Rensselaer Polytechnic Institute

Consolidated Financial Statements

For the Years Ended
June 30, 2010 and 2009

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Contents

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
677 Broadway
Albany NY 12207
Telephone (518) 462 2030
Facsimile (518) 427 4499

Report of Independent Auditors

To The Board of Trustees
Rensselaer Polytechnic Institute:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute ("Rensselaer") at June 30, 2010 and June 30, 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Rensselaer's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 4, 2010

Rensselaer Polytechnic Institute
Consolidated Statements of Financial Position
At June 30, 2010 and June 30, 2009
(in thousands of dollars)

Assets	*2010*	*2009*
Cash and cash equivalents (Note B)	$ 6,012	$ 2,720
Accounts receivable, net (Note B)		
Student related and other	5,925	8,635
Research, training and other agreements (Note E)	25,945	27,886
Contributions receivable, net (Note D)	31,095	37,859
Contributions from external remainder trusts (Note H)	7,948	7,783
Inventories (Note B)	1,889	2,050
Prepaid expenses and other assets	7,635	7,443
Deposits with bond trustees (Note K)	185	2,138
Student loans receivable, net (Note B)	31,165	33,246
Collateral received for securities loaned	14,815	17,081
Investments, at market (Note H)	636,877	616,552
Land, buildings and equipment, net (Note J)	751,656	743,356
Total assets	$ 1,521,147	$ 1,506,749

Liabilities		
Accounts payable and accrued expenses	$ 42,087	$ 47,745
Short term borrowings (Note K)	31,775	16,010
Deferred revenue	21,362	20,752
Liability on interest rate swap agreements (Notes B and H))	-	50,684
Split interest agreement obligations (Note F)	9,237	7,599
Other liabilities	9,459	8,890
Payable for collateral received on securities loaned agreement payable	14,815	17,081
Pension liability (Note L)	101,087	89,069
Accrued postretirement benefits (Note L)	12,164	13,555
Refundable government loan funds	26,977	26,427
Capital Leases payable (Note M)	19,746	19,946
Long-term debt (Note K)	710,512	653,957
Total liabilities	$ 999,221	$ 971,715

Net Assets		
Unrestricted	171,963	187,664
Temporarily restricted	87,852	90,694
Permanently restricted	262,111	256,676
Total net assets	521,926	535,034
Total liabilities and net assets	$ 1,521,147	$ 1,506,749

The accompanying notes are an integral part of these consolidated financial statements.

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
For The Year Ended June 30, 2010, with comparative June 30, 2009 totals
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2010	Total June 30, 2009
Operating Revenue:					
Student related revenue:					
Student tuition and fees, net					
Undergraduate	$ 115,161	$ -	$ -	$ 115,161	$ 106,028
Graduate	34,305			34,305	35,402
Education for working professionals	17,069			17,069	19,883
Fees	1,519			1,519	1,573
Auxiliary services	48,530			48,530	44,409
Student related revenue	216,584	-	-	216,584	207,295
Gifts	22,171	3,300		25,471	24,741
Grants and contracts:					
Direct:					
Federal	55,630			55,630	49,919
State	7,597			7,597	17,053
Private	5,616			5,616	7,089
Indirect	17,576			17,576	17,312
Grants and contracts	86,419	-	-	86,419	91,373
Investment return:					
Dividends and interest	5,217	518		5,735	8,206
Realized accumulated gains used to meet spending policy	21,561	2,187		23,748	22,114
Endowment spending for Rensselaer Plan initatitives	22,100			22,100	30,900
Interest on student loans	124			124	114
Investment return	49,002	2,705	-	51,707	61,334
Rensselaer Technology Park	4,621			4,621	4,698
Other	7,094	24		7,118	8,977
Net assets released from restrictions	14,923	(14,923)		-	-
Total operating revenue	400,814	(8,894)	-	391,920	398,418
Operating Expense:					
Instruction	134,847			134,847	135,565
Research:					
Sponsored	98,405			98,405	93,076
Unsponsored	16,828			16,828	13,719
Student services	11,933			11,933	13,032
Institutional and academic support	83,967			83,967	92,241
Externally funded scholarships and fellowships	14,595			14,595	15,526
Auxiliary services	30,685			30,685	27,935
Rensselaer Technology Park	3,720			3,720	3,623
Defined benefit pension and postretirement	9,135			9,135	9,662
Total operating expenses	404,115	-	-	404,115	404,379
Change in net assets from operating activities	(3,301)	(8,894)	-	(12,195)	(5,961)
Non-operating:					
Realized and unrealized gains (losses), net of spending policy	10,731	4,932	(261)	15,402	(220,894)
Realized and unrealized gains (losses), interest rate swaps	(5,218)			(5,218)	(25,788)
Adjustment for pension and postretirement benefits liability	(11,689)			(11,689)	(51,109)
Life income and endowment gifts		1,315	4,910	6,225	9,192
Loss on extinguishment of debt	(4,793)			(4,793)	-
Change in value of life income contracts		(206)	786	580	(2,927)
Gain (loss) on disposal of fixed assets	(1,431)	11		(1,420)	(1,130)
Change in net assets from non-operating activities	(12,400)	6,052	5,435	(913)	(292,656)
Change in net assets	(15,701)	(2,842)	5,435	(13,108)	(298,617)
Net assets at beginning of year	187,664	90,694	256,676	535,034	833,651
Net assets at end of year	$ 171,963	$ 87,852	$ 262,111	$ 521,926	$ 535,034

The accompanying notes are an integral part of these consolidated financial statements.

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
For The Year Ended June 30, 2009
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2009
Operating Revenue:				
Student related revenue:				
Student tuition and fees, net				
Undergraduate	$ 106,028	$ -	$ -	$ 106,028
Graduate	35,402			35,402
Education for working professionals	19,883			19,883
Fees	1,573			1,573
Auxiliary services	44,409			44,409
Student related revenue	207,295	-	-	207,295
Gifts	22,160	2,581		24,741
Grants and contracts:				
Direct:				
Federal	49,919			49,919
State	17,053			17,053
Private	7,089			7,089
Indirect	17,312			17,312
Grants and contracts	91,373	-	-	91,373
Investment return:				
Dividends and interest	7,393	813		8,206
Realized accumulated gains used to meet spending policy	19,555	2,559		22,114
Endowment spending for Rensselaer Plan initatitives	30,900			30,900
Interest on student loans	114			114
Investment return	57,962	3,372	-	61,334
Rensselaer Technology Park	4,698			4,698
Other	8,926	51		8,977
Net assets released from restrictions	15,586	(15,586)		-
Total operating revenue	408,000	(9,582)	-	398,418
Operating Expense:				
Instruction	135,565			135,565
Research:				
Sponsored	93,076			93,076
Unsponsored	13,719			13,719
Student services	13,032			13,032
Institutional and academic support	92,241			92,241
Externally funded scholarships and fellowships	15,526			15,526
Auxiliary services	27,935			27,935
Rensselaer Technology Park	3,623			3,623
Defined benefit pension and postretirement	9,662			9,662
Total operating expenses	404,379	-	-	404,379
Change in net assets from operating activities	3,621	(9,582)	-	(5,961)
Non-operating:				
Realized and unrealized gains (losses), net of spending policy	(205,834)	(14,841)	(219)	(220,894)
Realized and unrealized gains (losses), interest rate swaps	(25,788)			(25,788)
Adjustment for pension and postretirement benefits liability	(51,109)			(51,109)
Life income and endowment gifts		(5)	9,197	9,192
Loss on extinguishment of debt				-
Change in value of life income contracts		(2,226)	(701)	(2,927)
Gain (loss) on disposal of fixed assets	(1,130)			(1,130)
Change in net assets from non-operating activities	(283,861)	(17,072)	8,277	(292,656)
Change in net assets	(280,240)	(26,654)	8,277	(298,617)
Net assets at beginning of year	467,904	117,348	248,399	833,651
Net assets at end of year	$ 187,664	$ 90,694	$ 256,676	$ 535,034

The accompanying notes are an integral part of these consolidated financial statements.

