



Rensselaer

2010 ANNUAL REPORT

November 1, 2010

Rensselaer Polytechnic Institute

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2010 Annual Report

Dated: November 1, 2010

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THE INSTITUTE

General Information

Introduction

This Annual Report is dated November 1, 2010, and contains information through that date. This report constitutes the official disclosure information regarding the financial condition of Rensselaer Polytechnic Institute (“Rensselaer” or the “Institute”). It includes a discussion of recent trends in the areas of enrollment and admissions, tuition and fees, financial aid, gifts and endowment, physical plant, financial operations, government contracts and grants, and outstanding indebtedness. It is also appended with Rensselaer’s audited financial statements for the fiscal years ending June 30, 2010 and 2009, along with a report of the Institute’s independent auditors.

Overview

Rensselaer Polytechnic Institute, a New York education corporation, enrolls 5,348 undergraduates and 1,215 graduate students in residential programs at its Troy, New York campus, while enrolling 439 graduate students at its Hartford, Connecticut campus and in its distance education programs. The main Troy campus is comprised of five schools: Architecture, Engineering, Humanities, Arts and Social Sciences, the Lally School of Management and Technology, and Science, as well as its interdisciplinary Faculty of Information Technology, which draws members from all five schools at Rensselaer. More than 140 degree programs in nearly 60 fields and over 1,000 courses lead to bachelors, masters, and doctoral degrees in all five schools. Rensselaer’s campus in Hartford, Connecticut focuses on graduate and continuing education, including a professional development program.

As a research university, Rensselaer attracts a faculty whose research programs range from microelectronics to computational modeling and simulation, nanotechnology, biomedical engineering, information technology, advanced materials, environmental studies, lighting, and electronic arts. Rensselaer focuses on inter-disciplinary research and has made research investments supported by strong industry partnerships in microelectronics, automation, and scientific computation.

Rensselaer is consistently ranked by *U.S. News & World Report* as one of the top 50 national universities in the United States, its 2010 ranking as 41st among national universities is up markedly from 49th in 2000. The Institute's undergraduate engineering program was ranked 26th in the country and the graduate engineering program is ranked 35th in the nation by *U.S. News & World Report*.

History

Rensselaer was founded in 1824 in Troy, New York. It is the nation’s oldest English speaking technological research university. The Institute was created with a mission to provide educational opportunities for those “who may choose to apply themselves in the application of science to the common purposes of life.” Rensselaer’s founders believed in “learning by doing, not by telling,” and pioneered the use of the laboratory method of teaching science.

The Rensselaer Plan

On May 12, 2000, the Rensselaer Board of Trustees unanimously approved The Rensselaer Plan (the “Plan”), a strategic plan that articulates a vision for Rensselaer’s future, as well as the means to achieve it. The Plan seeks to build on Rensselaer’s strengths and its distinctive, high quality education, while expanding its research enterprise and cultivating entrepreneurial growth. The overarching goal of the Plan is to enable Rensselaer to achieve greater prominence in the 21st century as a world-class technological research university with global reach and global impact.

Selected plan initiatives underway include: the recruitment and hiring of strategic clusters and individual faculty with a goal of increasing the faculty size by 100, a recruiting strategy and undergraduate experience initiative (“CLASS” Clustered Learning, Advocacy and Support for Students) to support the drive to attract and retain the very best students, a doubling of research and doctoral degrees granted each year; capital renewal and construction that will establish and upgrade the platforms for this activity, and an ambitious fundraising campaign that has been successfully completed.

In accordance with the Plan, Rensselaer has made over \$790 million in capital investment in academic, research, and student life facilities during the last nine years. This includes one of the Plan’s highest priorities: the construction, equipping and infrastructure of the \$100 million Center for Biotechnology and Interdisciplinary Studies. The center is transformational for Rensselaer; providing the Institute with the impetus to achieve an increase in research activity. Opened in September 2004, the Center is intended to eventually house approximately 400 Rensselaer faculty, researchers, and graduate students engaged in interdisciplinary research, and host world-class programs and symposia.

