SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2011 and 2010

SKIDMORE COLLEGE

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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, 2011 and 2010, 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, 2011 and 2010, 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 19, 2011

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	**$ 31,620,153**	$ 33,768,125
Accounts receivable, net	**3,868,992**	3,189,384
Inventories	**730,259**	673,470
Prepaid expenses	**945,909**	1,007,654
Contributions receivable, net	**20,518,844**	31,284,696
Student loans receivable, net	**2,553,435**	2,889,844
Investments	**355,552,412**	310,351,542
Investments under split interest agreements	**6,898,694**	6,339,701
Deposits with bond trustees	**29,579,648**	8,466,429
Debt issuance costs, net	**2,091,515**	1,866,738
Pension assets, net	**89,344**	67,087
Land, buildings and equipment, net	**170,929,893**	165,954,996
Total assets	**$ 625,379,098**	$ 565,859,666
LIABILITIES		
Accounts payable and accrued expenses	**$ 15,448,834**	$ 17,184,907
Student tuition deposits and deferred revenues	**9,259,245**	9,082,992
Liabilities to beneficiaries under split interest agreements	**2,272,007**	2,362,147
Accrued postretirement benefits	**56,923,896**	48,633,089
Refundable government loan funds	**1,899,710**	1,873,995
Asset retirement obligation	**1,695,645**	2,030,668
Long-term debt	**81,494,043**	61,516,175
Total liabilities	**168,993,380**	142,683,973
NET ASSETS		
Unrestricted		
Board designated for endowment	**129,643,310**	116,934,256
Undesignated	**114,829,134**	166,038,578
Temporarily restricted	**105,800,987**	37,406,573
Permanently restricted	**106,112,287**	102,796,286
Total net assets	**456,385,718**	423,175,693
Total liabilities and net assets	**$ 625,379,098**	$ 565,859,666

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue:				
Tuition and fees	$ 114,743,457	$ -	$ -	**$ 114,743,457**
Less: institutional aid	(33,644,447)	-	-	**(33,644,447)**
Net tuition and fees	81,099,010	-	-	**81,099,010**
Sales and services of auxiliary enterprises	28,642,999	-	-	**28,642,999**
Private gifts and grants	3,736,582	1,381,769	-	**5,118,351**
Government grants and appropriations	236,127	2,913,847	-	**3,149,974**
Dividends and interest	683,160	2,212,596	-	**2,895,756**
Realized gains used to support operations	5,676,184	6,302,862	-	**11,979,046**
Interest on student loans	112,765	-	-	**112,765**
Other	1,534,104	622,979	-	**2,157,083**
Total operating revenue	121,720,931	13,434,053	-	**135,154,984**
Net assets released from restrictions	31,359,449	(31,359,449)	-	**-**
Total operating revenue and net assets released from restrictions	153,080,380	(17,925,396)	-	**135,154,984**
Operating expenses:				
Instruction	49,316,612	-	-	**49,316,612**
Research	1,989,381	-	-	**1,989,381**
Academic support	16,133,724	-	-	**16,133,724**
Student services	14,954,354	-	-	**14,954,354**
Institutional support	24,418,118	-	-	**24,418,118**
Auxiliary enterprises	24,146,506	-	-	**24,146,506**
	130,958,695	-	-	**130,958,695**
Non-operating:				
Dividends and interest	17,747	239,817	-	**257,564**
Net realized and unrealized gains	12,849,881	9,727,911	-	**22,577,792**
Change in value of split interest agreements	-	1,101,933	228,362	**1,330,295**
Capital gifts	1,344,920	5,645,741	3,087,639	**10,078,300**
Net loss on disposal of fixed assets	(380,350)	-	-	**(380,350)**
Other net loss	(429,635)	-	-	**(429,635)**
Changes in net assets from non-operating activities	13,402,563	16,715,402	3,316,001	**33,433,966**
Increase (decrease) in net assets before pension and postretirement benefit related changes other than net periodic benefit cost	35,524,248	(1,209,994)	3,316,001	**37,630,255**
Pension and postretirement benefit related changes other than net periodic benefit cost	(4,420,230)	-	-	**(4,420,230)**
Net assets reclassification (Note 7)	(69,604,408)	69,604,408	-	**-**
(Decrease) increase in net assets	(38,500,390)	68,394,414	3,316,001	**33,210,025**
Net assets at beginning of year	282,972,834	37,406,573	102,796,286	**423,175,693**
Net assets at end of year	$ 244,472,444	$ 105,800,987	$ 106,112,287	**$ 456,385,718**

