SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2010 and 2009

SKIDMORE COLLEGE

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

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, 2010 and 2009, 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, 2010 and 2009, 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.

UHY LLP

Albany, New York
August 10, 2010

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	**$ 33,768,125**	$ 33,403,871
Accounts receivable, net	**3,189,384**	2,504,206
Inventories	**673,470**	688,152
Prepaid expenses	**1,007,654**	1,671,321
Contributions receivable, net	**31,284,696**	32,236,204
Student loans receivable, net	**2,889,844**	3,340,846
Investments	**310,351,542**	278,453,635
Investments under split interest agreements	**6,339,701**	6,392,882
Deposits with bond trustees	**8,466,429**	10,088,002
Debt issuance costs, net	**1,866,738**	1,953,981
Pension assets, net	**67,087**	205,426
Land, buildings and equipment, net	**165,954,996**	160,170,240
Total assets	**$ 565,859,666**	$ 531,108,766
LIABILITIES		
Accounts payable and accrued expenses	**$ 17,184,907**	$ 16,514,113
Student tuition deposits and deferred revenues	**9,082,992**	11,171,997
Liabilities to beneficiaries under split interest agreements	**2,362,147**	2,434,819
Accrued postretirement benefits	**48,633,089**	30,761,044
Refundable government loan funds	**1,873,995**	1,811,182
Asset retirement obligation	**2,030,668**	2,290,900
Long-term debt	**61,516,175**	68,403,593
Total liabilities	**142,683,973**	133,387,648
NET ASSETS		
Unrestricted	**282,972,834**	247,018,525
Temporarily restricted	**37,406,573**	53,246,763
Permanently restricted	**102,796,286**	97,455,830
Total net assets	**423,175,693**	397,721,118
Total liabilities and net assets	**$ 565,859,666**	$ 531,108,766

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 109,079,235	$ -	$ -	**$ 109,079,235**
Less: institutional aid	(30,585,699)	-	-	**(30,585,699)**
Net tuition and fees	78,493,536	-	-	**78,493,536**
Sales and services of auxiliary enterprises	26,950,054	-	-	**26,950,054**
Private gifts and grants	3,451,556	5,107,451	-	**8,559,007**
Government grants and appropriations	243,343	3,300,490	-	**3,543,833**
Dividends and interest	458,602	1,769,680	-	**2,228,282**
Realized gains used to support operations	5,676,840	6,292,935	-	**11,969,775**
Interest on student loans	114,219	-	-	**114,219**
Other	2,001,895	808,710	-	**2,810,605**
Total operating revenue	117,390,045	17,279,266	-	**134,669,311**
Net assets released from restrictions	44,424,901	(44,424,901)	-	**-**
Total operating revenue and net assets released from restrictions	161,814,946	(27,145,635)	-	**134,669,311**
Operating expenses:				
Instruction	50,451,151	-	-	**50,451,151**
Research	1,859,777	-	-	**1,859,777**
Academic support	15,223,801	-	-	**15,223,801**
Student services	14,530,854	-	-	**14,530,854**
Institutional support	24,484,000	-	-	**24,484,000**
Auxiliary enterprises	23,416,574	-	-	**23,416,574**
	129,966,157	-	-	**129,966,157**
Non-operating:				
Dividends and interest	6,523	97,100	-	**103,623**
Net realized and unrealized gains	13,535,089	11,595,565	-	**25,130,654**
Change in value of split interest agreements	-	(908,070)	(12,265)	**(920,335)**
Capital gifts	5,633,656	520,850	5,352,721	**11,507,227**
Net loss on disposal of fixed assets	(75,539)	-	-	**(75,539)**
Other net revenue	556,889	-	-	**556,889**
Changes in net assets from non-operating activities	19,656,618	11,305,445	5,340,456	**36,302,519**
Increase (decrease) in net assets before pension and postretirement benefit related changes other than net periodic benefit cost	51,505,407	(15,840,190)	5,340,456	**41,005,673**
Pension and postretirement benefit related changes other than net periodic benefit cost	(15,551,098)	-	-	**(15,551,098)**
Increase (decrease) in net assets	35,954,309	(15,840,190)	5,340,456	**25,454,575**
Net assets at beginning of year	247,018,525	53,246,763	97,455,830	**397,721,118**
Net assets at end of year	$ 282,972,834	$ 37,406,573	$ 102,796,286	**$ 423,175,693**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 105,249,215	$ -	$ -	**$ 105,249,215**
Less: institutional aid	(28,324,643)	-	-	**(28,324,643)**
Net tuition and fees	76,924,572	-	-	**76,924,572**
Sales and services of auxiliary enterprises	27,063,642	-	-	**27,063,642**
Private gifts and grants	22,994	5,936,396	-	**5,959,390**
Government grants and appropriations	256,409	2,254,405	-	**2,510,814**
Dividends and interest	797,609	2,558,306	-	**3,355,915**
Realized gains used to support operations	5,263,265	5,815,411	-	**11,078,676**
Interest on student loans	150,366	-	-	**150,366**
Other	1,108,226	238,781	-	**1,347,007**
Total operating revenue	111,587,083	16,803,299	-	**128,390,382**
Net assets released from restrictions	13,788,384	(12,525,370)	(1,263,014)	**-**
Total operating revenue and net assets released from restrictions	125,375,467	4,277,929	(1,263,014)	**128,390,382**
Operating expenses:				
Instruction	47,785,467	-	-	**47,785,467**
Research	1,907,554	-	-	**1,907,554**
Academic support	14,335,275	-	-	**14,335,275**
Student services	13,752,865	-	-	**13,752,865**
Institutional support	23,652,278	-	-	**23,652,278**
Auxiliary enterprises	23,301,575	-	-	**23,301,575**
Total operating expenses	124,735,014	-	-	**124,735,014**
Non-operating:				
Dividends and interest	120,192	163,564	-	**283,756**
Net realized and unrealized losses	(65,723,668)	(11,547,697)	-	**(77,271,365)**
Change in value of split interest agreements	-	(1,827,519)	(556,837)	**(2,384,356)**
Capital gifts	1,763,253	19,869,190	5,714,261	**27,346,704**
Net gain on disposal of fixed assets	621,790	-	-	**621,790**
Other net revenue (expense)	582,248	(470,054)	(21,580)	**90,614**
Changes in net assets from non-operating activities	(62,636,185)	6,187,484	5,135,844	**(51,312,857)**
(Decrease) increase in net assets before pension and postretirement benefit related changes other than net periodic benefit cost	(61,995,732)	10,465,413	3,872,830	**(47,657,489)**
Pension and postretirement benefit related changes other than net periodic benefit cost	(2,057,221)	-	-	**(2,057,221)**
(Decrease) increase in net assets	(64,052,953)	10,465,413	3,872,830	**(49,714,710)**
Net assets at beginning of year	311,071,478	42,781,350	93,583,000	**447,435,828**
Net assets at end of year	$ 247,018,525	$ 53,246,763	$ 97,455,830	**$ 397,721,118**

