenses:				
Instruction	56,857,868	-	-	**56,857,868**
Research	1,784,003	-	-	**1,784,003**
Academic support	18,510,536	-	-	**18,510,536**
Student services	18,356,325	-	-	**18,356,325**
Institutional support	30,568,644	-	-	**30,568,644**
Auxiliary enterprises	28,394,817	-	-	**28,394,817**
	154,472,193	-	-	**154,472,193**
Non-operating:				
Dividends and interest	11,049	100,304	-	**111,353**
Net realized and unrealized losses	(14,792,081)	(16,949,420)	-	**(31,741,501)**
Change in value of split interest agreements	-	(1,163,383)	(500,824)	**(1,664,207)**
Capital gifts	4,148,315	11,000,185	8,839,146	**23,987,646**
Net loss on disposal of fixed assets	(414,179)	-	-	**(414,179)**
Other net gain	180,350	-	-	**180,350**
Changes in net assets from non-operating activities	(10,866,546)	(7,012,314)	8,338,322	**(9,540,538)**
Decrease in net assets before pension and postretirement benefit related changes other than net periodic benefit cost	(9,536,255)	(7,331,951)	8,338,322	**(8,529,884)**
Pension and postretirement benefit related changes other than net periodic benefit cost	32,476,496	-	-	**32,476,496**
Increase in net assets	22,940,241	(7,331,951)	8,338,322	**23,946,612**
Net assets at beginning of year	274,458,722	120,238,433	127,202,979	**521,900,134**
Net assets at end of year	$ 297,398,963	$ 112,906,482	$ 135,541,301	**$ 545,846,746**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 127,053,461	$ -	$ -	**$ 127,053,461**
Less: institutional aid	(42,370,945)	-	-	**(42,370,945)**
Net tuition and fees	84,682,516	-	-	**84,682,516**
Sales and services of auxiliary enterprises	33,342,195	-	-	**33,342,195**
Private gifts and grants	3,229,918	6,373,303	-	**9,603,221**
Government grants and appropriations	203,230	2,185,898	-	**2,389,128**
Dividends and interest	403,611	291,202	-	**694,813**
Realized gains used to support operations	7,807,305	9,298,565	-	**17,105,870**
Interest on student loans	13,341	-	-	**13,341**
Other	1,337,231	556,018	-	**1,893,249**
Total operating revenue	131,019,347	18,704,986	-	**149,724,333**
Net assets released from restrictions	20,296,311	(20,296,311)	-	**-**
Total operating revenue and net assets released from restrictions	151,315,658	(1,591,325)	-	**149,724,333**
Operating expenses:				
Instruction	56,213,500	-	-	**56,213,500**
Research	2,132,863	-	-	**2,132,863**
Academic support	18,178,370	-	-	**18,178,370**
Student services	18,232,944	-	-	**18,232,944**
Institutional support	29,592,746	-	-	**29,592,746**
Auxiliary enterprises	27,767,112	-	-	**27,767,112**
	152,117,535	-	-	**152,117,535**
Non-operating:				
Dividends and interest	12,530	99,594	-	**112,124**
Net realized and unrealized gains	8,678,860	6,580,494	-	**15,259,354**
Change in value of split interest agreements	-	(102,081)	6,112	**(95,969)**
Capital gifts	743,133	4,677,744	8,640,019	**14,060,896**
Net loss on disposal of fixed assets	(415,431)	-	-	**(415,431)**
Other net loss	(441,082)	-	-	**(441,082)**
Changes in net assets from non-operating activities	8,578,010	11,255,751	8,646,131	**28,479,892**
Increase in net assets before pension and postretirement benefit related changes other than net periodic benefit cost	7,776,133	9,664,426	8,646,131	**26,086,690**
Pension and postretirement benefit related changes other than net periodic benefit cost	(2,390,762)	-	-	**(2,390,762)**
Increase in net assets	5,385,371	9,664,426	8,646,131	**23,695,928**
Net assets at beginning of year	269,073,351	110,574,007	118,556,848	**498,204,206**
Net assets at end of year	$ 274,458,722	$ 120,238,433	$ 127,202,979	**$ 521,900,134**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	**$ 23,946,612**	$ 23,695,928
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	**15,044,375**	15,008,416
Amortization of debt issuance costs, premium and discount	**(180,350)**	441,082
Premium from issuance of long-term debt	**-**	2,595,106
Decrease in contributions receivable discount	**(158,296)**	(56,489)
Loss on disposal of buildings and equipment	**414,179**	415,431
Change in allowance for uncollectable receivables	**(61,684)**	57,446
Net realized and unrealized losses (gains) on investments	**14,088,737**	(32,365,224)
Capital gifts	**(23,987,646)**	(14,060,896)
Gifts in kind	**(1,626,561)**	(1,609,067)
Pension and postretirement benefit related changes other than net periodic benefit cost	**(32,476,496)**	2,390,762
Changes in operating assets and liabilities:		
Accounts receivable	**321,253**	773,959
Inventories	**71,215**	21,087
Prepaid expenses	**(1,209,726)**	(132,878)
Pension assets, net	**(64,261)**	16,854
Accounts payable and accrued expenses	**(248,982)**	(3,181,110)
Liabilities to beneficiaries under split interest agreements	**1,332,550**	87,967
Student tuition deposits and deferred revenues	**(406,857)**	(1,282,179)
Accrued postretirement benefits	**3,835,212**	5,498,635
Asset retirement obligation	**(5,800)**	-
Net cash used in operating activities	**(1,372,526)**	(1,685,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**97,623,418**	93,577,046
Purchases of investments	**(101,785,738)**	(79,566,985)
Student loan principal collected	**371,171**	375,813
Student loans originated	**(255,763)**	(271,164)
Purchases of land, buildings and equipment	**(12,231,582)**	(9,831,150)
Net cash (used in) provided by investing activities	**(16,278,494)**	4,283,560
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	**23,987,646**	14,060,896
Change in contributions receivable	**529,648**	(39,258)
Proceeds from issuance of long-term debt	**-**	22,780,000
Payments on long-term debt	**(2,679,133)**	(27,289,906)
Net change in deposits with bond trustees	**190,487**	1,336,559
Debt issuance costs	**-**	(285,571)
Net change in refundable government loan funds	**(642,721)**	3,219
Net cash provided by financing activities	**21,385,927**	10,565,939
Net increase in cash and cash equivalents	**3,734,907**	13,164,329
Cash and cash equivalents at beginning of year	**26,682,849**	13,518,520
Cash and cash equivalents at end of year	**$ 30,417,756**	$ 26,682,849
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 3,394,667**	$ 2,866,301