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
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	**$ 33,210,025**	$ 25,454,575
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**12,103,733**	12,008,028
Amortization of debt issuance costs	**494,810**	87,243
(Decrease) increase in pledge discount	**(1,244,074)**	269,061
Loss on disposal of fixed assets	**380,350**	76,512
Decrease in allowance for uncollectable receivables	**(1,346,509)**	(269,797)
Net realized and unrealized gains on investments	**(34,556,838)**	(37,100,429)
Capital gifts	**(10,078,300)**	(11,507,227)
Gifts in kind	**(1,345,774)**	(996,470)
Pension and postretirement benefit related changes other than net periodic benefit cost	**4,420,230**	15,551,098
Changes in operating assets and liabilities:		
Accounts receivable	**(601,334)**	(495,891)
Inventories	**(56,789)**	14,682
Prepaid expenses	**61,745**	663,667
Pension assets, net	**(22,257)**	(7,619)
Accounts payable and accrued expenses	**(1,736,073)**	670,794
Liabilities to beneficiaries under split interest agreements	**(90,140)**	(72,672)
Student tuition deposits and deferred income	**176,253**	(2,089,005)
Accrued postretirement benefits	**3,870,577**	2,466,905
Asset retirement obligation	**(335,023)**	(260,232)
Net cash provided by operating activities	**3,304,612**	4,463,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**116,528,295**	49,806,543
Purchases of investments	**(127,731,320)**	(44,550,840)
Student loan principal collected	**640,999**	775,826
Student loans originated	**(282,327)**	(261,901)
Proceeds from disposal of fixed assets	**32,867**	206,960
Purchases of land, buildings and equipment	**(16,146,073)**	(17,079,786)
Net cash used in investing activities	**(26,957,559)**	(11,103,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	**10,078,300**	11,507,227
Change in contributions receivable	**13,255,898**	700,034
Payments on long-term debt	**(12,447,132)**	(6,887,418)
Proceeds from bond issuance	**32,425,000**	-
Net change in deposits with bond trustees	**(21,113,219)**	1,621,573
Debt issuance costs	**(719,587)**	-
Net change in refundable government loan funds	**25,715**	62,813
Net cash provided by financing activities	**21,504,975**	7,004,229
Net (decrease) increase in cash and cash equivalents	**(2,147,972)**	364,254
Cash and cash equivalents at beginning of year	**33,768,125**	33,403,871
Cash and cash equivalents at end of year	**$ 31,620,153**	$ 33,768,125
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 3,205,763**	$ 3,313,476

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 1,000 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 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. However, the College's federal Exempt Organization Business Income Tax Returns (Form 990T) for fiscal years 2008 and later are subject to examination by the IRS, generally for three years after they were filed.

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.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $23,550,000 at May 31, 2011. Based on management's review of the strength of the financial institutions, management believes the risk of loss on these funds is not material.

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.

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 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.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 the FASB. The guidance requires the recognition of defined benefit and defined benefit postretirement plans’ funded status as either an asset or liability on the Statements of Financial Position.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During the fiscal year ended May 31, 2011, the College capitalized approximately $720,000 in debt issuance costs related to the issuance of Series 2011A Insured Revenue Bonds. The amortization expense approximated $495,000 and $87,000 for the years ended May 31, 2011 and 2010, 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.

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, 2011 and 2010 were approximately $106,541,000 and $105,482,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

Subsequent Events

The College has evaluated subsequent events through August 19, 2011, the date financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the financial statements for 2010 to conform to the presentation for 2011.