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	**$ 25,454,575**	$ (49,714,710)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**12,008,028**	11,294,564
Amortization of debt issuance costs	**87,243**	83,246
Increase in pledge discount	**269,061**	20,641
Loss (gain) on disposal of fixed assets	**76,512**	(621,790)
(Decrease) increase in allowance for uncollectable receivables	**(269,797)**	561,808
Net realized and unrealized (gains) losses on investments	**(37,100,429)**	66,192,689
Capital gifts	**(11,507,227)**	(27,346,702)
Gifts in kind	**(996,470)**	(719,946)
Pension and postretirement benefit related changes other than net periodic benefit cost	**15,551,098**	1,525,591
Changes in operating assets and liabilities:		
Accounts receivable	**(495,891)**	(756,363)
Inventories	**14,682**	117,202
Prepaid expenses	**663,667**	(319,942)
Pension assets	**(7,619)**	116,447
Accounts payable and accrued expenses	**670,794**	3,365,560
Liabilities to beneficiaries under split interest agreements	**(72,672)**	16,123
Student tuition deposits and deferred revenues	**(2,089,005)**	1,032,790
Accrued postretirement benefits	**2,466,905**	1,479,211
Asset retirement obligation	**(260,232)**	(270,475)
Net cash provided by operating activities	**4,463,223**	6,055,944
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**49,806,543**	50,615,255
Purchases of investments	**(44,550,840)**	(56,050,655)
Student loan principal collected	**775,826**	775,429
Student loans originated	**(261,901)**	(293,658)
Proceeds from disposal of fixed assets	**206,960**	1,090,574
Purchases of land, buildings and equipment	**(17,079,786)**	(26,665,455)
Net cash used in investing activities	**(11,103,198)**	(30,528,510)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	**11,507,227**	27,346,702
Change in contributions receivable	**700,034**	(1,628,794)
Payments on long-term debt	**(6,887,418)**	(2,859,539)
Net change in deposits with bond trustees	**1,621,573**	(2,116,163)
Net change in refundable government loan funds	**62,813**	49,815
Net cash provided by financing activities	**7,004,229**	20,792,021
Net increase (decrease) in cash and cash equivalents	**364,254**	(3,680,545)
Cash and cash equivalents at beginning of year	**33,403,871**	37,084,416
Cash and cash equivalents at end of year	**$ 33,768,125**	$ 33,403,871
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 3,313,476**	$ 2,953,941

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 2,400 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 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.