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 a 1,200 acre campus located in Saratoga Springs, New York. The College serves approximately 2,600 undergraduate students.

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 ("US GAAP") 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</u> – Net assets that are not subject to donor-imposed stipulations, but may be internally designated by the College.

<u>Temporarily restricted</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</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.

Income Taxes

The College is a not-for-profit organization 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. However, income from certain activities not directly related to the tax exempt status of the College is subject to taxation as unrelated business income.

The primary income tax position taken by the College for any years open under the various statutes of limitations is that the College continues to be exempt from income taxes except for unrelated business income. The College believes that there are no uncertain tax positions that are material to the financial statements.

None of the College's returns are currently under examination by the Internal Revenue Service ("IRS") or state authorities.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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

The College considers all highly liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents. This does not include cash and cash equivalents included in investment pools, which are included in investments in the accompanying statements of financial position. The College has cash and cash equivalents in money market mutual funds and other short term accounts with several financial institutions that are not federally insured. The uninsured balance totaled approximately $30,167,800 and $26,433,000 at May 31, 2016 and 2015, respectively. Based on management's review of the strength of the financial institutions, management believes the risk of loss on these funds is not significant.

Investments and Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments as well as changes in the value of assets held during the year and 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.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investment values in the near term would materially affect the amounts reported in these financial statements.

Annuities and Deferred Giving Arrangements

The College's deferred giving arrangements consist primarily of gift annuities, pooled life income funds and charitable remainder trusts. For irrevocable deferred gifts where the assets are held by the College, contribution revenues are recognized at the date the deferred gift is established along with a corresponding liability for the present value of the estimated future payments to be made to the donors and/or beneficiaries. For irrevocable deferred gifts where the assets are not held by the College, contribution revenue and a related receivable are recorded at the date the College becomes aware of the deferred gift, based on the estimated fair value.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Contributions receivable consist of unconditional promises to give and charitable remainder trusts. Unconditional promises to give are reported at fair value at the date of the pledge and subsequently measured at the present value of future cash flows. Charitable remainder trusts are measured at fair 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.

Student Loans Receivable

Student loans receivable are reported net of an allowance for uncollectable accounts. A reasonable estimate of the market value of student loans receivable under government loan programs is impracticable because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

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.

Land, Buildings 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 non-operating revenues, 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 revenues. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions are reported as 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

The College recognizes a liability when a legal obligation exists to perform an asset retirement in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the College. An asset retirement obligation ("ARO") is recognized at its net present value with an increase in the carrying amount of the long-lived asset to which the ARO relates. The capitalized asset cost is depreciated over the useful life of the related long lived asset.

Accrued Pension and Postretirement Benefits

The College accounts for pension and other postretirement benefits in accordance with the authoritative guidance. The guidance requires the recognition of defined benefit and defined benefit postretirement plans' funded status as either an asset or liability in the accompanying statements of financial position.

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. The amortization expense approximated $55,000 and $669,000 for the years ended May 31, 2016 and 2015, respectively. Amortization expense for the year ended May 31, 2015 includes accelerated amortization due to the refunding and defeasance of certain long-term debt as described in Note 9 to the financial statements.

Deposits with Bond Trustees

Certain borrowing arrangements between the College and tax-exempt issuing authorities require the establishment of reserve funds including those for debt service, 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.

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, 2016 and 2015 were approximately $123,904,000 and $122,525,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

NOTE 3 — ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable are recognized net of an allowance for uncollectible accounts of approximately $88,000 and $98,000 as of May 31, 2016 and 2015, respectively.