Rensselaer Polytechnic Institute
Consolidated Statements of Cash Flows
For the years ended June 30, 2010 and 2009

(in thousands of dollars)	*2010*	*2009*
Cash flow from operating activities		
Total change in net assets	$ (13,108)	$ (298,617)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	38,124	34,054
Accretion expense	352	380
Loss on disposal of fixed assets	1,420	1,130
Uncollectible contributions writeoff	4,696	545
Loss on extinguishment of debt	1,554	-
Provision for uncollectible accounts and loans	(79)	37
Realized and unrealized losses (gains) on investments	(61,250)	167,879
Unrealized loss on interest rate swap	(2,429)	18,271
Contributions of equipment and other capital items	(272)	(184)
Receipt of contributed securities	(3,598)	(2,987)
Contributions restricted for long term investment	(6,225)	(9,192)
Contributions from external trusts, net of change in value	(165)	1,591
Changes in operating assets and liabilities:		
Accounts receivable	4,730	(6,474)
Contributions receivable	2,068	716
Inventories	161	442
Prepaid expense and other assets	439	657
Accounts payable and accrued expenses	1,463	668
Change in pension liability	12,018	45,599
Present value of split interest agreements, net of terminations	1,638	(2,832)
Deferred revenue and other liabilities	1,179	633
Accrued postretirement benefits	(1,391)	1,109
Net cash used in operating activities	(18,675)	(46,575)
Cash flow from investing activities		
Proceeds from sale of investments	181,140	199,335
Purchase of investments	(136,617)	(172,914)
Additional student loans granted	(2,454)	(5,619)
Student loans paid	4,535	4,199
Deposit with bond trustees	1,953	74,968
Proceeds from sale of land, building, and equipment	422	827
Purchase of land, building and equipment	(54,134)	(112,267)
Net cash used in investing activities	(5,155)	(11,471)
Cash flow from financing activities		
Contributions restricted for endowments	6,225	9,192
Payment of annuity obligations	(1,149)	(1,301)
Proceeds from issuance of bonds	561,750	-
Proceeds from loans/line of credit	217,900	261,293
Repayment of debt/line of credit	(705,875)	(212,901)
Deferred financing costs	(4,024)	-
Settlements of derivatives	(48,255)	-
Government loan funds	550	415
Net cash provided by financing activities	27,122	56,698
Net decrease in cash and cash equivalents	3,292	(1,348)
Cash and cash equivalents at beginning of the year	2,720	4,068
Cash and cash equivalents at end of the year	$ 6,012	$ 2,720
Non cash investing activities		
Gifts of equipment and other capital items	$ 272	$ 184
Contributed securities	3,598	2,987
Seller financed debt	8,586	1,598
Capital leases	-	19,899
(Decrease) increase of capital assets included in accounts payable	(6,324)	(5,984)
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 16,211	$ 18,780

The accompanying notes are an integral part of these consolidated financial statements.

Note A- Organization

Rensselaer Polytechnic Institute (Rensselaer) is a nonsectarian, coeducational institution composed of five schools: Architecture, Engineering, Humanities and Social Sciences, Lally School of Management and Technology, and Science. More than 130 programs and 700 courses lead to bachelors', masters', and doctoral degrees in all five schools. Rensselaer Technology Park is a university related park for technology ventures seeking a unique environment focused on the interface between industry and education.

Note B- Summary of Significant Accounting Policies

Basis of Consolidation
The accompanying consolidated financial statements of Rensselaer have been prepared on the accrual basis and include Rensselaer Hartford Graduate Center, Inc. (Center). All significant inter-organizational accounts have been eliminated.

Net Asset Classification
Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions other than those which only obligate Rensselaer to utilize funds to further its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by Rensselaer which fulfill the restrictions.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Dividends, interest and net gains or losses on investments are reported as follows:

i) as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund.
ii) as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains.
iii) as increases in unrestricted in all other cases.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as “net assets released from restrictions”.

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.

Revision
During fiscal year 2010, Rensselaer reviewed certain security lending activity and determined that $17.1 million should have been reflected gross as both collateral for securities loaned as an asset and securities loan agreement payable as a liability within the Consolidated Statement of Financial Position at June 30, 2009. Net assets at June 30, 2009 and the Consolidated Statement of Activities for the fiscal year 2009 were not impacted as a result of this adjustment. The University has reflected this transaction in their financial statements as of June 30, 2009 within the financial statements issued for June 30, 2010 for comparative purposes.

Tax Exempt Status
Rensselaer and Rensselaer Hartford Graduate Center, Inc are tax exempt 501(c) (3) Corporations under the Internal Revenue Service Code.

Note B- Summary of Significant Accounting Policies, (continued)

Contributions
Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less when purchased.

Accounts and Notes Receivable
Accounts and notes receivable arising from tuition fees, Rensselaer Technology Park activity and amounts owed on research contracts are carried net of an allowance for doubtful accounts as follows (in thousands):

	June 30, 2010	June 30, 2009
Student-related receivables	$ 620	$ 849
Loans to students	1,536	1,464
Other	13	14
Rensselaer Technology Park	36	36
Research, training and other agreements	456	305
Total allowances for doubtful accounts	$2,661	$2,668

Inventories
Inventories consist mainly of bookstore and computer store goods and maintenance supplies and are stated at the lower of cost or current market value, based upon the first-in, first-out method.

Investments
Purchase and sale transactions are recorded on a trade date basis. Realized gains and losses are recognized on an average cost basis when securities are sold.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains on losses and the unrealized appreciation or depreciation on those investments, is recognized in the Statement of Activities.

Securities lending
The Institute participates in securities lending activities. Cash and investments received as collateral on the securities lending transactions are reported as collateral received for securities loaned on the consolidated statement of financial position. As the collateral must be returned in the future, a corresponding liability is reported on the consolidated statement of position.

Note B- Summary of Significant Accounting Policies, (continued)

Land, Buildings and Equipment
Land, buildings and equipment are carried at cost or at the fair value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (50 years) and equipment (3-20 years). All gifts of land, buildings and equipment are recorded as unrestricted operating activity unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the donor restrictions are reported as being released when the donated or acquired long-lived assets are placed in service. Gifts of land, buildings and equipment with explicit donor stipulations specifying how the assets must be used or how long the assets must be maintained are recorded as temporarily restricted operating activity and reported as being released over the period of time required and be maintained as the assets are used for its specified purpose.

Interest Rate Swap Agreements
Rensselaer enters into various interest rate swap agreements in order to convert variable rate debt to a fixed rate, thereby economically hedging against changes in the cash flow requirements of Rensselaer's variable rate debt obligations. Rensselaer also enters into an interest rate swap to convert fixed rate debt to variable rate, thereby economically hedging against changes in the fair value of the debt. Accordingly, the interest rate swap contracts are reflected at fair value in Rensselaer's combined statements of financial position and the related portions of the debt being hedged are reflected at an amount equal to their carrying value.