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 College's tax-exempt purpose 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. However, the College's federal Exempt Organization Business Income Tax Returns (Form 990T) for fiscal years 2007 and later are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The College considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. This does not include cash equivalents included in investment pools, which are included in investments in the accompanying statements of financial position.

The College has certain cash equivalents in money market mutual funds with several high quality financial institutions. These funds are not federally insured. The uninsured balance totaled approximately $29,050,000 at May 31, 2010. Based on management's review of the strength of the financial institutions, management believes the risk of loss on these funds is minimal.

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 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 investments in the near term would materially affect the amounts reported in these financial statements.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contributions Receivable

Contributions receivable consists 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 doubtful accounts. A reasonable estimate of the market value of student loans receivable under government loan programs cannot be made 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 Shop.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-operating 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 non-operating 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.

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. Asset retirement obligation (“ARO”) is recognized 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.

Accrued Pension and Postretirement Benefits

The College accounts for pension and other postretirement benefits in accordance with the guidance issued by FASB. The guidance requires the recognition of a defined benefit postretirement plan’s funded status as either an asset or liability on the Statement 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 $87,000 and $83,000 for the years ended May 31, 2010 and 2009, respectively.

Deposits With Bond Trustees

All borrowing arrangements between the College and the Dormitory Authority of the State of New York require the establishment of various reserve funds (debt service and building and equipment reserves). Balances in these reserves, which are comprised primarily of U.S. government agency and treasury notes, are reflected in deposits with bond trustees in the accompanying statements of financial position.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the 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 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 non-operating support in the accompanying statements of activities. Spending in excess of investment return is reflected as a decrease in unrestricted net assets.

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, 2010 and 2009 were approximately $105,482,000 and $101,083,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

Subsequent Events

The College has evaluated subsequent events through August 10, 2010, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the financial statements for 2009 to conform to the presentation for 2010.

NOTE 3 — ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable are recognized net of an allowance for uncollectible accounts of approximately $117,000 and $307,000 as of May 31, 2010 and 2009, respectively.

Student loans receivable are comprised primarily of College sponsored loans that were funded through the issuance of tax-exempt bonds and Federally sponsored student loans with U.S. government mandated interest rates and repayment terms. Student loans receivable are recognized net of an allowance for uncollectible accounts of approximately $608,000 and $671,000 as of May 31, 2010 and 2009, respectively.

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, 2010 and 2009, were as follows:

	2010	2009
Gross amounts expected to be received within:		
One year	$ 696,125	$ 1,242,705
One to five years	25,089,905	29,516,230
More than five years	5,003,500	237,500
	30,789,530	30,996,435
Less: discount to present value (1.93% to 5.88%)	(2,690,741)	(2,421,680)
	28,098,789	28,574,755
Less: allowance for doubtful accounts	(2,617,110)	(2,634,697)
Contributions Receivable - Pledges	25,481,679	25,940,058
Contributions Receivable - Charitable Remainder Trusts	5,803,017	6,296,146
Total Contributions Receivable, net	$ 31,284,696	$ 32,236,204

As of May 31, 2010 and 2009, the College had also received notification of bequest intentions totaling approximately $23,809,000 and $18,094,000, respectively. These bequests, if received, would be used for general operations, program activities and new facilities. These amounts are not included in contribution receivable due to the conditional nature of the gifts.

The College supports institutional development through the activities of the offices of annual fund, foundations and corporate relations, planned giving, campaign, parent relations, and major gifts. The expenses incurred for these activities were approximately $3,634,000 and $3,836,000 for the years ended May 31, 2010 and 2009, 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 $3,267,000 and $3,354,000 for the years ended May 31, 2010 and 2009, 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, including investments under split interest agreements, as of May 31, 2010 and 2009 were as follows:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	$ 18,721,306	$ 18,735,720	$ 22,414,935	$ 22,426,846
Fixed income and fixed income type investments	67,208,220	59,639,380	65,640,590	64,844,187
Equity and equity type investments	137,749,848	120,884,896	127,474,133	130,391,410
Limited partnerships and other	93,011,869	66,808,061	69,316,859	53,453,609
Total	$316,691,243	$266,068,057	$284,846,517	$271,116,052

Fixed income and fixed income type investments consist of fixed income securities and similar assets which are held in limited partnerships. Equity and equity type investments consist of common stocks, and similar assets that are held in limited partnerships. Limited partnerships consist of private equity investments, real estate partnerships and various other assets that are invested through a limited partner.