Student loans receivable and the related allowance for uncollectable accounts were as follows:

	2016			2015		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student Loans:						
Government revolving	$ 2,203,452	$ 490,762	$ 1,712,690	$ 2,304,690	$ 496,879	$ 1,807,811
Institutional	166,109	141,111	24,998	180,279	142,194	38,085
Total	$ 2,369,561	$ 631,873	$ 1,737,688	$ 2,484,969	$ 639,073	$ 1,845,896

Student loans receivable are comprised primarily of federally sponsored student loans with U.S. government mandated interest rates and repayment terms and College sponsored loans that were funded through the issuance of tax-exempt bonds. Governmental revolving loans are funded principally with federal advances to the College under the Perkins Loan Program. As of May 31, 2016 and 2015, these advances under the Perkins Loan Program were approximately $1,279,000 and $1,922,000, respectively, and are classified as liabilities in the statements of financial position. Interest earned on the revolving loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary.

The College has an employee loan program where employees can receive zero interest loans for the purchase of certain computer and computer related equipment, subject to various limitations. As of May 31, 2016 and 2015, the outstanding employee computer loans were approximately $49,000 and $55,000, respectively, and are included in accounts receivable, net in the accompanying statements of financial position.

The College assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, and where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the College reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on this analysis. The College considers the allowance at May 31, 2016 and 2015 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

NOTE 4 — CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consists of pledges and contributions, which are presented net of a present value discount and net of an allowance for uncollectible contributions.

Contributions receivable as of May 31, 2016 and 2015 were as follows:

	2016	2015
Gross amounts expected to be received within:		
Less than one year	$ 658,528	$ 399,134
One to five years	9,174,975	11,066,991
More than five years	1,100,917	1,000
	10,934,420	11,467,125
Less: discount to present value (0.89% to 5.01%)	(399,829)	(558,125)
	10,534,591	10,909,000
Less: allowance for doubtful accounts	(929,426)	(974,707)
Contributions receivable - pledges	9,605,165	9,934,293
Contributions receivable - charitable remainder trusts	8,127,697	8,124,640
Total contributions receivable, net	$ 17,732,862	$ 18,058,933

As of May 31, 2016 and 2015, the College had also received notification of bequest intentions totaling approximately $27,204,000 and $25,039,000, 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 $5,166,000 and $4,714,000 for the years ended May 31, 2016 and 2015, respectively. The College also incurs additional institutional development costs through activities such as alumni relations, college events, communications, and various other administrative costs. The direct expenses for these activities were approximately $3,866,000 and $3,528,000 for the years ended May 31, 2016 and 2015, respectively. These expenses are included in institutional support in the accompanying statements of activities.

NOTE 5 — INVESTMENTS

The fair value and cost of investments, by type, including investments under split interest agreements, as of May 31, 2016 and 2015 were as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 11,121,158	$ 11,121,158	$ 4,585,485	$ 4,585,485
Equities				
Long Only Equities	97,092,324	74,298,105	102,351,391	68,791,502
Equity Long / Short Investment Funds	117,456,314	106,203,298	141,055,316	114,119,519
Equity Mutual Funds	3,081,628	3,176,425	3,062,213	2,899,594
Fixed Income				
Fixed Income Mutual Funds	43,109,782	42,997,367	22,835,626	22,733,043
Fixed Income Commingled Investment Funds	18,328,670	19,741,131	18,078,451	18,937,680
Absolute Return Funds				
Absolute Return Funds	71,072,591	62,002,240	82,223,953	62,996,562
Private Equity Funds				
Private Capital Funds	30,658,489	29,007,201	30,554,825	23,872,988
Private Real Estate Funds	20,429,597	14,296,362	17,529,710	13,493,346
Total	$ 412,350,553	$ 362,843,287	$ 422,276,970	$ 332,429,719

Investment management and custodial fees are netted against investment income or reflected as a reduction in net asset value of the investment, and were approximately $5,980,000 and $7,509,000 for the years ended May 31, 2016 and 2015, respectively.

The fair value and cost of investments by traditional fund classification as of May 31, 2016 and 2015 were as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Pooled Investments				
Endowment and similar funds	$ 370,267,522	$ 320,735,528	$ 394,049,065	$ 304,712,101
Non-pooled Investments				
Current funds	35,189,920	35,029,900	20,902,523	20,771,550
Plant Funds	24,489	66,918	311,800	66,918
Life income funds	6,868,622	7,010,941	7,013,582	6,879,150
Total non-pooled	42,083,031	42,107,759	28,227,905	27,717,618
Total	$ 412,350,553	$ 362,843,287	$ 422,276,970	$ 332,429,719

NOTE 5 — INVESTMENTS (Continued)

Pooled endowment and similar funds are accounted for on a unit fair 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:

	2016			
	Pooled Investments			Fair
	Fair Value	Cost	Net Gain	Value Per Unit
End of year	$ 370,267,522	$ 320,735,528	$ 49,531,994	$ 10.63
Beginning of year	394,049,065	304,712,101	89,336,964	11.01
Net unrealized gain for year			(39,804,970)	
Net realized gain for year			26,145,008	
Net total gain for year			$ (13,659,962)	$ (0.38)

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to $0.01 for the year ended May 31, 2016.

	2015			
	Pooled Investments			Fair
	Fair Value	Cost	Net Gain	Value Per Unit
End of year	$ 394,049,065	$ 304,712,101	$ 89,336,964	$ 11.01
Beginning of year	373,012,372	288,536,166	84,476,206	10.15
Net unrealized gain for year			4,860,758	
Net realized gain for year			27,010,603	
Net total gain for year			$ 31,871,361	$ 0.86

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to $0.01 for the year ended May 31, 2015.