The Center is an advanced, high-tech facility for research and education focused on the application of engineering and the physical and information sciences to the life sciences. The Center is designed to foster the multidisciplinary nature of biotechnology. It is organized around “constellations” of research – Biocomputation and Bioinformatics; Integrative Systems Biology; Tissue Engineering and Regenerative Medicine; and Biocatalysis and Metabolic Engineering. Each research constellation of “star” faculty, junior faculty, and students will constitute a critical mass of expertise within the specific focal area. The Center is also the home of the \$22.5 million Gen*NY*sis Center for Biotechnology and Medicine funded by New York State.

The Plan further provided for the construction of the Experimental Media and Performing Arts Center (EMPAC) which provides new and unique opportunities for research and performance at the intersection of the arts, sciences and technology. EMPAC combines facility platform, technology and interdisciplinary expertise to enhance research in the areas of nanotechnology, computation and information technology, biotechnology and the energy and environment. EMPAC will also enrich the quality of campus life by giving students and faculty enhanced opportunities to express their creative interests, and to engage the campus and surrounding community with Rensselaer’s programs in the electronic and performing arts. The new 220,000 square foot building contains a wide and flexible range of major venues, including a 1,200-seat concert hall, a 400-seat theater, black box studios, a 1,400 square foot rehearsal hall, and multiple smaller spaces for artists and professional-level recording, editing and post-production activities. Groundbreaking took place in September 2003, the grand opening occurred in October 2008.

The Computational Center for Nanotechnology Innovations (CCNI) opened in September 2007. The center’s founding partners are Rensselaer, IBM and New York State. The broad based CCNI Partners Program will cultivate partnerships of university, industry and government organizations focused on the development and application of new generations of simulation technologies on world class super computers. The program has multiple levels designed to engage a broad range of industry, from startups to major corporations, government laboratories, and universities interested in the development and application of computational nanotechnologies.

The most recent Plan initiative is the construction of the East Campus Athletic Village (ECAV). The new multi-purpose stadium is an exceptional facility for outdoor varsity, intramural and club sports. It will also accommodate major campus wide events such as commencement. The expanded facilities will meet the needs of our current students, help us attract high-caliber student athletes as well as non-athletes and allow us to host many regional and national high-school tournaments in several sports. This facility has enhanced Rensselaer’s visibility and attractiveness, enabling us to further increase applications and diversify enrollment. The grand opening of the athletic facility occurred in October 2009.

Operational activities include the hiring of over 200 faculty members (74 in new positions), and the establishment of eight research constellations. Of these, 44 are winners of the prestigious National Science Foundation Early Career Development Award given to young and rising educators and researchers who are emerging leaders in their field.

In addition, over the past six years Rensselaer's annual research expenditures, comprised of grants, contracts, corporate support, industry memberships, and foundation support, have increased from \$37 million to \$86 million in fiscal year 2010. This funding supports expanded research in areas such as nanotechnology, biotechnology and biosciences, accelerated drug discovery, future energy systems, terahertz science and technology, integrated cognitive systems, multi-scale modeling, advanced imaging technologies, and micro- and nano-electronics.

Accreditation

Rensselaer's Troy campus is accredited by the Middle States Association of Colleges and Schools, the National Architectural Accrediting Board, the Accreditation Board for Engineering and Technology, the American Assembly of Collegiate Schools of Business, and the Committee on Professional Training of the American Chemical Society. Its degree programs are approved by the New York State Department of Education.

Rensselaer at Hartford is accredited by the Middle States Association of Colleges and Schools, by the Board of Governors for Higher Education of the State of Connecticut, and by a number of professional and academic societies.

Governance

The President of Rensselaer is appointed by the Board of Trustees, and as the Chief Executive Officer, is charged with principal responsibility for administration of the Institute. On July 1, 1999, Dr. Shirley Ann Jackson, previously the Chairman of the United States Nuclear Regulatory Commission, became Rensselaer's 18th President.

The Institute's executive officers include:

<u>Name</u>	<u>Position</u>
Shirley Ann Jackson, Ph.D.	President
Robert Palazzo	Provost
Claude D. Rounds	Vice President for Administration
Virginia C. Gregg	Vice President for Finance & Chief Financial Officer
Curtis N. Powell	Vice President for Human Resources
Brenda Wilson-Hale	Vice President for Institute Advancement
Francine Berman	Vice President for Research
Eddie A. Knowles	Vice President for Student Life
William Walker	Vice President for Strategic Communications and External Relations
Charles F. Carletta	Secretary of the Institute and General Counsel
John Kolb	Vice President for Information Services and Technology,
Paul Marthers	Vice President for Enrollment

Rensselaer is governed by its self-perpetuating Board of Trustees of no more than 35 members, including the Mayor of the City of Troy as an ex-officio member. Trustees are appointed to four year terms. Although terms are renewable, Trustees may not be re-elected to active status after reaching age 72.