The College has committed to investing an additional $16,383,000 in six private equity limited partnerships over the next four years and $11,021,000 in four real estate limited partnerships over the next three years. These additional commitments are subject to call provisions included in the respective partnership agreements.

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 $4,726,000 and $4,857,000 for the years ended May 31, 2010 and 2009, respectively.

The fair value and cost of investments by traditional fund classification as of May 31, 2010 and 2009 were as follows:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Pooled Investments				
Endowment and similar funds	$ 299,927,292	$ 248,757,335	$ 265,437,656	$ 245,654,255
Non-pooled Investments				
Current funds	10,424,250	10,561,286	13,015,979	17,940,944
Life income funds	6,339,701	6,749,436	6,392,882	7,520,853
Total non-pooled	16,763,951	17,310,722	19,408,861	25,461,797
Total	$ 316,691,243	$ 266,068,057	$ 284,846,517	$ 271,116,052

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:

	2010			
	Pooled Investments			Fair
	Fair Value	Cost	Net Gain	Value Per Unit
End of year	$ 299,927,292	$ 248,757,335	$ 51,169,957	$ 7.61
Beginning of year	265,437,656	245,654,255	$ 19,783,401	6.71
Net unrealized gain for year			31,386,556	
Net realized gain for year			4,734,094	
Net total gain for year			$ 36,120,650	$ 0.90

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to $.37 for the year ended May 31, 2010.

	2009			
	Pooled Investments			Fair
	Fair Value	Cost	Net Gain(Loss)	Value Per Unit
End of year	$ 265,437,656	$ 245,654,255	$ 19,783,401	$ 6.71
Beginning of year	328,617,557	254,002,149	$ 74,615,408	8.34
Net unrealized loss for year			(54,832,007)	
Net realized loss for year			(9,229,075)	
Net total loss for year			$ (64,061,082)	$ (1.63)

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to $.07 for the year ended May 31, 2009.

NOTE 6 — FAIR VALUE MEASUREMENTS

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;
- 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. There have been no changes in the methodologies used at May 31, 2010 and 2009.

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

Fixed income and fixed income type investments: Fixed income investments are valued at the closing price reported on the active market on which the individual securities are traded. Fixed income type investments, which are held in limited partnerships, 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 the investment and has concluded there would be no significant adjustment required to the net asset value.

Equity and equity type investments: Common stocks, corporate bonds and U.S. government securities are valued at the closing price reported on the active market on which the individual securities are traded. Certain equity type investments, which are held in limited partnerships, are valued at the net asset value (NAV) of shares held by the College at year end. Other equity type investments are valued at net book value as an approximation of fair value. Management has considered all other rights and obligations associated with the investment and has concluded there would be no significant adjustment required to the net asset value or the net book value.

Limited Partnerships – NAV: Certain limited partnership investments are recorded at net asset value (NAV) of shares held by the College at year end. This category is for investments where the College receives audited financial statements under U.S. GAAP, tax returns and other financial data, including descriptions of underlying investments. The College determines the fair value based on the qualitative and quantitative information received.

Limited Partnerships – NBV: Certain limited partnership investments are recorded at net book value. This category is for investments where the College receives audited financial statements under U.S. tax basis, tax returns and other financial data including description of underlying investments. The College records these assets at net book value as an approximation of fair value.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

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 at the reporting date.

The following presents the College's investments by fair value hierarchy and investment type at May 31, 2010:

Investments	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 18,636,055	$ -	$ -	$ 18,636,055
Fixed income and fixed income type investments	44,569,632	-	18,611,010	63,180,642
Equity and equity type investments	24,261,592	61,298,265	50,088,120	135,647,977
Limited partnerships - NAV	-	-	85,481,723	85,481,723
Limited partnerships - NBV	-	-	7,405,145	7,405,145
Total Investments	$ 87,467,279	$ 61,298,265	$ 161,585,998	$ 310,351,542

Contributions Receivable - Charitable Remainder Trusts	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Charitable remainder trusts	$ -	$ -	$ 5,803,017	$ 5,803,017
Total charitable remainder trusts	$ -	$ -	$ 5,803,017	$ 5,803,017