Net payments or receipts under the swap agreements along with the change in fair value of the swaps are recorded in non-operating activities as realized and unrealized gains or losses on interest rate swap agreements. All interest rate swap agreements outstanding as of June 30, 2009 were settled in the current year. Cash Flows associated with interest rate swaps are reported in the same category as the underlying hedge item.

Note C- Tuition Revenue

The undergraduate student discount rate was 42.5% and 43.9% for the years ended June 30, 2010 and 2009, respectively.

Student tuition by segment and location is as follows (in thousands):

	2010	2009
Undergraduate tuition:		
Troy Campus	$200,372	$189,075
Less institutional aid	(85,211)	(83,047)
Total undergraduate tuition	$115,161	$106,028
Graduate tuition:		
Troy Campus	$ 34,305	$ 35,402
Total graduate tuition	$ 34,305	$ 35,402
Education for working professionals:		
Troy Campus	$ 5,609	$ 6,506
Hartford Campus	11,460	13,377
Total education for working professionals	$ 17,069	$ 19,883

Note D- Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30 (in thousands):

	2010	2009
In one year or less	$2,169	$ 3,875
Between one year and three years	17,133	18,593
Greater than three years	17,306	22,368
Less:		
Present value discount	(4,865)	(6,172)
Allowance for uncollectible pledges	(648)	(805)
Total contributions receivable	$31,095	$37,859

Conditional pledges, which are not accrued, approximate $3,263,000 at June 30, 2010, of which $277,000 was unrestricted as to purpose. The remaining conditional pledges are restricted to purpose as follows: $1,797,000 current programs; $918,000 endowment; and $271,000 plant. Bequest expectancies totaling $98,766,000 have been excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to a $360,000,000 transformational gift, income is being recognized as periodic cash payments are received.

Note E- Research Grants and Contracts

Rensselaer has been awarded approximately $95,925,000 and $76,584,000 of grants and contracts which have not been advanced or expended as of June 30, 2010 and 2009, respectively, and accordingly, are not recorded in the financial statements.

Note F- Split Interest Agreements

Split interest gift agreements consist primarily of irrevocable charitable remainder trusts, pooled income funds and charitable gift annuities for which Rensselaer is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The value of split interest assets included in the investments at June 30, 2010 and 2009 were $24,672,000 and $22,837,000, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Discount rates range from 3.2% to 10.6%. The liability for the present value of deferred gifts of $9,237,000 and $7,599,000 at June 30, 2010 and 2009, respectively, is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Rensselaer is also beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as contributions from external trusts and contribution revenue at the date Rensselaer is notified of the establishment of the trust. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as non-operating gains or losses in temporarily or permanently restricted net assets.

Note G- Natural Expense Classification

The following table compares expenses by type for the years ended June 30, 2010 and 2009, respectively (in thousands):

	2010	2009
Salaries and wages	$152,548	$154,674
Employee benefits excluding retirement	26,540	29,200
Retirement plan expense	15,918	15,495
Subtotal employee benefits	42,458	44,695
Total compensation	$195,006	$199,369
Supplies & services	73,859	73,284
Utilities	13,236	14,505
Employee travel	6,712	6,830
Taxes & insurance	6,970	8,267
Telecommunications	291	288
Library materials	2,374	2,328
Interest on debt	20,296	18,089
Depreciation and amortization	38,124	34,054
Student aid and fellowships	42,012	42,191
Operating lease agreements	4,809	4,559
Provision for uncollectible accounts	426	615
Total non salary	209,109	204,854
Total expenses	$404,115	$404,379

Note H- Investments

The fair value and cost of investments at June 30 is as follows (in thousands):

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 17,807	$ 17,807	$ 25,833	$ 25,799
Bonds and notes	127,748	122,088	136,369	147,220
Domestic equity securities	68,597	77,048	66,200	84,868
Foreign equity securities	66,315	52,915	59,344	55,167
Real estate	129,301	161,019	110,022	132,447
Marketable alternatives	40,941	39,698	65,781	64,143
Private equity partnerships	186,168	202,151	153,003	185,696
Total investments	$636,877	$672,726	$616,552	$695,340

Approximately $66,311,000 of the investment portfolio at June 30, 2010 is invested in international securities that are subject to the additional risk of currency fluctuation.

At June 30, 2010, Rensselaer has committed to investing approximately an additional $184 million in various equity and real asset partnerships.

Spending from Endowment Funds
Rensselaer has adopted a “total return” policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the market value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average market value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

Note H- Investments, (continued)

Dividends, Interest and Realized and Unrealized Gains and Losses
Total dividends, interest and realized and unrealized gains (reflected as both operating and non-operating activity) are as follows (in thousands):

	2010	2009
Dividends and interest available for spending	$ 5,735	$ 8,206
Realized gains (loss)	20,862	(16,673)
Unrealized gains (loss)	40,388	(151,206)
Net return	66,985	(159,673)

Investment management fees were $1,708,000 and $1,525,000 in 2010 and 2009, respectively, and are netted against realized and unrealized gains.

In May 2000 Rensselaer's Board of Trustees approved the Rensselaer Plan, a strategic roadmap to achieving greater prominence in the 21st century as a top-tier world-class technological research university with global reach and global impact. The Board also committed to endowment withdrawals in excess of Rensselaer's spending formula, as necessary, to fund investment in Plan initiatives. To date, $352.1 million has been spent or committed for such initiatives, exclusive of capital expenditures. In fiscal year 2005, an initial withdrawal from quasi-endowment of $20 million was recognized and displayed in the Statement of Activities as "endowment spending for Rensselaer Plan initiatives." For fiscal years 2006, 2007, 2008, 2009 and 2010, the amount reflected as "endowment spending for Rensselaer Plan initiatives" equals $34 million, $35.5 million, $38.3 million, $30.9 million and $22.1 million, respectively. These amounts reflect Board approved commitments against the endowment with the residual being funded from operations.

Derivative Financial Instruments
Investments include derivative financial instruments that have been acquired to reduce overall portfolio risk by hedging exposure to certain assets held in the portfolio. At June 30, 2010, there were approximately $50,000 of open or unsettled forward exchange contracts to sell foreign currency and $51,000 of open or unsettled forward exchange contracts to purchase foreign currency. These contracts are denominated in two North American and European currencies and will settle in July, 2010. The impact on the consolidated statement of activities is not significant.

Forward contracts are marked to market monthly. The market and credit risks related to these derivative investments are not materially different from the risks associated with similar underlying assets in the portfolio. These derivative financial instruments are recorded at estimated fair value in investments.

Fair Value Measurement

Effective July 1, 2008, Rensselaer adopted the "Fair Value Measurements" accounting standard which, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. The new standard provides a consistent definition of fair value focusing on an exit price which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The standard also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

Note H- Investments, (continued)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by Rensselaer for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets.
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.
- Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

In 2009, new guidance related to the *Fair Value Measurement* standard was issued for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with US generally accepted accounting principles (US GAAP). As a practical expedient, the Institute is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The Institute's investments in private equity, real estate and marketable alternatives are fair valued based on the most current NAV.

The Institute performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The Institute has assessed factors including, but not limited to, managers' compliance with *Fair Value Measurement* standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable user of the financial statements to understand the nature and risk of the Institute's investments in investment companies. Furthermore, investments which can be redeemed at NAV by the Institute on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The new guidance did not materially affect the Institute's consolidated financial statements.

Below is a list of investments in other investment companies (or similar entities) by major investment category:

Fixed Income Securities
This category includes investments that cover a wide variety of fixed income instruments and may include from time to time cash, money market funds, Government and U.S. Treasury securities, foreign sovereign bonds, convertible bonds, high yield bonds, and other securities. Some or all of these investments may provide liquidity to the Institute with as a little as one day's notice.