NOTE 3 — ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable are recognized net of an allowance for uncollectible accounts of approximately $39,000 and $117,000 as of May 31, 2011 and 2010, 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 $585,000 and $608,000 as of May 31, 2011 and 2010, 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, 2011 and 2010, were as follows:

	2011	2010
Gross amounts expected to be received within:		
Less than one year	$ 193,965	$ 696,125
One to five years	10,934,168	25,089,905
More than five years	5,002,900	5,003,500
	16,131,033	30,789,530
Less: discount to present value (1.07% to 5.88%)	(1,446,667)	(2,690,741)
	14,684,366	28,098,789
Less: allowance for doubtful accounts	(1,371,138)	(2,617,110)
Contributions Receivable - Pledges	13,313,228	25,481,679
Contributions Receivable - Charitable Remainder Trusts	7,205,616	5,803,017
Total Contributions Receivable, net	$ 20,518,844	$ 31,284,696

As of May 31, 2011 and 2010, the College had also received notification of bequest intentions totaling approximately $24,874,000 and $23,809,000, 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 $3,637,000 and $3,634,000 for the years ended May 31, 2011 and 2010, 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 $3,053,000 and $3,267,000 for the years ended May 31, 2011 and 2010, 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, 2011 and 2010 were as follows:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 18,388,373	$ 18,388,373	$ 18,721,306	$ 18,735,720
Equities				
Long Only Equities	49,847,489	38,529,190	33,150,780	21,393,971
Equity Long / Short Investment Funds	89,637,019	73,368,429	92,033,516	86,692,183
Equity Mutual Funds	2,476,543	2,194,420	2,101,906	2,803,427
Fixed Income				
Fixed Income Mutual Funds	57,499,929	55,591,680	48,511,117	46,681,774
Fixed Income Commingled Investment Funds	20,658,415	12,961,128	18,697,103	12,957,606
Absolute Return Funds				
Absolute Return Funds	86,566,519	68,601,688	77,233,528	47,470,968
Private Equity Funds				
Private Capital Funds	28,607,209	28,864,203	20,468,983	21,820,179
Private Real Estate Funds	8,644,610	8,569,003	5,648,004	7,387,229
Other				
Real Estate Trust	125,000	125,000	125,000	125,000
Total	$ 362,451,106	$ 307,193,114	$ 316,691,243	$ 266,068,057

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 $6,192,000 and $4,726,000 for the years ended May 31, 2011 and 2010, respectively.

The fair value and cost of investments by traditional fund classification as of May 31, 2011 and 2010 were as follows:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Pooled Investments				
Endowment and similar funds	$ 331,405,338	$ 275,861,764	$ 299,927,292	$ 248,757,335
Non-pooled Investments				
Current funds	15,155,385	15,156,435	10,424,250	10,561,286
Plant Funds	8,991,689	9,798,075	-	-
Life income funds	6,898,694	6,376,840	6,339,701	6,749,436
Total non-pooled	31,045,768	31,331,350	16,763,951	17,310,722
Total	$ 362,451,106	$ 307,193,114	$ 316,691,243	$ 266,068,057

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:

	2011			
	Pooled Investments			Fair
	Fair Value	Cost	Net Gain	Value Per Unit
End of year	$ 331,405,338	$ 275,861,764	$ 55,543,574	$ 8.47
Beginning of year	299,927,292	248,757,335	51,169,957	7.61
Net unrealized gain for year			4,373,617	
Net realized gain for year			29,971,007	
Net total gain for year			$ 34,344,623	$ 0.86

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to $.39 for the year ended May 31, 2011.

	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.

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.

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

Long Only Equities: Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. 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 adjustment required to the net asset value.

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

Fixed Income Mutual Funds: Valued at the closing price reported on 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 adjustment required to the net asset value.

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 value.

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 receives audited financial statements, 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.

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 receives audited financial statements, tax returns and other financial data, including descriptions of underlying real estate investments. The College determines the fair value based on the qualitative and quantitative information received.