Investments under Split Interest Agreements	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 85,251	$ -	$ -	$ 85,251
Fixed income investments	4,027,544	-	-	4,027,544
Equity investments	2,101,906	-	-	2,101,906
Other	-	-	125,000	125,000
Total investments under split interest agreements	$ 6,214,701	$ -	$ 125,000	$ 6,339,701

Deposits with Bond Trustees	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 3,200	$ -	$ -	$ 3,200
Fixed income investments	6,687,037	-	-	6,687,037
Other	-	-	1,776,192	1,776,192
Total deposits with bond trustees	$ 6,690,237	$ -	$ 1,776,192	$ 8,466,429
Total assets at fair value	$ 100,372,217	$ 61,298,265	$ 169,290,207	$ 330,960,689

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

The following presents the College's investments by fair value hierarchy and investment type at May 31, 2009:

Investments	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 22,328,441	$ -	$ -	$ 22,328,441
Fixed income and fixed income type investments	35,395,836	26,327,510	-	61,723,346
Equity and equity type investments	27,025,770	90,000,709	8,183,510	125,209,989
Limited partnerships - NAV	-	10,021,443	51,939,911	61,961,354
Limited partnerships - NBV	-	-	7,230,505	7,230,505
Total Investments	$ 84,750,047	$ 126,349,662	$ 67,353,926	$ 278,453,635

Contributions Receivable - Charitable Remainder Trusts	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Charitable remainder trusts	$ -	$ -	$ 6,296,146	$ 6,296,146
Total charitable remainder trusts	$ -	$ -	$ 6,296,146	$ 6,296,146

Investments under Split Interest Agreements	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 86,494	$ -	$ -	$ 86,494
Fixed income investments	3,917,244	-	-	3,917,244
Equity investments	2,264,144	-	-	2,264,144
Other	-	-	125,000	125,000
Total investments under split interest agreements	$ 6,267,882	$ -	$ 125,000	$ 6,392,882

Deposits with Bond Trustees	***Assets at Fair Value***			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 9,856,720	$ -	$ -	$ 9,856,720
Other	-	-	231,282	231,282
Total deposits with bond trustees	$ 9,856,720	$ -	$ 231,282	$ 10,088,002
Total assets at fair value	$ 100,874,649	$ 126,349,662	$ 74,006,354	$ 301,230,665

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses

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, 2010.

Balance at June 1, 2009	$ 74,006,354
Total gains or losses (realized and unrealized) included in non-operating gains	14,111,306
Purchases, sales, gifts, issuances and settlements	29,863,782
Transfers from Level 2 investments	51,308,765
Balance at May 31, 2010	$ 169,290,207

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, 2009.

Balance at June 1, 2008	$ 94,769,129
Total gains or losses (realized and unrealized) included in non-operating losses	(22,078,924)
Purchases, sales, gifts, issuances and settlements	1,316,149
Balance at May 31, 2009	$ 74,006,354

Nature and Risk of Certain Investments

The nature and risk of certain investments by major category are presented as follows:

	Fair Value	Unfunded Commitments	Redemption Provisions
Fixed income type investments (a)	$ 18,611,010	$ -	90 days notice with 33% maximum annually
Equity type investments (b)	102,500,410	-	varies from 100% monthly with 6 days notice to 25% quarterly with 90 days notice
Limited partnerships - NAV (c)	85,481,723	24,602,000	varies from 100% quarterly with 45 days notice to no redemption permitted
Limited partnerships - NBV (d)	7,405,145	2,802,000	no redemption permitted
	$ 213,998,288	$ 27,404,000	

(a) This category is invested in a limited partnership that bases the investment selection on long/short and other relative value strategies to earn the benchmarks selected by the College. As of May 31, 2010, the benchmarks used were a U.S. Treasury Bond Index and a U.S. Government Inflation-Linked Bond Index.

(b) This category includes investments with the objective to achieve long-term growth from a diversified portfolio of equity securities. To achieve this objective, the College has selected investment managers that focus on both U.S. and international markets, in various business sectors including, commodities, credit markets, healthcare, energy, information technology, utilities, telecommunications, and others.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

(c) This category includes investments with the objective to achieve long-term growth from a diversified portfolio of limited partnerships. The objective is achieved primarily through direct and equity investments in the power industry, real estate, and distressed securities. Approximately $28,820,000 of this category of investment does not permit redemption. Instead, the nature of the investments is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 10 years.

(d) This category includes investments with the objective to achieve long-term growth from a diversified portfolio of limited partnerships. The objective is achieved primarily through private equity investments in real estate and other companies located in the U.S. and Canada. Through the limited partnership agreements, these investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 1 to 9 years.