NOTE 6 — FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") - Accounting Standards Codification provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents: Valued at the closing price reported in the active market on which the individual securities are traded.

Long Only Equities: Common stocks are valued at the closing price reported in the active market on which the individual securities are traded. Certain closely held stocks are valued at book value per share which approximates fair value. Investments focus on both U.S. and international markets, in various business sectors including commodities, credit markets, healthcare, telecommunications, energy, information technology, utilities, and others.

Equity Long / Short Investment Funds: Funds generally invest in long and short positions in corporate securities with a focus on both U.S. and international markets, in various business sectors including, commodities, credit markets, healthcare, telecommunications, energy, information technology, utilities, and others. Funds are valued at the net asset value (NAV) of shares held by the College at year end. Management has considered all other rights and obligations associated with these investments and concluded there would be no significant adjustments required to the net asset values.

Equity Mutual Funds: Valued at the closing price reported in the active market on which the individual securities are traded.

Fixed Income Mutual Funds: Valued at the closing price reported in the active market on which the individual securities are traded.

Fixed Income Commingled Investment Funds: Funds generally invest in corporate and government debt securities and are typically held in limited partnerships. Funds are valued at the net asset value (NAV) of shares held by the College at year end. Management has considered all other rights and obligations associated with these investments and concluded there would be no significant adjustments required to the net asset values.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Absolute Return Funds: Funds that utilize strategies with the intent to generate long term appreciation with limited volatility and limited correlation to common bond and equity indices. Funds are valued at the net asset value (NAV) of shares held by the College at year end. Management has considered all other rights and obligations associated with these investments and concluded there would be no significant adjustment required to the net asset values.

Private Capital Funds: Funds that are not available for liquidation by the College and are dependent on the fund administration for decisions about sale and asset distribution. The strategy of the funds is to achieve long-term growth primarily through direct and equity investments in the energy industry and distressed securities. The College has limited ability to influence operations of these funds. The College determines the fair value based on the qualitative and quantitative information received such as audited financial statements, tax returns and/or other financial data, including descriptions of underlying investments.

Private Real Estate Funds: Funds that are not available for liquidation by the College and are dependent on the fund administration for decisions about sale and asset distribution. The strategy of the funds is to achieve long-term growth primarily through direct and equity investments in the domestic real estate industry. The College has limited ability to influence operations of these funds. The College determines the fair value based on the qualitative and quantitative information received such as audited financial statements, tax returns and/or other financial data, including descriptions of underlying real estate investments.

U.S. Treasuries: Valued at the closing price reported in the active market on which the individual securities are traded.

Guaranteed Investment Contracts: Guaranteed investment contracts are reported at fair value which approximates contract value. The contract value equals the accumulated cash contributions and interest credited to the College's contracts. These contracts are not available for sale or transfer on any securities exchange.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

The following presents the College's investments and other financial assets by fair value hierarchy and type at May 31, 2016:

Investments	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 10,999,208	$ -	$ -	$ 10,999,208
Equities				
Long Only Equities	70,235,865	16,123,468	10,732,991	97,092,324
Equity Long / Short Investment Funds	-	80,890,897	36,565,417	117,456,314
Fixed Income				
Fixed Income Mutual Funds	39,444,738	-	-	39,444,738
Fixed Income Commingled Investment Funds	-	7,896,881	10,431,789	18,328,670
Absolute Return Funds				
Absolute Return Fund	-	45,141,068	25,931,523	71,072,591
Private Equity Funds				
Private Capital Fund	-	-	30,658,489	30,658,489
Private Real Estate Fund	-	-	20,429,597	20,429,597
Total Investments	$ 120,679,811	$ 150,052,314	$ 134,749,806	$ 405,481,931

Contributions Receivable - Charitable Remainder Trusts	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Charitable Remainder Trusts	$ -	$ -	$ 8,127,697	$ 8,127,697
Total Charitable Remainder Trusts	$ -	$ -	$ 8,127,697	$ 8,127,697

Investments Under Split Interest Agreements	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 121,950	$ -	$ -	$ 121,950
Equities				
Equity Mutual Funds	3,081,628	-	-	3,081,628
Fixed Income				
Fixed Income Mutual Funds	3,665,044	-	-	3,665,044
Total Investments Under Split Interest Agreements	$ 6,868,622	$ -	$ -	$ 6,868,622

Deposits with Bond Trustees	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 1,562	$ -	$ -	$ 1,562
Fixed Income				
U.S. Treasuries	1,677,805	-	-	1,677,805
Other				
Guaranteed Investment Contract	-	-	973,905	973,905
Total Deposits with Bond Trustees	$ 1,679,367	$ -	$ 973,905	$ 2,653,272
Total Assets at Fair Value	$ 129,227,800	$ 150,052,314	$ 143,851,408	$ 423,131,522

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

The following presents the College's investments and other financial assets by fair value hierarchy and type at May 31, 2015:

Investments	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 4,482,381	$ -	$ -	$ 4,482,381
Equities				
Long Only Equities	73,952,467	17,997,536	10,401,388	102,351,391
Equity Long / Short Investment Funds	-	86,995,225	54,060,091	141,055,316
Fixed Income				
Fixed Income Mutual Funds	18,987,361	-	-	18,987,361
Fixed Income Commingled Investment Funds	-	7,634,049	10,444,402	18,078,451
Absolute Return Funds				
Absolute Return Fund	-	44,528,492	37,695,461	82,223,953
Private Equity Funds				
Private Capital Fund	-	-	30,554,825	30,554,825
Private Real Estate Fund	-	-	17,529,710	17,529,710
Total Investments	$ 97,422,209	$ 157,155,302	$ 160,685,877	$ 415,263,388

Contributions Receivable - Charitable Remainder Trusts	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Charitable Remainder Trusts	$ -	$ -	$ 8,124,640	$ 8,124,640
Total Charitable Remainder Trusts	$ -	$ -	$ 8,124,640	$ 8,124,640

Investments Under Split Interest Agreements	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 103,104	$ -	$ -	$ 103,104
Equities				
Equity Mutual Funds	3,062,213	-	-	3,062,213
Fixed Income				
Fixed Income Mutual Funds	3,848,265	-	-	3,848,265
Total Investments Under Split Interest Agreements	$ 7,013,582	$ -	$ -	$ 7,013,582

Deposits with Bond Trustees	**Assets at Fair Value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 1,415	$ -	$ -	$ 1,415
Fixed Income				
U.S. Treasuries	1,868,439	-	-	1,868,439
Other				
Guaranteed Investment Contract	-	-	973,905	973,905
Total Deposits with Bond Trustees	$ 1,869,854	$ -	$ 973,905	$ 2,843,759
Total Assets at Fair Value	$ 106,305,645	$ 157,155,302	$ 169,784,422	$ 433,245,369

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Changes in Level 3 Assets

The following table sets forth a summary of changes in the fair value of the College's Level 3 assets for the year ended May 31, 2016:

Balance at June 1, 2015	$ 169,784,422
Total gains or losses (realized and unrealized) included in non-operating losses	(1,610,751)
Purchases	15,057,017
Sales	(39,379,280)
Balance at May 31, 2016	$ 143,851,408

The following table sets forth a summary of changes in the fair value of the College's Level 3 assets for the year ended May 31, 2015:

Balance at June 1, 2014	$ 159,810,724
Total gains or losses (realized and unrealized) included in non-operating gains	14,881,207
Purchases	27,683,679
Sales	(24,371,724)
Transfer to Level 2	(8,219,464)
Balance at May 31, 2015	$ 169,784,422

Nature and Risk of Certain Investments

The nature and risk of certain investments by major category at May 31, 2016 are presented as follows:

	Fair Value	Unfunded Commitments	Redemption Provisions	Expected Liquidation Term
Fixed Income				
Fixed Income Commingled Investment Funds	$ 18,328,670	$ -	90 days notice with 33% maximum annually	Not applicable
Equities				
Equity Long / Short Investment Funds	117,456,314	-	varies from 100% monthly with 6 days notice to 90 days notice with 33% maximum annually	Not applicable
Absolute Return Funds				
Absolute Return Funds	71,072,591	-	varies from 100% quarterly with 45 days notice to no redemption permitted	Not applicable
Private Equity Funds				
Private Capital Funds	30,658,489	24,625,000	no redemption permitted	1 to 11 years
Private Real Estate Funds	20,429,597	7,584,000	no redemption permitted	1 to 7 years
	$ 257,945,661	$ 32,209,000		

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Quantitative and Qualitative Information Regarding Level 3 Fair Value Measurements

The following table presents information about significant unobservable inputs related to the College's investment in assets categorized as Level 3 in the fair value hierarchy at May 31, 2016:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Charitable Remainder Trusts	$ 8,127,697	Discounted cash flow	Discount rates	1.26%-2.58%
			Life expectancy	1-14 years

The College has processes in place to review fair value estimates, which is overseen by the Vice President for Finance, Administration and Treasurer.

NOTE 7 — ENDOWMENT

FASB Accounting Standards Codification provides guidance regarding Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for All Endowment Funds.

The State of New York has adopted a version of the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The College has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the College to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets. Deficiencies would result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation as deemed prudent by the College. Approximately $1,898,000 and $259,000 were funded from unrestricted net assets to permanently restricted net assets at May 31, 2016 and 2015, respectively.

NOTE 7 — ENDOWMENT (Continued)

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the College's Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets while assuming a moderate level of investment risk.

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 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 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 calendar 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 non-operating support in the accompanying statements of activities. Spending in excess of investment return is reflected as a decrease in unrestricted net assets.