Domestic Equity Securities
This category includes investments in U.S. equities. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. Indirectly held investments are subject to a variety of liquidity restrictions at June 30, 2010, that range in term from 30 days to annual notice requirements.

Foreign Equity Securities
This category includes investments in non-U.S. developed market and emerging market equities. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. Indirectly held investments are subject to a variety of liquidity restrictions at June 30, 2010, that range in term from 30 days to annual notice requirements.

Note H- Investments, (continued)

Real Assets
This category includes investments in a variety of partnerships and similar entities focused on real estate, energy, and commodity investments in the U.S and foreign markets. Typically, the Institute makes a commitment that is drawn down over time by the manager; as investments mature and are realized, distributions are made by the manager to the Institute. The Institute does not have any redemption rights in these investments, other than certain Key Person provisions, and the investments have remaining lives as long as ten years.

Marketable Alternatives
This category includes investments in a variety of partnerships and similar entities focused on primarily marketable investments in the U.S and foreign markets. The primary focus of individual managers include, among others, an emphasis on energy/utility investments, technology and healthcare, event-driven investments, long/short funds, and other strategies. In addition to Key Person provisions, the Institute has various liquidity provisions specific to each manager. Most of these investments provide for liquidity at least quarterly, although some are on an annual basis. The Institute could redeem certain investments as early as July 1, 2010.

Private Equity Partnerships
This category includes investments in a variety of partnerships and similar entities focused on venture capital investments, buyouts, and growth equity in the U.S and foreign markets. Typically, the Institute makes a commitment that is drawn down over time by the manager; as investments mature and are realized, distributions are made by the manager to the Institute. The Institute does not have any redemption rights in these investments, other than certain Key Person provisions, and the investments have remaining lives as long as ten years.

The following table presents the financial instruments carried at fair value as of June 30, 2010 and 2009, by caption on the consolidated statement of financial position, based on the valuation hierarchy defined above (in thousands):

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Level 2	Significant Unobservable Level 3	Total Fair Value
Investments:				
Short-term investments	$ 8,253	$ 9,511	$ 43	$ 17,807
Fixed income securities	25,966	17,632	84,150	127,748
Domestic equity securities	34,991	10,008	23,598	68,597
Foreign equity securities	13,723	45,479	7,113	66,315
Real assets	2,759	-	126,542	129,301
Marketable alternatives	-	39,128	1,813	40,941
Private equity partnerships	-	-	186,168	186,168
Investments	$85,692	$121,758	$429,427	$636,877
Contributions from external trusts	-	-	7,948	7,948
Total	$85,692	$121,758	$437,375	$644,825

Note H- Investments, (continued)

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Level 2	Significant Unobservable Level 3	Total Fair Value
Investments:				
Short-term investments	$ 25,026	$ -	$ 807	$ 25,833
Fixed income securities	23,882	-	112,486	136,368
Domestic equity securities	37,301	-	28,898	66,199
Foreign equity securities	14,478	-	44,866	59,344
Real assets	2,308	-	107,715	110,023
Marketable alternatives	-	-	65,782	65,782
Private equity partnerships	-	-	153,003	153,003
Investments	$102,995	$-	$513,557	$616,552
Contributions from external trusts	-	-	7,783	7,783
Total	$102,995	$-	$521,340	$624,335

Liabilities				
Liability on interest rate swap agreements	$ -	$ 50,684	$-	$ 50,684
Total liabilities at fair value	$-	$ 50,684	$-	$ 50,684

Investments included in Level 3 primarily consists of Rensselaer's ownership in alternative investments (principally limited partnership interests in marketable alternatives, private equity, real estate, and other similar funds) The value of certain alternative investments represent the ownership interest in the net asset value (NAV) of the respective partnership and consist of securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Rensselaer regularly reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within level 2.

Note H- Investments, (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Rensselaer 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 estimate of fair value at the reporting date.

The following table is a rollforward of the consolidated statement of financial position amounts at June 30, 2010 and 2009 for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above (in thousands):

	Significant Unobservable Inputs (Level 3)							
	Short Term Investments	Fixed Income	Domestic Equity	Foreign Equity	Real Assets	Marketable Alternatives	Private Equity Partnerships	Total
Fair value, July 1, 2009	$ 807	$ 112,486	$ 28,898	$ 44,866	$ 107,715	$ 65,782	$ 153,003	$ 513,557
Realized gains/(losses)	6	2,742	(454)	165	1,016	7,078	9,494	20,047
Unrealized gains/(losses)	-	14,829	6,817	7,996	(10,943)	(2,065)	16,580	33,214
Net purchases, sales,								-
settlements	(770)	(27,714)	(797)	(886)	27,709	(20,327)	11,863	(10,922)
Transfers in/out	9,511	-	(442)	442	1,045	(9,606)	(4,772)	(3,822)
Reclass to level 2	(9,511)	(18,193)	(10,424)	(45,470)	-	(39,049)	-	(122,647)
Fair value, June 30, 2010	$ 43	$ 84,150	$ 23,598	$ 7,113	$ 126,542	$ 1,813	$ 186,168	$ 429,427

	Significant Unobservable Inputs (Level 3)							
	Short Term Investments	Fixed Income	Domestic Equity	Foreign Equity	Real Assets	Marketable Alternatives	Private Equity Partnerships	Total
Fair value, July 1, 2008	$ 1,039	$ 102,223	$ 39,668	$ 92,629	$ 108,232	$ 142,364	$ 148,455	$ 634,610
Realized gains/(losses)	34	(218)	(554)	(966)	1,406	(4,114)	4,482	70
Unrealized gains/(losses)		(20,825)	(16,029)	(25,667)	(31,401)	(15,658)	(21,885)	(131,465)
Net purchases, sales,								-
settlements	-266	6,823	(5,490)	(20,238)	29,478	(21,024)	24,126	13,409
Transfers in/out		24,483	11,303	(892)	-	(35,786)	(2,175)	(3,067)
Fair value, June 30, 2009	$ 807	$ 112,486	$ 28,898	$ 44,866	$ 107,715	$ 65,782	$ 153,003	$ 513,557

As a result of adopting the new guidance for estimating fair value of investments, certain investments have been reclassified as Level 2 assets subject to criteria described above based upon the year end recorded amounts

Note H- Investments, (continued)

		Contributions from External remainder trusts
Fair value, July 1, 2009	$	7,783
Realized gains/(losses)		-
Unrealized gains/(losses)		650
Net purchases, sales, settlements		(485)
Fair value, June 30, 2010	$	7,948

		Contributions from External remainder trusts
Fair value, July 1, 2008	$	9,374
Realized gains/(losses)		-
Unrealized gains/(losses)		(1,200)
Net purchases, sales, settlements		(391)
Fair value, June 30, 2009	$	7,783

All net realized and unrealized gain/(losses) in the table above are reflected in the accompanying consolidated statement of activities.

Note I- Endowment

Rensselaer's endowment consists of approximately 634 individual donor restricted endowment funds and 159 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment and similar funds are invested under direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the statement of financial position as long-term investments, including cash balances held by external investment managers. The fair value of endowment investments (separately invested and pooled) was $613,581 and $589,048 as of June 30, 2010 and June 30, 2009, respectively.