Faculty and Staff

Rensselaer has a permanent faculty and staff of approximately 360 and 1200 members, respectively, at its Troy, New York campus, and approximately 19 and 55 members, respectively, at its Hartford, Connecticut campus. Rensselaer's faculty and staff are not represented by any organized labor groups and, therefore, there are no collective bargaining agreements for either faculty or staff.

The faculty at Rensselaer includes National Academy members, society fellows, and recipients of various other awards and distinctions. One of Rensselaer's faculty is a member of the National Academy of Science (NAS). Seven of Rensselaer's faculty are members of the National Academy of Engineering (NAE), one of the highest honors accorded an engineer. Academy membership recognizes those who have made important contributions to engineering theory and practice, and those who have demonstrated unusual accomplishment in the pioneering of new and developing fields of technology.

The student to faculty ratio is currently 16 to 1.

Operating Information

Enrollment and Admissions

The following summarizes undergraduate and graduate enrollment, based on headcount:

Entering Fall	Undergraduate Students	Full-Time Graduate Students	Part-Time Graduate Students	Others*	Total
2005	4,921	1,112	827	381	7,241
2006	5,148	1,131	804	350	7,433
2007	5,117	1,083	822	268	7,290
2008	5,367	1,092	851	211	7,521
2010	5,348	1,091	583	122	7,144

* "Others" includes non-matriculated and distance learning students.

The Institute's objective during the Plan is to maintain undergraduate enrollment at approximately 5,000 students and to reduce part-time graduate and other enrollment. In addition, a component of the Plan (complementing the goal of significant growth in research) is to double the number of graduating Ph.D. students within 10 years. As part of this, a major reorientation in graduate program pricing and support strategy was established in fiscal year 2003, resulting in an expected temporary decline in full-time graduate enrollments and a permanent decline in part-time enrollments. However, while the number of full-time graduate students has declined since 2001, the average number of credit hours carried by each graduate student has increased nearly 60% and the masters:doctorate degree mix has changed from about 50:50 in 2000 to about 25:75 in 2010. These actions were planned and the financial implications expected and accounted for.

The following table shows freshmen applications received, accepted and enrolled at the Troy campus for the fall semesters of the current and past five years.

Entering Fall	Applications	Acceptances	Acceptance Rate	New Enrollment	Yield	Mean SAT
2005	5,574	4,340	78.0%	1,240	29.0%	1,320
2006	6,875	4,574	66.5%	1,270	27.7%	1,320
2007	10,162	5,021	49.4%	1,291	25.7%	1,338
2008	11,249	4,962	44.1%	1,356	27.3%	1,340
2009	12,350	5,291	43%	1,337	25%	1354
2010	13,465	5,381	40%	1,154	21%	1,359

Rensselaer’s undergraduate enrollment and yield trends reflect the current focus on enhancing the quality and diversity of its student body. Rensselaer also recently changed its recruiting strategy to broaden its market and to gain introduction to student/parent consideration earlier in the selection process. The results have been positive, with total applications for the incoming fall 2010 at 13,465 a 96% increase over 2006, while selectivity has dropped significantly to 40% .

At Rensselaer’s Troy campus, the student body is comprised of students from 48 states, and 65 foreign countries. In the past seven years Rensselaer’s geographic concentration has shifted significantly with our reliance on New York State reducing from 48% in 2003 to 36% in 2010 while the percentage of students from “Other US” has increased from 11% to 20% of the student body. A breakdown of major geographic concentration for the Troy campus undergraduate and graduate student body is as follows:

New York	36%
New England	22%
N.J./Pennsylvania	11%
Other U.S.	20%
International	11%
Total	<u>100%</u>

Rensselaer fields 23 NCAA intercollegiate teams, including NCAA Division I men’s and women’s hockey teams. The Institute has an active ROTC program and 35 fraternities and sororities. The Rensselaer Union, the home for student government and one of the few student run unions in the Northeast, was formed in 1890. An elected president, who appoints a twelve member executive board, oversees it. This board manages an \$8.6 million annual budget that co-funds all the athletic programs, as well as 190 athletic, arts, multi-cultural, service, media, religious, entertainment and special interest clubs and organizations.