Endowment net asset composition by type of fund as of May 31, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 68,171,145	$ 130,926,593	$ 199,097,738
Board-designated funds	130,804,526	-	-	130,804,526
Total funds	$ 130,804,526	$ 68,171,145	$ 130,926,593	$ 329,902,264

Endowment net asset composition by type of fund as of May 31, 2015 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 84,686,487	$ 122,687,364	$ 207,373,851
Board-designated funds	142,667,756	-	-	142,667,756
Total funds	$ 142,667,756	$ 84,686,487	$ 122,687,364	$ 350,041,607

Changes in endowment net assets for the fiscal year ended May 31, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 142,667,756	$ 84,686,487	$ 122,687,364	$ 350,041,607
Contributions	1,403,586	-	8,239,229	9,642,815
Investment income	178,991	-	-	178,991
Net depreciation	(5,441,440)	(6,687,954)	-	(12,129,394)
Amounts appropriated for expenditure	(8,004,367)	(9,827,388)	-	(17,831,755)
Endowment net assets, end of year	$ 130,804,526	$ 68,171,145	$ 130,926,593	$ 329,902,264

NOTE 7 — ENDOWMENT (Continued)

Endowment Investment Return Spending Policy (Continued)

Changes in endowment net assets for the fiscal year ended May 31, 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 137,639,099	$ 78,060,424	$ 114,894,200	$ 330,593,723
Contributions	479,800	-	7,793,164	8,272,964
Investment income	287,036	-	-	287,036
Net appreciation	12,254,663	16,026,127	-	28,280,790
Amounts appropriated for expenditure	(7,992,842)	(9,400,064)	-	(17,392,906)
Endowment net assets, end of year	$ 142,667,756	$ 84,686,487	$ 122,687,364	$ 350,041,607

NOTE 8 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2016 and 2015, were as follows:

	2016	2015
Land	$ 3,297,836	$ 3,297,836
Buildings and building improvements	310,513,937	305,237,357
Equipment and furnishings	90,900,714	87,727,599
Library holdings and art collections	37,289,752	35,119,930
Construction in progress	7,672,955	5,380,158
	449,675,194	436,762,880
Less: accumulated depreciation	(227,904,175)	(213,391,450)
Land, buildings, and equipment, net	$ 221,771,019	$ 223,371,430

Depreciation expense for the years ended May 31, 2016 and 2015 was approximately $15,044,000 and $15,008,000, respectively.

The College capitalizes the interest costs related to outstanding debt for certain qualifying assets under construction. There were no capitalized interest costs for the years ended May 31, 2016 and 2015.

Construction in progress includes capital projects not yet completed at year end. The remaining projects as of May 31, 2016 and 2015 include renovation, new infrastructure and improvements across the College's campus.

Contingencies Related to Land, Buildings, and Equipment - Asset Retirement Obligation

In the normal course of operation, the College performs maintenance and repairs on its existing facilities and completes new construction projects. As part of these activities, the College has identified areas containing materials that legally require removal in current and future years. The primary material that the College has identified is asbestos that was used in the initial construction of many of the College's buildings.

NOTE 8 — LAND, BUILDINGS AND EQUIPMENT, NET (Continued)

Contingencies Related to Land, Buildings, and Equipment - Asset Retirement Obligation (Continued)

The following table summarizes the activity of the College's asset retirement obligation ("ARO") for 2016 and 2015:

	2016	2015
ARO, beginning of year	$ 422,971	$ 422,971
Less: settled obligations	(5,800)	-
ARO, end of year	$ 417,171	$ 422,971

NOTE 9 — 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 and any unamortized premium) as of May 31, 2016 and 2015, is summarized as follows:

	2016	2015
Plant Debt		
Dormitory Authority of the State of New York Revenue Bonds, Series '11A; 5.25%; due 2041	$ 29,820,000	$ 30,640,000
Saratoga County Capital Resource Corporation Revenue Refunding Bonds, Series '14A; 3.43%; due 2023	9,615,000	10,595,000
Saratoga County Capital Resource Corporation Revenue Refunding Bonds, Series '14B; 3.43%; due 2034	22,060,000	22,780,000
Total plant debt	61,495,000	64,015,000
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds: Series '95; 5.75%; due 2017	363,001	522,134
Total student loan debt	363,001	522,134
Total long-term debt before unamortized premium	61,858,001	64,537,134
Unamortized premium, Series '14A	1,292,881	1,433,011
Unamortized premium, Series '14B	2,407,080	2,502,677
Total unamortized premium	3,699,961	3,935,688
Total long-term debt	$ 65,557,962	$ 68,472,822

NOTE 9 — LONG-TERM DEBT (Continued)

Interest rates noted are annualized based on a weighted average for the entire issue. All issues are collateralized by certain assets of the College.

On April 29, 2014, the College closed on the issuance of $10,595,000 Series 2014A Saratoga County Capital Resource Corporation Revenue Refunding Bonds (the "Series 2014A Bonds"), which were issued for the purpose of refunding all of the outstanding Series 2003A Saratoga County Industrial Development Agency Insured Revenue Bonds and resulted in a legal defeasance as of May 31, 2014. The Series 2014A Bonds included an original issue premium of approximately $1,580,000, which has been presented as a direct addition to long-term debt, as the premium is inseparable from the debt giving rise to it. The premium will be amortized over the remaining term of the debt.

On June 3, 2014 the College closed on the issuance of $22,780,000 Series 2014B Saratoga County Capital Resource Corporation Revenue Refunding Bonds, which were issued for the purpose of refunding all of the outstanding Series 2004 Dormitory Authority of the State of New York Skidmore College Insured Revenue Bonds (the "Series 2004 Bonds"). The Series 2014B Bonds included an original issue premium of approximately $2,595,000, which has been presented as a direct addition to long-term debt, as the premium is inseparable from the debt giving rise to it. The premium will be amortized over the remaining term of the debt.