The Board of Trustees of Rensselaer determines the method to be used to appropriate endowment funds for expenditure. Calculations are performed for individual endowment funds at a rate of 5.0 percent of the rolling 16 quarter average market value on a unitized basis one year subsequent to the calculation. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns for individual endowment funds. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

Note I- Endowment, (continued)

The Board of Trustees of Rensselaer has interpreted New York State's Not-for-Profit Corporate Law 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 stipulations to the contrary. As a result of this interpretation, Rensselaer classifies as permanently restricted net assets (a) the original value of 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. Unspent appropriations related to the donor restricted endowment fund are classified as temporarily restricted net assets until the amounts are expended by Rensselaer in a manner consistent with the donor's intent. The remaining portion of the donor-restricted endowment fund that is not classified as permanently or temporarily restricted net assets is classified as unrestricted net assets in accordance with New York State law.

Rensselaer had the following endowment activities during the year ended June 30, 2010 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2010 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition	$ 261,831	$ 15,896	$ 251,696	$ 529,423
Board-designated endowment funds	183,759		-	183,759
Less: Commitments for Rensselaer Plan Initiatives	(145,839)	-	-	(145,839)
Board Designated Endowment Funds at Net	37,920	-	-	37,920
Total endowment funds	$ 299,751	$ 15,896	$ 251,696	$ 567,343

Changes in endowment net assets for the year ended June 30, 2010 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 271,432	$ 13,415	$ 244,633	$ 529,480
Investment return:				
Investment Income	5,203	-	-	5,203
Net appreciation (realized and unrealized)	55,207	2,469	1,162	58,838
Total investment return	60,410	2,469	1,162	64,041
Gifts	1,192	-	4,544	5,736
Appropriation of endowment assets for expenditure	(31,235)	-	-	(31,235)
Commitments for Rensselaer Plan Initiatives	(22,100)	-	-	(22,100)
Release of Commitments for Plan Initiatives	15,000			15,000
Donor redesignation	-	12	1,357	1,369
Other	5,052	-	-	5,052
Endowment net assets, end of year	$ 299,751	$ 15,896	$ 251,696	$ 567,343

Note I- Endowment, (continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently restricted net assets (in thousands):		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation:		
Restricted for scholarship support	$	66,269
Restricted for fellowship support		12,373
Restricted for faculty support		59,500
Restricted for program support		50,379
Restricted for awards and prizes		2,800
Restricted for unrestricted institutional support		60,375
	$	251,696

The portion of endowment funds subject to a time restriction (in thousands):		
Restricted for scholarship support	$	7,625
Restricted for fellowship support		710
Restricted for faculty support		348
Restricted for program support		5,817
Restricted for awards and prizes		1,396
	$	15,896

Rensselaer had the following endowment activities during the year ended June 30, 2009 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2009 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition	$ 238,776	$ 13,415	$ 244,633	$ 496,824
Board-designated endowment funds	171,395		-	171,395
Less: Commitments for Rensselaer Plan Initiatives	(138,739)	-	-	(138,739)
Board Designated Endowment Funds at Net	32,656	-	-	32,656
Total endowment funds	$ 271,432	$ 13,415	$ 244,633	$ 529,480

Note I- Endowment, (continued)

Changes in endowment net assets for the year ended June 30, 2009 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 485,208	$ 28,839	$ 235,705	$ 749,752
Investment return:				
Investment Income	6,496	-	-	6,496
Net depreciation (realized and unrealized)	(158,100)	(15,433)	(2,526)	(176,059)
Total investment return	(151,604)	(15,433)	(2,526)	(169,563)
Gifts	1,534	-	10,189	11,723
Appropriation of endowment assets for expenditure	(32,826)	-	-	(32,826)
Commitments for Rensselaer Plan Initiatives	(30,900)	-	-	(30,900)
Donor redesignation	20	9	1,265	1,294
Endowment net assets, end of year	$ 271,432	$ 13,415	$ 244,633	$ 529,480

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only)

Permanently restricted net assets (in thousands):
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation:

Restricted for scholarship support	$ 61,298
Restricted for fellowship support	11,464
Restricted for faculty support	55,474
Restricted for program support	53,475
Restricted for awards and prizes	2,662
Restricted for unrestricted institutional support	60,260
	$ 244,633

The portion of endowment funds subject to a time restriction (in thousands):

Restricted for scholarship support	$ 6,847
Restricted for fellowship support	611
Restricted for faculty support	(45)
Restricted for program support	4,783
Restricted for awards and prizes	1,219
	$ 13,415

Note I- Endowment, (continued)

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $7,230,000 and $11,779,000 as of June 30, 2010 and 2009, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

Return Objectives and Risk Parameters
Rensselaer has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. Rensselaer expects its endowment funds over time, to provide an average rate of return of approximately 8.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, Rensselaer relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Rensselaer targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Note J- Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30 (in thousands):

	2010	2009
Land and improvements	$ 29,213	$ 27,404
Buildings	861,429	752,888
Equipment	222,207	223,346
Construction in progress	13,847	87,115
Total land, buildings & equipment	1,126,696	1,090,753
Less accumulated depreciation	(375,040)	(347,397)
	$ 751,656	$ 743,356

As of June 30, 2010, Rensselaer had $ 8,864,004 of open commitments to contractors for construction on work being performed.

Note K- Debt Outstanding

The following table and footnotes illustrate Rensselaer's various debt obligations, all of which are repaid from the general operations of Rensselaer and the Center, as appropriate.

Outstanding bonds and notes payable of Rensselaer are comprised of the following (in thousands):

Debt:	Year of Final Maturity	Weighted Average Annual Interest Rate	June 30, 2010	June 30, 2009
U.S. Department of Education Dormitory Bonds and 1988 Mortgage Loan	2018	3.0%	$ 1,384	$ 1,525
Rensselaer County IDA – Industrial Development Facility Issue:				
Series 1997A (1)	2022	4.34%	8,248	8,625
Series 1999A and B (2)	2030	5.17%	24,471	29,104
Series 2006 (8)	2036	4.84%	63,348	63,384
Troy Industrial Development Authority Civic Facility Issue:				
Series 2002A (3)	2015	5.43%	16,126	16,225
Series 2002E (3)	2042	4.30%	25,000	202,975
Series 2007 (10)	2037	5.00%	0	51,708
Series 2008 A and B (11)	2037	Variable	0	90,000
Series 2010 Rensselaer Taxable Bonds (17)	2021	5.60%	204,666	0
City of Troy Capital Resource Corporation Series 2010 A&B (16)	2041	5.07%	357,084	0
2004 Bank of America Term Loan (4)	2019	4.57%	0	24,325
2006 Bank of America Revolving Loan (6)	2011	Variable	0	35,000
2006 Bank of America Revolving Loan (7)	2011	Variable	0	13,000
2007 Bank of America Revolving Loan (9)	2012	Variable	0	41,400
2008 Bank of America Revolving Loan (12)	2013	Variable	0	9,956
2008 Bank of America Revolving Loan (13)	2013	Variable	0	38,300
Student Loan Program Debt				
DASNY 1992 CUEL	2009	6.80%	0	642
Rensselaer Technology Park Debt:				
2005 Bank of America Term Loan (5)	2013	Variable	0	6,190
2009 M & T Bank Loan(14)	2015	5.0%	0	20,000
2009 Whiting Turner Agreement(15)	2015	Variable	10,185	1,598
			$710,512	$653,957

Debt principal outstanding is reflected net of bond discount where applicable in the amount of $1,411,068 and $2,461,774 at June 30, 2010 and 2009, respectively. Such costs are being amortized on the straight-line method over the term of the related indebtedness.