Real Estate Trust: Valued at estimated fair value which is based on the cost or the most recent appraised value of the property. The College determines the fair value based on qualitative and quantitative information received.

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

Guaranteed Investment Contract: 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 at the reporting date.

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

The following presents the College's assets by fair value hierarchy and type at May 31, 2011:

Investments	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 18,343,279	$ -	$ -	$ 18,343,279
Equities				
Long Only Equities	40,472,278	-	9,375,211	49,847,489
Equity Long / Short Investment Funds	-	53,194,491	36,442,528	89,637,019
Fixed Income				
Fixed Income Mutual Funds	53,247,872	-	-	53,247,872
Fixed Income Commingled Investment Funds	89,615	-	20,568,800	20,658,415
Absolute Return Funds				
Absolute Return Fund	-	9,097,491	77,469,028	86,566,519
Private Equity Funds				
Private Capital Fund	-	-	28,607,209	28,607,209
Private Real Estate Fund	-	-	8,644,610	8,644,610
Total Investments	$ 112,153,044	$ 62,291,982	$ 181,107,386	$ 355,552,412

Contributions Receivable - Charitable Remainder Trusts	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Charitable Remainder Trusts	$ -	$ -	$ 7,205,616	$ 7,205,616
Total Charitable Remainder Trusts	$ -	$ -	$ 7,205,616	$ 7,205,616

Investments under Split Interest Agreements	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 45,094	$ -	$ -	$ 45,094
Equities				
Equity Mutual Funds	2,476,543	-	-	2,476,543
Fixed Income				
Fixed Income Mutual Funds	4,252,057	-	-	4,252,057
Other				
Real Estate Trust	-	-	125,000	125,000
Total Investments under Split Interest Agreements	$ 6,773,694	$ -	$ 125,000	$ 6,898,694

Deposits with Bond Trustees	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 1,087,031	$ -	$ -	$ 1,087,031
Fixed Income				
U.S. Treasuries	21,586,674	-	-	21,586,674
U.S. Agency Funds	5,129,751	-	-	5,129,751
Other				
Guaranteed Investment Contract	-	-	1,776,192	1,776,192
Total Deposits with Bond Trustees	$ 27,803,456	$ -	$ 1,776,192	$ 29,579,648
Total assets at fair value	$ 146,730,194	$ 62,291,982	$ 190,214,194	$ 399,236,370

NOTE 6 — FAIR VALUE MEASUREMENTS (Continued)

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

Investments	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents				
Cash and Cash Equivalents	$ 18,636,055	$ -	$ -	$ 18,636,055
Equities				
Long Only Equities	24,261,557	-	8,889,223	33,150,780
Equity Long / Short Investment Funds	-	61,298,265	30,735,251	92,033,516
Fixed Income				
Fixed Income Mutual Funds	44,483,573	-	-	44,483,573
Fixed Income Commingled Investment Funds	86,094	-	18,611,009	18,697,103
Absolute Return Funds				
Absolute Return Fund	-	-	77,233,528	77,233,528
Private Equity Funds				
Private Capital Fund	-	-	20,468,983	20,468,983
Private Real Estate Fund	-	-	5,648,004	5,648,004
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 and Cash Equivalents				
Cash and Cash Equivalents	$ 85,251	$ -	$ -	$ 85,251
Equities				
Equity Mutual Funds	2,101,906	-	-	2,101,906
Fixed Income				
Fixed Income Mutual Funds	4,027,544	-	-	4,027,544
Other				
Real Estate Trust	-	-	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 and Cash Equivalents				
Cash and Cash Equivalents	$ 3,200	$ -	$ -	$ 3,200
Fixed Income				
U.S. Treasuries	2,946,037	-	-	2,946,037
U.S. Agency Funds	3,741,000	-	-	3,741,000
Other				
Guaranteed Investment Contract	-	-	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)

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, 2011:

Balance at June 1, 2010	$ 169,290,207
Total gains or losses (realized and unrealized) included in non-operating gains	22,153,827
Purchases, sales, gifts, issuances and settlements	(1,229,840)
Balance at May 31, 2011	$ 190,214,194