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

	Principal	Interest	Total
2017	$ 3,118,001	$ 3,406,299	$ 6,524,300
2018	2,845,000	2,827,184	5,672,184
2019	2,960,000	2,705,991	5,665,991
2020	3,090,000	2,576,694	5,666,694
2021	3,140,000	2,436,000	5,576,000
Thereafter	46,705,000	21,381,650	68,086,650
Total	$ 61,858,001	$ 35,333,818	$ 97,191,819

Interest expense for the years ended May 31, 2016 and 2015 totaled approximately $3,063,000 and $3,253,000, respectively.

NOTE 10 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to donor-imposed stipulations to support scholarships, program activities, and new construction. Such stipulations may be or will be satisfied by the actions of the College and/or the passage of time. Temporarily restricted net assets as of May 31, 2016 and 2015 were classified as follows:

	2016	2015
Student loans	$ 48,604	$ 48,604
Funds for academic programs and scholarships	4,167,719	3,783,498
Funds for capital improvements	24,096,536	13,361,119
Life income and annuity funds	9,888,100	11,173,303
Endowment	68,171,145	84,686,487
Pledges receivable	6,534,378	7,185,422
	$ 112,906,482	$ 120,238,433

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, 2016 and 2015 consisted of the following:

	2016	2015
Endowment	$ 130,926,593	$ 122,687,364
Life income and annuity funds	1,543,921	1,766,744
Pledges receivable	3,070,787	2,748,871
	$ 135,541,301	$ 127,202,979

NOTE 11 — EMPLOYEE BENEFIT PLANS

Pension Plans

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 were vested under the frozen plan after five years of service.

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Pension Plans (Continued)

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, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,219,479	$ 1,189,762
Interest cost	31,013	28,058
Benefits paid	(178,129)	(134,183)
Actuarial (gain) loss	(145,102)	104,442
Increase due to settlement	19,185	31,400
Benefit obligation at end of year	$ 946,446	$ 1,219,479
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,293,717	$ 1,280,854
Actual return on plan assets	(30,643)	(2,954)
Employer contribution	-	150,000
Benefits paid	(178,129)	(134,183)
Fair value of plan assets at end of year	$ 1,084,945	$ 1,293,717
Funded status at year end	$ 138,499	$ 74,238
Amounts recognized in unrestricted net assets:		
Unamortized net loss	$ 306,094	$ 476,687
Amounts recognized in the statements of financial position consist of:		
Pension assets	$ 138,499	$ 74,238
Unrestricted net assets	$ 306,094	$ 476,687
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	$ 31,013	$ 28,058
Expected return on assets	(23,090)	(21,365)
Amortization of unrecognized net loss	50,866	83,603
Settlement loss	47,543	39,543
Net periodic pension cost	$ 106,332	$ 129,839
Change in unamortized items:		
Actuarial (gain)/loss	$ (91,369)	$ 128,761
Settlement loss	19,185	31,400
Amortization of:		
Actuarial loss	(50,866)	(83,603)
Settlement loss	(47,543)	(39,543)
Total changes in recognized unrestricted net assets	$ (170,593)	$ 37,015
Total recognized in net periodic pension cost and unrestricted net assets	$ (64,261)	$ 166,854

	2017
Expected effect in the unrestricted net assets next fiscal year:	
Net loss	$ 31,305

NOTE 11 — 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 $0 and $150,000 to the plan for each of the years ended May 31, 2016 and 2015, respectively. Assumed discount rates of 4.66% and 2.87% were used in accounting for the benefit obligation as of May 31, 2016 and 2015, respectively. Assumed discount rate of 2.87% was used in accounting for the net periodic pension cost for the years ended May 31, 2016 and 2015. Expected long-term rates of return on assets of 2.0% were used in accounting for the plan as of May 31, 2016 and 2015.

Estimated future benefit payments reflect expected future service for each fiscal year. Shown below are the expected payments for the next five years and the five years thereafter:

2017	$ 197,369
2018	$ 154,257
2019	$ 126,400
2020	$ 94,651
2021	$ 81,658
Years 2022-2026	$ 318,124

Postretirement Health Benefits

The College pays for a portion of medical benefits for retired non-unionized employees with a start date prior to September 4, 2008 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, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 87,068,080	$ 79,178,683
Service cost	2,111,323	1,992,920
Interest cost	2,949,545	2,998,568
Plan participant's contribution	47,804	61,572
Amendments	(16,007,406)	-
Actuarial (gain)/loss	(15,734,178)	4,803,113
Benefits paid	(2,008,372)	(1,966,776)
Benefit obligation at end of year	$ 58,426,796	$ 87,068,080
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	1,960,568	1,905,204
Plan participants' contributions	47,804	61,572
Benefits paid	(2,008,372)	(1,966,776)
Fair value of plan assets at end of year	$ -	$ -
Funded status at year end	$ (58,426,796)	$ (87,068,080)
Amounts recognized in unrestricted net assets:		
Unamortized prior service credit	$ (17,090,644)	$ (3,435,499)
Unamortized net loss	23,522,302	42,173,060
	$ 6,431,658	$ 38,737,561