Long-term debt and notes payable are collateralized by certain physical properties with a carrying value of $18,619,000 and $19,323,000 at June 30, 2010 and 2009 respectively and by pledges of specified portions of tuition, fees and revenues from various facilities. At June 30, 2010 and 2009, Rensselaer had $185,000 and $2,138,000, respectively of assets held by trustees for construction, debt service and other project-related expenses. Certain of the long term debt and notes payable contain restrictive covenants including the maintenance of specified deposits with trustees.

Note K- Debt Outstanding, (continued)

Notes to Debt Outstanding

1. On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of $13,240,000 in variable rate demand revenue bonds for the purpose of financing the renovation of three of Rensselaer's buildings and the acquisition of a new student record system. The bonds are subject to a remarketing agreement and bear a variable interest rate that resets weekly, but in no event may exceed 12% per annum. In the event that Rensselaer receives notice of any option tender on its variable-rate-bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, Rensselaer will have a general obligation to purchase the bonds tendered pending reissuance under its multimodal provisions.

2. On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $41,110,000 in revenue bonds. Proceeds from the issue in the amount of $24,196,000 were used for the construction and/or renovation of three buildings, issuance costs, and to legally defease Dormitory Authority Series 1991 Bonds. Interest rates on the bonds range from 4.125% to 5.00%.

3. On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of $218,875,000 in Series 2002 A-E revenue bonds, including $202,975,000 in variable rate mode. The transaction also generated a $1,125,000 premium on the Series 2002A bonds. Proceeds from the issue in the amount of $203,150,771 were utilized for the construction costs of two buildings, related campus-wide infrastructure improvements, issuance costs and to legally defease Dormitory Authority Series 1993 Bonds. On May 11, 2006 the Series 2002E bonds in the amount of $25,000,000 were remarketed and converted from variable to a 5-year put option, with interest during the period ending September 1, 2011 set at 4.05%. On April 20, 2010 Series 2002 B, C and D bonds totaling $177,975,000 were refinanced with Series 2010 A Tax Exempt bonds. In fiscal year 2002, Rensselaer entered into an interest rate swap agreement, with a term of 35 years, on $150,000,000 (notional) of the Series 2002 B-D bonds issued, in order to convert variable rate borrowings to a fixed rate liability. In conjunction with the Series 2010 Tax Exempt bond issuance the swap with a notional amount of $150,000,000 was terminated.

4. On March 4, 2004, Rensselaer entered into an agreement with Bank of America for a $30,000,000 15-year unsecured term loan for the purpose of financing a portion of its pension obligations and to fund the costs of certain capital improvements. The note bears an interest rate of 4.57% for eight years, at which point it will convert to a floating rate based on the one month LIBOR plus 40 basis points. The loan agreement requires compliance with certain financial ratio covenants. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable Bonds.

5. On December 31, 2005, Rensselaer entered into an agreement with Bank of America for a $9,834,734 unsecured term loan for purposes of refinancing of Rensselaer Technology Park 1995 and 1998 term loans with Bank of America, as successor to Fleet Bank. The fully amortizing loan matures on December 31, 2013. The note bears interest at LIBOR plus one quarter of one percent. The loan agreement requires compliance with certain financial ratio covenants. In conjunction with this refinancing, on July 19, 2005 Rensselaer entered into a forward starting interest rate swap of $9,835,000 (notional) with Bank of America beginning January 1, 2006, effectively paying a fixed rate of 5.82% for term of the swap, which is contiguous with the loan's term. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable Bonds. The interest rate swap associated with this debt was terminated on April 20, 2010.

6. On April 14, 2006, Rensselaer entered into an agreement with Bank of America for a $35,000,000 unsecured revolving debt facility, which matures on July 1, 2011. Rensselaer has the right to convert to a term loan with a maturity of 2021. The note bears interest at LIBOR plus .48 of one percent. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on March 20, 2006, Rensselaer entered into a forward starting interest rate swap of $35,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable Bonds. The interest rate swap associated with this debt was terminated on April 20, 2010.

Note K- Debt Outstanding, (continued)

7. On May 15, 2006, Rensselaer entered into an agreement with Bank of America for a $10,000,000 unsecured revolving debt facility, which matures on July 1, 2011. Rensselaer has the right to convert to a term loan with a maturity of 2021. The loan has a revolving feature which permits additional draws up to a total of $13,000,000 if completed prior to July 1, 2010. The note bears interest at LIBOR plus .48 of one percent. On June 15, 2006, Rensselaer completed a $10,000,000 advance on this revolving loan. On April 13, 2007 Rensselaer advanced the remaining $3,000,000 under this agreement bringing the total principal amount outstanding to $13,000,000. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on March 20, 2006 Rensselaer entered into a forward starting interest rate swap of $10,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable Bonds. The interest rate swap associated with this debt was terminated on April 20, 2010.

8. On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $62,380,000 in Series 2006 fixed rate revenue bonds. The transaction generated a $1,616,000 premium. Proceeds from the issue in the amount of $63,996,000 were utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs. On June 7, 2007 Rensselaer entered into a swap transaction with Morgan Stanley, with a notional of $62,380,000 and a maturity of March 1, 2036, effectively agreeing to pay SIFMA and receive 66.68% of 10 year LIBOR. This agreement was amended on January 11, 2008 to change the terms for the period of January 1, 2008 to March 1, 2011 so that Rensselaer received 68% of one Month LIBOR plus 90.25 bps and pays SIFMA. In conjunction with the Series 2010 Tax Exempt bond issuance the swap with a notional amount of $62,380,000 was terminated.

9. On May 23, 2007, Rensselaer entered into an agreement with Bank of America for a $41,400,000 unsecured revolving debt facility, which matures on May 22, 2012. Rensselaer has the right to convert to a term loan with a maturity of 2022. The note bears interest at LIBOR plus .43 of one percent. The loan agreement requires compliance with certain financial loan covenants. In conjunction with this transaction, on April 24, 2007, Rensselaer entered into a forward starting interest rate swap of $41,400,000 (notional) with the Bank of America beginning April 1, 2008, effectively paying a fixed rate of 5.55% on the term loan. The maturity date of the swap is June 1, 2022. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable Bonds. The interest rate swap associated with this debt was terminated on April 20, 2010.

10. On December 12, 2007, Rensselaer entered into an agreement with the City of Troy Industrial Development Agency, which provided for the issuance of $50,000,000 in Series 2007 three year fixed rate put bonds. The transaction documents are multi modal and allow for a final bond maturity of 2037. The transaction generated a $1,795,000 premium. Proceeds from the issue in the amount of $51,795,000 were utilized for the construction costs of several buildings, related campus-wide infrastructure improvements and issuance costs. On June 4, 2010 Series 2007 bonds totaling $50,000,000 were refinanced with series 2010 B Tax Exempt bonds.

11. On January 24, 2008, Rensselaer entered into an agreement with the City of Troy Industrial Development Agency, which provided for the issuance of $90,000,000 in Series 2008 A & B variable rate demand bonds. These bonds are credit enhanced with a bank letter of credit having a maturity of January 2011. Proceeds from the issue in the amount of $90,000,000 were utilized for the construction costs of several buildings, related campus-wide infrastructure improvements and issuance costs. On April 20, 2010 Series 2008 A & B totaling $90,000,000 were refinanced with Series 2010 Tax Exempt bonds.

12. On May 9, 2008, Rensselaer entered into an agreement with Bank of America for a $10,000,000 unsecured revolving debt facility, which matures on May 8, 2013. Rensselaer has the right to convert to a term loan with a maturity of 2028. The note bears interest at LIBOR plus .65 of one percent or Prime Rate less 1.75 of one percent. The loan agreement requires compliance with certain financial loan covenants. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable bonds.