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

Nature and Risk Certain Investments

The nature and risk of certain investments by major category at May 31, 2011 are presented as follows:

	Fair Value	Unfunded Commitments	Redemption Provisions	Expected Liquidation Term
Fixed Income				
Fixed Income Commingled Investment Funds	$ 20,658,415	$ -	90 days notice with 33% maximum annually	Not applicable
Equities				
Equity Long / Short Investment Funds	89,637,019	-	varies from 100% monthly with 6 days notice to a 3 year holding period	Not applicable
Absolute Return Funds				
Absolute Return Funds	86,566,519	-	varies from 100% monthly with 30 days notice to a 1 year holding period	Not applicable
Private Equity Funds				
Private Capital Funds	28,607,209	12,135,000	no redemption permitted	1 to 9 years
Private Real Estate Funds	8,644,610	7,739,000	no redemption permitted	1 to 8 years
	$ 234,113,772	$ 19,874,000		

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.

For the year ended May, 31, 2010, the College was subject to the Uniform Management of Institutional Funds Act ("UMIFA"). In 1978, the State of New York enacted UMIFA, providing not-for-profit organizations 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 period ended May 31, 2010, approximately $2,157,000 was funded from Unrestricted Net Assets to Permanently Restricted Net Assets.

On September 17, 2010, the State of New York 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 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. As of May 31, 2011, approximately $952,800 was funded from Unrestricted Net Assets to Permanently Restricted Net Assets.

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a 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.

NOTE 7 — ENDOWMENT (Continued)

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.

Endowment net asset composition by type of fund as of May 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 69,604,408	$ 102,115,391	$ 171,719,799
Board-designated funds	129,643,310	-	-	129,643,310
Total funds	$ 129,643,310	$ 69,604,408	$ 102,115,391	$ 301,363,109

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted 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

Changes in endowment net assets for the fiscal year ended May 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 175,598,738	$ -	$ 97,396,202	$ 272,994,940
Contributions	4,475,055	-	4,719,189	9,194,244
Investment income	2,198,929	-	-	2,198,929
Net appreciation	31,152,971	-	-	31,152,971
Net assets reclassification for adoption of NYPMIFA	(69,604,408)	69,604,408	-	-
Amounts appropriated for expenditure	(14,177,975)	-	-	(14,177,975)
Endowment net assets, end of year	$ 129,643,310	$ 69,604,408	$ 102,115,391	$ 301,363,109

NOTE 7 — ENDOWMENT (Continued)

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 8 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2011 and 2010, consisted of the following:

	2011	2010
Land	$ 2,149,036	$ 1,640,536
Buildings and building improvements	229,112,634	221,671,554
Equipment and furnishings	68,430,229	66,359,064
Library holdings and art collections	26,916,909	25,591,750
Construction in progress	9,082,219	3,569,614
	335,691,027	318,832,518
Less: accumulated depreciation	(164,761,134)	(152,877,522)
Land, buildings, and equipment, net	$ 170,929,893	$ 165,954,996

Depreciation expense for the years ended May 31, 2011 and 2010 amounted to $12,103,733 and $12,008,028, 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 2011 and 2010:

	2011	2010
ARO, beginning of year	$ 2,030,668	$ 2,290,900
Add: Current year accretion	101,533	96,698
Less: Settled Obligations	(436,556)	(356,930)
ARO, end of year	$ 1,695,645	$ 2,030,668

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.

During 2011, the College entered into an agreement with The Dormitory Authority of the State of New York (the "Authority") whereby the Authority issued tax exempt bonds in the amount of $32,425,000 (Series 2011A Revenue Bonds). The proceeds of the bonds are to partially fund the construction of student housing on the College campus and to refund the outstanding Series 1998 Insured Revenue Bonds.