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

Amounts recognized in the statements of financial position consist of:		
Accrued postretirement benefits liability	$ (58,426,796)	$ (87,068,080)
Unrestricted net assets	$ 6,431,658	$ 38,737,561
Components of net periodic benefit cost:		
Service cost	$ 2,111,323	$ 1,992,920
Interest cost	2,949,545	2,998,568
Amortization of net loss	2,916,580	2,333,757
Amortization of unrecognized prior service credit	(2,352,261)	(946,556)
Net periodic postretirement benefit cost	$ 5,625,187	$ 6,378,689
Change in unamortized items:		
Prior service credit	$ (16,007,406)	$ -
Actuarial (gain)/loss	(15,734,178)	4,803,113
Amortization of:		
Prior service credit	2,352,261	946,556
Actuarial loss	(2,916,580)	(2,333,757)
Total changes in recognized unrestricted net assets	$ (32,305,903)	$ 3,415,912
Total recognized in net periodic benefit cost and unrestricted net assets	$ (26,680,716)	$ 9,794,601

Expected effect in the unrestricted net assets next fiscal year:	**2017**
Prior service credit	$ (3,100,076)
Net loss	$ 1,679,152

During the year ended May 31, 2016, the College made certain Medicare related plan amendments, which reduced the benefit obligation by approximately $16,000,000. Actual net health care claims paid for retirees by the College for the years ended May 31, 2016 and 2015 totaled $1,960,568 and $1,905,204 respectively. The discount rates used in determining the accumulated postretirement benefit obligation were 4.65% and 4.13% as of May 31, 2016 and 2015, respectively. Assumed discount rates of 4.13%/4.31% and 4.31% were used in accounting for the net periodic pension cost as of May 31, 2016 and 2015, respectively. The assumed trend rates for pre-65 medical, post-65 medical, and prescription drug costs are 7.75%, 6.75%, and 11.0%, respectively for the next year, decreasing gradually in future years to 3.89% by fiscal 2076 and remaining at that level thereafter. Increasing the assumed health care cost trend rate by 1.0% in each year would increase the accumulated postretirement benefit obligation as of May 31, 2016 by approximately $11,711,944 and increase the aggregate of the service cost and interest cost by $1,379,741. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2016 by approximately $9,166,228 and decrease the aggregate of the service cost and interest cost by approximately $1,022,542.

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

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

	Gross Payments
2017	$ 1,612,689
2018	$ 1,733,245
2019	$ 1,934,837
2020	$ 2,008,537
2021	$ 2,206,007
Years 2022-2026	$ 13,366,373

Defined Contribution Plans

The College has a 403(b) defined contribution plan, which covers substantially all non-union employees of the College. The College contributes an amount equal to 10% of base annual salary / wages if an eligible employee is less than age 50, or 11% if age 50 or over, into the plan. In addition, the College contributes an amount equal to 1% of base annual salary / wages of an eligible employee with a start date on or after September 4, 2008 who is a fully benefits eligible employee, but who is not eligible for the College's postretirement healthcare plan. For the years ended May 31, 2016 and 2015, the College's contribution was approximately $4,995,000 and $4,912,000, respectively.

The College also has a 403(b) defined contribution plan, which covers certain union employees of the College. Skidmore College 403(b) Retirement Plan for Employees Represented by UPSEU Local 1222 was adopted on March 1, 2014. The Plan covers all eligible employees of the College represented by UPSEU Local 1222 who work at least 1,000 hours of service in the initial (or subsequent) 12 month computation period. The College contributes an amount equal to $1.64 per hour of service. For the years ended May 31, 2016 and 2015, the College's contribution was approximately $450,000 and $460,000, respectively.

Other

The College contributes to pension funds administered by various unions with which the College has collective bargaining agreements. These pension funds are not considered multiemployer pension plans. The College made contributions for these other plans totaling $354,000 and $306,000 for the years ended May 31, 2016 and 2015, respectively.

NOTE 12 — CREDIT AGREEMENTS

The College has two $10,000,000 lines of credit for working capital purposes with commercial banks. The rate of interest on one line is equivalent to the London Interbank Offered Rate ("LIBOR") plus 100 basis points. The rate of interest on the second line is equivalent to the J.P. Morgan Chase Bank prime lending rate. Outstanding balances on the lines, if applicable, are secured by interests in various College assets. There were no borrowings outstanding under the lines of credit as of May 31, 2016 and 2015.

As of May 31, 2016, the College has construction-related letters of credit with commercial banks totaling approximately $535,000. Some of these letters of credit are secured by cash collateral of the College. There were no amounts drawn on the letters of credit as of May 31, 2016.

NOTE 13 — OTHER AGREEMENTS

The College has an agreement for a loan program with a local bank where loans are given to area businesses that meet certain criteria. The bank administers and assumes all risks related to the program. The College has approximately $40,000 in accounts receivable and $2,065,000 in investments related to the program at May 31, 2016.

The College has entered into contracts to purchase energy for future periods including from third parties that have constructed, own and operate a solar facility and a hydroelectric facility. All energy contracts are used in the normal course of business to reduce the College's energy costs and the costs and credits associated with the contracts are recognized as incurred.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

The College is subject to certain claims and legal proceedings arising in the ordinary course of business. In the opinion of management, the ultimate disposition with respect to these matters will not have a material adverse effect on the financial position of the College.

NOTE 15 — SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 2, 2016, the date that the financial statements were issued.