Note K- Debt Outstanding, (continued)

13. On June 20, 2008, Rensselaer entered into an agreement with Bank of America for a $38,300,000 unsecured revolving debt facility, which matures on June 19, 2013. Rensselaer has the right to convert to a term loan with a maturity of 2028. The note bears interest at LIBOR plus .65 of one percent or Prime Rate less 1.75 of one percent. The loan agreement requires compliance with certain financial loan covenants. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable bonds.

14. On April 20, 2009 Rensselaer entered into an agreement with M&T Bank for a $20,000,000 unsecured term loan facility, amortization of which commences April 1, 2010 with a final maturity of April 1, 2015. The note bears interest at a fixed rate of 5.00%. The loan agreement requires compliance with certain financial loan covenants. This debt was paid off on April 20, 2010 with the issuance of Series 2010 Taxable bonds.

15. On April 24, 2009 Rensselaer entered into an agreement with The Whiting-Turner Contracting Company for a loan not to exceed $15,000,000, amortization of which commences January 1, 2011 with a final maturity of December 31, 2015. The note bears interest at Prime plus 2.00% adjusted monthly until January 1, 2011, after which the interest rate will become fixed at the then current Prime plus 2.00% rate until the note matures. The loan is an unsecured obligation of the Institute.

16. On April 20, 2010, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $358,810,000 in fixed rate revenue bonds. Series 2010A for $311,630,000 and Series 2010B for $47,180,000. Proceeds from the issuance were used to refinance Series 2002 B, C and D, Series 2007 and Series 2008 A and B bonds as well as paying termination expenses on several interest rate swap agreements. Interest rates on the bonds range from 5.00% to 5.125%. Maturities on the bonds range from 2012 to 2030 with a final maturity of September 1, 2040. Interest payments are due March 1 and September 1, commencing on September 1, 2010.

17. On April 20, 2010 Rensselaer issued Series 2010 Taxable bonds for $205,000,000. Proceeds from this issuance were used to pay off various term loans and to pay termination expenses on several interest rate swap agreements. The interest rate on the bonds is 5.60%. Maturity date on the bonds is September 1, 2020. The bonds are an unsecured general obligation of the institute. Interest payments are due March 1 and September 1, commencing on September 1, 2010.

As of June 30, 2010, Rensselaer had a standby letter of credit with Bank of America totaling $1,509,000 for workers compensation insurance security purposes. In addition, Rensselaer had standby letters of credit with Bank of America totaling $1,440,000 and $250,000 for general liability insurance and professional liability insurance security purposes, respectively, related to current construction projects on the Troy, New York campus. There were no draws against these letters of credit during the fiscal year. Rensselaer also has a mortgage loan guarantee in place for one loan made by HSBC Bank USA in 1996 to finance construction and renovation costs for an on-campus fraternity residential facility. The balance of the mortgage loan, which totaled $600,000 at inception, was $253,000 on June 30, 2010.

The Institute has an unsecured line of credit with Bank of America valued at $30,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus .95% or at Prime Rate. There was an outstanding balance of $11,775,000 on the line of credit at June 30, 2010. The Institute has an unsecured line of credit with TD Bank valued at $20,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 2.00% or Prime Rate minus .50%. There was an outstanding balance of $20,000,000 on the line of credit at June 30, 2010. Both of these lines of credit are subject to an annual renewal at November 30th.

Note K- Debt Outstanding, (continued)

Principal payments due on all long-term debt as of June 30, 2010 for each of the next five fiscal years are (in thousands):

Year	Amount
2011	6,455
2012	7,269
2013	7,451
2014	7,924
2015	8,433
Thereafter	672,980

The fair value of Rensselaer's long-term debt is estimated based upon the amount of future cash flows, discounted using Rensselaer's current borrowing rates for similar debt instruments of comparable maturities. The fair value of long-term debt was approximately $669,017,000 and $577,135,000 at June 30, 2010 and 2009, respectively.

Interest capitalized at June 30, 2010 and 2009 was $ 0 and $497,000, respectively.

Note L- Retirement Plans

Defined Benefit Plans
The following table sets forth Rensselaer's defined benefit and postretirement plans' change in projected benefit obligation, change in plan assets, funded status (the postretirement plans are unfunded) and amounts recognized in Rensselaer's balance sheet at June 30, 2010 and 2009. The defined benefit plan calculations were based upon data as of or projected to June 30, 2010 and 2009. Postretirement benefit plan calculations were based upon data as of July 1, 2009 and 2008. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

	Defined Benefit		Postretirement	
Change in benefit obligation (in thousands):	2010	2009	2010	2009
Benefit obligation at beginning of year	$(269,010)	$(263,025)	$(13,555)	$(12,446)
Service cost	(3,733)	(3,669)	(402)	(588)
Interest cost	(17,539)	(17,765)	(670)	(852)
Plan participants' contributions	(212)	(232)	(480)	(610)
Amendments/Curtailments/Special Termination	0	0	0	0
Settlement of Dental & Life Insurance Plans	0	0	0	82
Actuarial (gain)/loss	(17,611)	(265)	2,165	(499)
Benefits paid	16,176	15,157	778	1,358
Administrative expenses paid	945	789	0	0
Benefit obligation at end of year	$(290,984)	$(269,010)	$(12,164)	$(13,555)

The accumulated benefit obligation for the defined benefit pension plan was $286,876,000 and $264,003,000 as of June 30, 2010 and 2009, respectively.

	Defined Benefit		Postretirement	
Change in plan assets (in thousands):	2010	2009	2010	2009
Fair value of plan assets at beginning of year	$179,941	$219,555	$ 0	$ 0
Actual return on plan assets	16,965	(37,215)	0	0
Employer contribution	9,900	13,315	298	748
Plan participants' contribution	212	232	480	610
Benefits paid	(16,176)	(15,157)	(778)	(1,358)
Administrative expenses paid	(945)	(789)	0	0
Fair value of plan assets at end of year	$189,897	$179,941	$ 0	$ 0

Note L- Retirement Plans, (continued)

Funded Status and amount recognized in the Statement of financial position (in thousands):	Defined Benefit 2010	Defined Benefit 2009	Postretirement 2010	Postretirement 2009
Liability	$(101,087)	$(89,069)	$(12,164)	$(13,555)

Amounts recognized in unrestricted net Assets (in thousands):	Defined Benefit 2010	Defined Benefit 2009	Postretirement 2010	Postretirement 2009
Net prior service cost/(credit)	$ 165	$ 225	$ 1,409	$ 1,550
Net actuarial (gain)/loss	145,284	131,699	2,433	456
Unrestricted net assets	$(145,449)	$(131,924)	$ 3,842	$ 2,006

Other changes in plan assets and benefit obligations recognized in unrestricted net assets (in thousands):	Defined Benefit 2010	Defined Benefit 2009	Postretirement 2010	Postretirement 2009
New prior service cost/(credit)	$ -	$ -	$ -	$ -
New net actuarial loss/(gain)	19,818	55,889	(2,165)	499
Settlement of Dental & Life Insurance Plans	-	-	-	(82)
Amortization of:				
Prior service cost/(credit)	(60)	(60)	142	142
Actuarial loss/(gain)	(6,233)	(5,390)	188	9
Settlement Charge	-	-	-	102
Total recognized in non operating (income)/expense	$13,525	$50,439	$ (1,836)	$670

Net periodic benefit cost is included in the following components (in thousands):	Defined Benefit 2010	Defined Benefit 2009	Postretirement 2010	Postretirement 2009
Service cost	$ 3,733	$ 3,669	$ 402	$ 588
Interest cost	17,539	17,765	670	852
Expected return on plan assets	(19,172)	(18,410)	0	0
Amortization of:				
Prior service cost/(credit)	60	60	(142)	(142)
Actuarial loss/(gain)	6,233	5,390	(188)	(9)
Net periodic benefit cost/(income)	8,392	8,474	743	1,289
Settlement Charge	0	0	0	(102)
Net periodic benefit cost/(income)	$ 8,392	$ 8,474	$ 743	$ 1,187

In the aggregate, Rensselaer's Defined Benefit Plan will be invested to ensure solvency of the plan over its remaining life and to meet pension obligations as required. A secondary goal is to earn the highest net rate of return within prudent risk limits to ensure the achievement of the primary goal and adherence to the following Rensselaer guiding investment principles:

Capital preservation is a fundamental goal of the Institute's funds, therefore strategies and approaches emphasizing absolute positive returns are favored.