Long-term debt of the College (including the current portion) as of May 31, 2011 and 2010, is summarized as follows:

	2011	2010
Plant Debt		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	$ -	$ 9,170,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	18,340,000	20,220,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	28,700,000	29,445,000
Dormitory Authority of the State of New York Revenue Bonds, Series '11; 5.25%; due 2041	32,425,000	-
Total plant debt	79,465,000	58,835,000
Student Loan Debt		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	99,843	165,290
Series '93; 5.05%; due 2013	367,037	575,048
Series '95; 5.75%; due 2016	1,562,163	1,940,837
Total student loan debt	2,029,043	2,681,175
Total long-term debt	$ 81,494,043	$ 61,516,175

NOTE 9 — LONG-TERM DEBT (Continued)

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 issues, except for Series 2011A Revenue Bonds, are collateralized by municipal bond insurance. All issues are collateralized by 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
2012	$ 3,533,230	$ 4,264,576	$ 7,797,806
2013	3,598,701	4,269,987	7,868,688
2014	2,650,072	4,240,683	6,890,755
2015	2,919,906	3,642,939	6,562,845
2016	2,999,131	3,516,639	6,515,770
Thereafter	65,793,003	36,271,310	102,064,313
Total	$ 81,494,043	$ 56,206,134	$ 137,700,177

The fair market value of the College's financial debt instruments based on current borrowing rates for loans with similar terms and average maturities was estimated to be approximately $87,516,000 and $66,348,000 as of May 31, 2011 and 2010, respectively.

Interest expense for the years ended May 31, 2011 and 2010 totaled approximately $2,929,000 and $3,049,000, 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, 2011 and 2010 were classified as follows:

	2011	2010
Student loans	$ 48,604	$ 48,604
Funds for academic programs and scholarships	3,088,499	3,249,929
Funds for capital improvements	11,825,773	4,170,016
Life income and annuity funds	10,488,700	8,656,121
Endowment	69,604,408	-
Pledges receivable	10,745,003	21,281,903
	$ 105,800,987	$ 37,406,573

NOTE 10 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

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, 2011 and 2010 consisted of the following:

	2011	2010
Endowment	$ 102,115,391	$ 97,396,202
Life income and annuity funds	1,428,671	1,200,309
Pledges receivable	2,568,225	4,199,775
	$ 106,112,287	$ 102,796,286

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, 2011 and 2010:

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,690,878	$ 1,479,791
Interest cost	76,443	110,571
Benefits paid	(522,205)	(220,621)
Actuarial (gain) loss	(67,465)	299,855
Increase due to settlement	54,267	21,282
Benefit obligation at end of year	$ 1,231,918	$ 1,690,878
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,757,965	$ 1,685,217
Actual return on plan assets	(14,498)	(6,631)
Employer contribution	100,000	300,000
Benefits paid	(522,205)	(220,621)
Fair value of plan assets at end of year	$ 1,321,262	$ 1,757,965
Funded status at year end	$ 89,344	$ 67,087
Amounts recognized in unrestricted net assets:		
Unamortized net loss	$ 576,184	$ 864,663
Amounts recognized in the statement of financial position consist of:		
Pension assets	$ 89,344	$ 67,087
Unrestricted net assets	$ 576,184	$ 864,663
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	$ 76,443	$ 110,571
Expected return on assets	(41,824)	(44,686)
Amortization of unrecognized net loss	112,175	140,186
Settlement loss	219,428	86,310
Net periodic pension cost	$ 366,222	$ 292,381
Change in unamortized items:		
Actuarial (gain) loss	$ (11,143)	$ 351,172
Settlement loss	54,267	21,282
Amortization of:		
Actuarial loss	(112,175)	(140,186)
Settlement loss	(219,428)	(86,310)
Total changes in recognized unrestricted net assets	$ (288,479)	$ 145,958
Total recognized in net periodic pension cost and unrestricted net assets	$ 77,743	$ 438,339

Expected effect in the unrestricted net assets next fiscal year:	2012
Net loss	$ 67,599

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 $100,000 and $300,000 to the plan for the years ended May 31, 2011 and 2010, respectively. Assumed discount rates of 5.50% and 5.75% were used in accounting for the benefit obligation as of May 31, 2011 and 2010, respectively. Assumed discount rates of 5.75% and 6.70% were used in accounting for the net periodic pension cost as of May 31, 2011 and 2010, respectively. Expected long-term rates of return on assets of 3.0% were used in accounting for the plan as of May 31, 2011 and 2010.