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, and Enhanced Disclosures for All Endowment Funds. The guidance requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

In 1978, the State of New York enacted the Uniform Management of Institutional Funds Act (UMIFA). Under the Act, not-for-profit organizations were provided uniform rules relating to the investment of funds donated as "endowment" to these organizations. Among its many provisions, the Act initiated the concept of total return expenditure of endowment assets for charitable program purposes, expressly permitting the prudent expenditure of both appreciation and income, and replacing the prior law that only investment income (such as interest and dividends) could be expensed from endowments. Under this concept, investment growth (or appreciation) and income could be utilized for program purposes, subject to the rule that an endowment fund could not be expended below "historical dollar value" (generally, the amount of the donor's original gift). In order to fulfill this requirement, in the event that market fluctuations cause the market value of a donated endowed fund to be less than historical dollar value, the College will temporarily fund from Unrestricted Net Assets to Permanently Restricted Net Assets the amount to fulfill this requirement. For the periods ended May 31, 2010 and 2009, approximately $2,157,000 and $3,834,000 was funded from Unrestricted Net Assets to Permanently Restricted Net Assets, respectively.

During the fiscal year ended May 31, 2009, the College reviewed the detailed components of the endowment as well as the designation of the funds. As a result of this review, approximately $1,263,000 was transferred from permanently restricted net assets to unrestricted net assets to properly reflect the classification of the funds, which is presented as net assets released from restrictions in the statements of activities and changes in net assets. There are no such transfers during the fiscal year ended May 31, 2010.

NOTE 7 — ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of May 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor funds	$ 58,664,482	$ -	$ 97,396,202	$ 156,060,684
Board-designated funds	116,934,256	-	-	116,934,256
Total funds	$ 175,598,738	$ -	$ 97,396,202	$ 272,994,940

Endowment net asset composition by type of fund as of May 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor funds	$ 46,549,717	$ -	$ 91,664,438	$ 138,214,155
Board-designated funds	102,357,718	-	-	102,357,718
Total funds	$ 148,907,435	$ -	$ 91,664,438	$ 240,571,873

Changes in endowment net assets for the fiscal year ended May 31, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 148,907,435	$ -	$ 91,664,438	$ 240,571,873
Contributions	5,889,825	-	5,731,764	11,621,589
Investment income	1,765,893	-	-	1,765,893
Net appreciation	32,771,254	-	-	32,771,254
Amounts appropriated for expenditure	(13,735,669)	-	-	(13,735,669)
Endowment net assets, end of year	$ 175,598,738	$ -	$ 97,396,202	$ 272,994,940

NOTE 7 — ENDOWMENT (Continued)

Changes in endowment net assets for the fiscal year ended May 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 210,877,782	$ -	$ 85,452,394	$ 296,330,176
Net asset reclassification based on review	1,263,014	-	(1,263,014)	-
Endowment net assets after reclassification	212,140,796	-	84,189,380	296,330,176
Contributions	5,585,859	-	7,475,058	13,060,917
Investment income	2,533,639	-	-	2,533,639
Net depreciation	(57,740,544)	-	-	(57,740,544)
Amounts appropriated for expenditure	(13,612,315)	-	-	(13,612,315)
Endowment net assets, end of year	$ 148,907,435	$ -	$ 91,664,438	$ 240,571,873

NOTE 8 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2010 and 2009, consisted of the following:

	2010	2009
Land	$ 1,640,536	$ 1,640,536
Buildings and building improvements	221,671,554	184,570,764
Equipment and furnishings	66,359,064	62,292,011
Library holdings and art collections	25,591,750	24,244,993
Construction in progress	3,569,614	28,334,253
	318,832,518	301,082,557
Less: accumulated depreciation	(152,877,522)	(140,912,317)
Land, buildings, and equipment, net	$ 165,954,996	$ 160,170,240

Depreciation expense for the years ended May 31, 2010 and 2009 amounted to $12,008,028 and $11,294,564, respectively.

Contingencies Related To Land, Buildings, and Equipment

Asset Retirement Obligation (ARO)

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.