Risk is defined as loss of capital, not deviation from a benchmark, and a Sharpe ratio measurement is preferred to an Information ratio measurement.

Note L- Retirement Plans, (continued)

The Plan's expected rate of return is the result of periodic asset allocation studies reviewed and approved by the Investment Committee.

The defined benefit plan assets are invested in similar securities as Rensselaer's endowment and have been accounted for in accordance with the fair value measurement standard as described in footnote H. Reference footnote H for full disclosures surrounding the descriptions of major investment categories.

The fair values of Rensselaer's pension plan assets at June 30, 2010 by asset category are as follows:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Level 2	Significant Unobservable Level 3	Total Fair Value
Investments:				
Short-term investments	$ 8,404	$ 20	$ -	$ 8,424
Fixed income securities	2	17,567	35,908	53,477
Domestic equity securities	10,309	14,493	-	24,802
Foreign equity securities	6,921	15,075	-	21,996
Real assets	-	-	31,321	31,321
Marketable alternatives	-	34,703	655	35,358
Private equity partnerships	-	-	14,519	14,519
Investments	$25,636	$81,858	$ 82,403	$189,897

Investments included in Level 3 primarily consists of Rensselaer's ownership in alternative investments (principally limited partnership interests in marketable alternatives, private equity, real estate, and other similar funds) The value of certain alternative investments represent the ownership interest in the net asset value (NAV) of the respective partnership and consist of securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Rensselaer regularly reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Rensselaer 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 estimate of fair value at the reporting date.

Note L- Retirement Plans, (continued)

The following table is a rollforward of the pension plan assets classified by Rensselaer within Level 3 (in thousands):

	Significant Unobservable Inputs (Level 3)							
	Short Term Investments	Fixed Income	Domestic Equity	Foreign Equity	Real Assets	Marketable Alternatives	Private Equity Partnerships	Total
Fair value, July 1, 2009	$ -	$ 45,316	$ 3,763	$ 13,321	$ 28,674	$ 34,024	$ 10,879	$ 135,977
Realized gains/(losses)	-	1,382	-	15	456	-	9	1,862
Unrealized gains/(losses)		4,584	1,605	1,795	(3,303)	3,462	3,134	11,277
Net purchases, sales,								-
settlements	-	(8,594)	-	(56)	5,494	(2,222)	497	(4,881)
Transfers in/out			-	-	-	-	-	-
Reclass to level 2	-	(6,780)	(5,368)	(15,075)	-	(34,609)	-	(61,832)
Fair value, June 30, 2010	$ -	$ 35,908	$ -	$ -	$ 31,321	$ 655	$ 14,519	$ 82,403

As a result of adopting the new guidance for estimating fair value of investments as described in footnote H, certain investments have been reclassified as Level 2 assets.

The Plan contains features that allow participants to have a percentage of their benefits fluctuate based on the return of a S&P 500 index account. Rensselaer maintains assets in that index fund to hedge those liabilities that are not part of the above asset allocation.

Rensselaer’s expected contributions for fiscal year ending June 30, 2011 are $12,700,000 and $794,000 for the defined pension plan and postretirement plan, respectively.

The amounts in unrestricted net assets expected to be recognized as components of the net periodic benefit cost in fiscal year ending June 30, 2011 are $9,199,000 and ($225,000) for the defined pension plan and postretirement plan, respectively.

The following are the expected future benefit payments (in thousands):

Fiscal Year Ending in:	Defined Benefit	Postretirement
2011	$17,926	$ 782
2012	18,610	809
2013	19,155	840
2014	19,669	886
2015	20,108	903
2016-2020	108,375	4,958

Note L- Retirement Plans, (continued)

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in Rensselaer's statement of financial position at June 30 were:

	Defined Benefit		Postretirement	
Benefit obligations	2010	2009	2010	2009
Discount rate	5.70%	6.75%	5.70%	6.75%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-
Net periodic benefit cost				
Discount rate	6.75%	7.00%	6.75%	7.00%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-

For measurement purposes, a 10.0 percent, 7.0 percent and 10.0 percent annual rate of increase in the per capita cost of covered pre-65 medical, post-65 medical benefits and prescription drug benefits, respectively, was assumed for fiscal year 2011. These rates were assumed to decrease gradually to 5 percent for fiscal year 2016 and remain at that level thereafter. A plan amendment established a maximum of $85 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the $85 per month maximum, the health care cost trend rate will no longer have any effect except for grandfathered participants not subject to the cap and pre-65 coverage.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit. A one-percentage point change in the health care cost trend rates would have the following effects (in thousands):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$ 57	($ 50)
Effect on postretirement benefit obligation	$516	($448)

Based upon service at retirement date, Rensselaer pays for a portion of health care benefits for retired employees. In addition, Rensselaer Hartford Graduate Center, Inc. pays for dental and life insurance benefits for employees who had retired prior to July 1, 1997.

Defined Contribution Plan

Rensselaer and the Center also have non-contributory Defined Contribution Plans open to full-time employees who have met minimum service requirements. Contributions to these plans (8% of employee salary) were $6,783,000 and $7,020,000 in fiscal 2010 and 2009, respectively.

Note M- Commitments and Contingences

In the normal course of business, Rensselaer has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which Rensselaer has been named, in the opinion of management such litigation will not, in the aggregate, have a material adverse effect on Rensselaer's financial position.

Leases
At June 30, 2010, minimum annual commitments under capital and operating leases for real property and equipment are as follows
(in thousands) :

	Operating Leases	Capital Leases
2011	1,376	1,355
2012	1,410	1,354
2013	1,057	1,368
2014	990	1,383
2015	1,175	1,403
Thereafter	18,372	34,650
Total	$24,381	41,531
Less: amount representing interest		(21,785)
Present value of minimum lease payments		$19,746

Note N- Asset Retirement Obligations

The following is a summary of the asset retirement obligation:

Change in Asset Retirement Obligation (in thousands):	2010	2009
Asset retirement obligation at beginning of year	$8,021	$7,650
Accretion expense	353	379
Less: disposals	(2)	(8)
Asset retirement obligation at end of year	$8,372	$8,021

Note O-Subsequent Events

On September 17, 2010, the Governor of New York signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which applies to donor restricted endowment funds (i.e. true endowments). This law will impact the Institute for fiscal year ended June 30, 2011 primarily in the area of classification of net assts. The appreciation on true endowments now classified as unrestricted net assets, will be reclassified as temporarily restricted net assets. Management is in the process of evaluating the impact.

This is the only subsequent event based on the Institute's evaluation of subsequent events through October 4, 2010, the date on which the consolidated financial statements were available for issuance.