There is no expected contribution to the plan for the fiscal year ended May 31, 2012.

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:

2012	$	339,778
2013	$	184,127
2014	$	102,077
2015	$	141,735
2016	$	115,861
Years 2017-2021	$	381,840

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.

NOTE 11 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

The following tables set forth the status of the plan, which is unfunded, as of May 31, 2011 and 2010:

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 48,633,089	$ 30,761,044
Service cost	1,390,086	1,082,166
Interest cost	2,854,080	2,317,815
Plan participant's contribution	60,847	11,105
Amendments/curtailments	-	169,874
Actuarial loss	5,582,772	15,615,675
Benefits paid	(1,596,978)	(1,324,590)
Benefit obligation at end of year	$ 56,923,896	$ 48,633,089
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution	1,536,131	1,313,485
Plan participants' contributions	60,847	11,105
Benefits paid	(1,596,978)	(1,324,590)
Fair value of plan assets at end of year	$ -	$ -
Funded status at year end	$ (56,923,896)	$ (48,633,089)
Amounts recognized in unrestricted net assets:		
Unamortized prior service (credit)	$ (7,730,430)	$ (8,797,429)
Unamortized net loss	32,901,406	29,259,696
	$ 25,170,976	$ 20,462,267
Amounts recognized in the statement of financial position consist of:		
Accrued postretirement benefits liability	$ (56,923,896)	$ (48,633,089)
Unrestricted net assets	$ 25,170,976	$ 20,462,267
Components of net periodic benefit cost:		
Service cost	$ 1,390,086	$ 1,082,166
Interest cost	2,854,080	2,317,815
Amortization of net loss	1,941,062	1,361,719
Amortization of unrecognized prior service credit	(1,066,999)	(1,151,184)
Special termination benefit cost	-	169,874
Net periodic postretirement benefit cost	$ 5,118,229	$ 3,780,390
Change in unamortized items:		
Actuarial loss	$ 5,582,772	$ 15,615,675
Amortization of:		
Prior service credit	$ 1,066,999	$ 1,151,184
Actuarial loss	(1,941,062)	(1,361,719)
Total changes in recognized unrestricted net assets	$ 4,708,709	$ 15,405,140
Total recognized in net periodic benefit cost and unrestricted net assets	$ 9,826,938	$ 19,185,530

Expected effect in the unrestricted net assets next fiscal year:	2012
Prior service (credit)	$ (1,066,999)
Net loss	$ 2,091,907

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, 2011 and 2010 totaled $1,536,131 and $1,313,485, respectively. The discount rates used in determining the accumulated postretirement benefit obligation were 5.50% and 5.75% as of May 31, 2011 and 2010, respectively. Assumed discount rates of 5.75% and 6.70% were used in accounting for the net periodic pension cost as of May 31, 2011 and 2010, respectively. The assumed trend rates for pre-65 medical, post-65 medical, and prescription drug costs is 10.0% for the next year, decreasing gradually in future years to 5% by fiscal 2018 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, 2011 by $9,604,386 and increase the aggregate of the service cost and interest cost by $915,322. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2011 by $7,737,074 and decrease the aggregate of the service cost and interest cost by $704,784.

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
2012	$ 2,254,895
2013	$ 2,407,648
2014	$ 2,538,124
2015	$ 2,640,186
2016	$ 2,753,259
Years 2017-2021	$ 16,217,930

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, 2011 and 2010, the College's contribution was approximately $4,150,000 and $5,689,000, respectively.

Other

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, 2011 and 2010 were approximately $693,000 and $622,000, 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 line of credit as of May 31, 2011 and 2010.

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. The College has $1,338,661 receivable in loans outstanding and a $739,196 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.