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

The following table details the activity in the College's asset retirement obligation for 2010 and 2009:

	2010	2009
ARO, beginning of year	$ 2,290,900	$ 2,561,375
Add: Current year accretion	96,698	102,958
Less: Settled Obligations	(356,930)	(373,433)
ARO, end of year	$ 2,030,668	$ 2,290,900

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) as of May 31, 2010 and 2009, is summarized as follows:

	2010	2009
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	$ 9,170,000	$ 12,625,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	20,220,000	22,030,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	29,445,000	30,170,000
Total plant debt	58,835,000	64,825,000
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	165,290	240,034
Series '93; 5.05%; due 2013	575,048	1,000,048
Series '95; 5.75%; due 2016	1,940,837	2,338,511
Total student loan debt	2,681,175	3,578,593
Total long-term debt	$ 61,516,175	$ 68,403,593

NOTE 9 — LONG-TERM DEBT (Continued)

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.

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

	Principal	Interest	Total
2011	$ 3,508,215	$ 3,423,503	$ 6,931,718
2012	3,562,147	3,255,303	6,817,450
2013	3,623,701	3,144,638	6,768,339
2014	2,685,072	3,103,596	5,788,668
2015	2,494,906	2,511,632	5,006,538
Thereafter	45,642,134	20,014,138	65,656,272
Total	$ 61,516,175	$ 35,452,810	$ 96,968,985

The fair 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 $66,348,000 and $74,467,000 as of May 31, 2010 and 2009, respectively.

Interest expense for the years ended May 31, 2010 and 2009 totaled approximately $3,049,000 and $3,210,000, respectively.

NOTE 10 — NET ASSETS

Unrestricted net assets consisted of the following as of May 31, 2010 and 2009:

	2010	2009
Undesignated	$ 42,617,957	$ 59,823,069
Board designated for:		
Endowment	116,934,256	102,357,718
Facilities/equipment renewals and replacements	110,420,903	73,384,923
Academic programs and scholarships	12,999,718	11,452,815
	$ 282,972,834	$ 247,018,525

NOTE 10 — NET ASSETS (Continued)

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, 2010 and 2009 were classified as follows:

	2010	2009
Student loans	$ 48,604	$ 48,604
Funds for academic programs and scholarships	3,249,929	2,813,254
Funds for capital improvements	4,170,016	19,947,658
Life income and annuity funds	8,656,121	9,076,007
Pledges receivable	21,281,903	21,361,240
	$ 37,406,573	$ 53,246,763

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, 2010 and 2009 consisted of the following:

	2010	2009
Endowment	$ 97,396,202	$ 91,664,438
Life income and annuity funds	1,200,309	1,212,574
Pledges receivable	4,199,775	4,578,818
	$ 102,796,286	$ 97,455,830

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 would be 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, 2010 and 2009:

	2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,479,791	$ 1,562,914
Interest cost	110,571	92,349
Benefits paid	(220,621)	(131,735)
Actuarial loss (gain)	299,855	(43,737)
Increase due to settlement	21,282	-
Benefit obligation at end of year	$ 1,690,878	$ 1,479,791
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,685,217	$ 1,884,787
Actual return on plan assets	(6,631)	(67,835)
Employer contribution	300,000	-
Benefits paid	(220,621)	(131,735)
Fair value of plan assets at end of year	$ 1,757,965	$ 1,685,217
Funded status at year end	$ 67,087	$ 205,426
Amounts recognized in unrestricted net assets:		
Unamortized net loss	$ 864,663	$ 718,705
Amounts recognized in the statement of financial position consist of:		
Pension assets	$ 67,087	$ 205,426
Unrestricted net assets	$ 864,663	$ 718,705
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	$ 110,571	$ 92,349
Expected return on assets	(44,686)	(21,173)
Amortization of unrecognized net loss	140,186	69,922
Settlement loss	86,310	-
Net periodic pension cost	$ 292,381	$ 141,098
Change in unamoritzed items:		
Actuarial loss	$ 351,172	$ 45,271
Settlement loss	21,282	-
Amortization of:		
Actuarial (loss)	(140,186)	(69,922)
Settlement (loss)	(86,310)	-
Total changes in recognized unrestricted net assets	$ 145,958	$ (24,651)
Total recognized in net periodic pension cost and unrestricted net assets	$ 438,339	$ 116,447
Expected effect in the unrestricted net assets next fiscal year:	**2011**	
Net loss	$ 112,700	

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 $300,000 to the plan for the year ended May 31, 2010 (none for 2009). Assumed discount rates of 5.75% and 6.7% were used in accounting for the benefit obligation as of May 31, 2010 and 2009, respectively. Assumed discount rates of 6.7% and 6.6% were used in accounting for the net periodic pension cost as of May 31, 2010 and 2009, respectively. Expected long-term rates of return on assets of 3.0% were used in accounting for the plan as of May 31, 2010 and 2009.

There is no expected contribution to the plan for the fiscal year ending May 31, 2011.

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

2011	$ 733,085
2012	$ 172,509
2013	$ 164,780
2014	$ 86,060
2015	$ 143,573
Years 2016-2020	$ 461,239

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, 2010 and 2009:

	2010	**2009**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 30,761,044	$ 27,756,242
Service cost	1,082,166	741,594
Interest cost	2,317,815	1,852,503
Plan participant's contribution	11,105	14,883
Amendments/curtailments	169,874	-
Medicare Part D Subsidy	-	153,886
Actuarial loss	15,615,675	1,781,096
Benefits paid	(1,324,590)	(1,539,160)
Benefit obligation at end of year	$ 48,633,089	$ 30,761,044

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

	2010	2009
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	1,313,485	1,370,391
Plan participants' contributions	11,105	14,883
Medicare Part D Subsidy	-	153,886
Benefits paid	(1,324,590)	(1,539,160)
Fair value of plan assets at end of year	$ -	$ -
Funded status at end of year	$ (48,633,089)	$ (30,761,044)
Amounts recognized in unrestricted net assets:		
Unamoritized prior service (credit)	$ (8,797,429)	$ (9,948,613)
Unamoritized net loss	29,259,696	15,005,740
	$ 20,462,267	$ 5,057,127
Amounts recognized in the statement of financial position consist of:		
Accrued postretirement benefits (liability)	$ (48,633,089)	$ (30,761,044)
Unrestricted net assets	$ 20,462,267	$ 5,057,127
Components of net periodic benefit cost:		
Service cost	$ 1,082,166	$ 741,594
Interest cost	2,317,815	1,852,503
Amortization of gains and losses	1,361,719	856,552
Amortization of unrecognized prior service cost	(1,151,184)	(1,157,328)
Special termination benefit cost	169,874	-
Net periodic postretirement benefit cost	$ 3,780,390	$ 2,293,321
Change in unamoritized items:		
Actuarial loss	$ 15,615,675	$ 1,781,096
Amortization of:		
Prior service credit	$ 1,151,184	$ 1,157,328
Actuarial (loss)	$ (1,361,719)	$ (856,552)
Total changes in recognized unrestricted net assets	$ 15,405,140	$ 2,081,872
Total recognized in net periodic pension cost and unrestricted net assets	$ 19,185,530	$ 4,375,193

Expected effect in the unrestricted net assets next fiscal year:	2011
Prior service (credit)	$ (1,066,999)
Net loss	$ 1,795,833

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

Actual net health care claims paid for retirees by the College for the years ended May 31, 2010 and 2009 totaled $1,313,485 and $1,370,391, respectively. The discount rates used in determining the accumulated postretirement benefit obligation were 5.75% and 6.7% as of May 31, 2010 and 2009, respectively. Assumed discount rates of 6.7% and 6.6% were used in accounting for the net periodic pension cost as of May 31, 2010 and 2009, respectively. The assumed trend rates for pre-65 medical, post-65 medical, and prescription drug costs are 10.0% for the next year, decreasing gradually in future years to 5% by fiscal 2017 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, 2010 by $7,907,790 and increase the aggregate of the service cost and interest cost by $653,361. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2010 by $6,847,189 and decrease the aggregate of the service cost and interest cost by $547,239.

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 thereafter:

	Gross Payments
2011	$ 1,659,748
2012	2,066,867
2013	2,263,043
2014	2,356,024
2015	2,467,976
Years 2016-2020	14,398,677

Defined Contribution Plan

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, 2010 and 2009, the College’s contribution was $5,689,000 and $4,229,000, respectively.

Other

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, 2010 and 2009 were approximately $622,000 and $610,000, respectively.

NOTE 12 — EARLY RETIREMENT INCENTIVE PROGRAM

In 2010, the College offered a voluntary Early Retirement Incentive Program to eligible faculty and non-union staff. The Early Retirement Incentive Program was a one-time offer and was designed to enhance the financial feasibility of retirement for those eligible faculty and staff. For the year ended May 31, 2010, approximately $3,300,000 was included in operating expenses in the statement of activities for 38 people that elected and were accepted into the Early Retirement Incentive Program.

NOTE 13 — 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 250 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 are secured by interests in various College assets. There were no borrowings outstanding under the lines of credit as of May 31, 2010 and 2009.

NOTE 14 — OTHER AGREEMENT

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 program is administered by the bank. At May 31, 2010, the College has $799,000 receivable in loans outstanding and a $1,263,549 investment that has not yet been loaned.

NOTE 15 — 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.