Tuition and Fees

The following table shows the basic tuition and fees charged to incoming undergraduate students for the current and past four years:

	2006-07	2007-08	2008-09	2009-10	2010-11
Tuition	\$32,600	\$34,900	\$36,950	\$38,100	\$39,600
Room & Board	9,915	10,420	10,730	\$11,145	\$11,465
Fees	896	978	1,040	\$1,065	\$1,080
Total	\$43,411	\$46,298	\$48,720	\$50,310	\$52,145

Financial Aid

Rensselaer administers a substantial student aid program by which approximately 95% of the undergraduate student body receives need-based or merit-based loans and/or scholarships from the Institute or outside sources. The Institute participates in various federal and state programs providing aid to individual students. The federal programs include Perkins, Stafford, Supplemental Educational Opportunity Grants, Pell Grants, and College Work Study Programs. The state programs include the New York State Merit Award for Excellence in Academics, the Tuition Assistance Program (TAP), and grants under the Higher Education Opportunity Program. Some students residing outside the state benefit from various loan and grant programs of their states of residence.

Future state and federal aid depends upon the annual appropriations by the New York State Legislature and the United States Congress, respectively, and the ability of the state and the federal governments to pay the amounts appropriated. No assurance can be given that the various federal and state programs will be continued. The reduction or elimination of these programs could have a detrimental effect on the Institute.

The following chart provides an overview of Rensselaer's internally funded undergraduate financial aid for the past five fiscal years (in thousands):

	2006-07	2007-08	2008-09	2009-10	2010-2011
Unrestricted Financial Aid	\$72,805	\$74,375	\$83,047	\$85,211	\$83,335

Gifts and Bequests

Gifts and bequests received as both cash, in-kind and recordable pledges in the past five fiscal years are noted below (in thousands):

	2005-06	2006-07	2007-08	2008-09	2009-10
Unrestricted	\$25,956	\$25,012	\$21,639	\$22,160	\$22,171
Temporarily Restricted	1,946	30,167	15,429	2,576	4,615
Permanently Restricted	8,625	19,459	11,358	9,197	4,910
Total	\$36,527	\$74,638	\$48,426	\$33,933	\$31,696

In FY2001, Institute President Shirley Ann Jackson announced an anonymous, unrestricted gift of \$360 million, making it at that time the largest single gift by an individual to a university in the United States. In compliance with donor stipulations related to this gift, income is being recognized as cash payments are received.

As of June 30, 2010, over \$1.4 billion in cash, pledges, gifts-in-kind, and gifts of intellectual property (some of which are not recordable from an accounting perspective) had been raised for the campaign. The campaign goal of \$1.4 billion was reached in October 2008, including approximately \$330 million in cash and \$670 million in gifts-in-kind.

Endowment

The market value for endowment and funds functioning as endowment as of the end of fiscal years ending June 30, 2006 through 2010 is shown below (in millions). Approximately 41% of these funds are permanently restricted.

Year	Market Value	Spending Allocation
2006	\$682.9	\$62.1
2007	\$812.9	\$61.8
2008	\$793.3	\$64.0
2009	\$612.8	\$58.6
2010	\$629.7	\$50.2

Rensselaer's endowment spending allocation is consistently calculated at a rate of 5% of the four-year rolling average market value of the endowment. The Board has committed to endowment withdrawals, from Board-designated endowment, in excess of the Institute's spending formula, as necessary, to fund investment in Plan initiatives.

The June 30, 2010 market value of all endowment and funds functioning as endowment was invested as follows (in millions):

	Market Value	Portfolio
US Equity	\$57,666	9.2%
Non-US Equity	\$66,315	10.5%
Private Equity	\$186,168	29.6%
Real Assets	\$138,493	22.0%
Marketable Alternatives	\$40,941	6.5%
Fixed Income	\$118,016	18.7%
Cash	\$22,129	3.5%
Total	\$629,728	100.0%

The Board of Trustees has overall responsibility regarding all decisions that affect the investment of all funds of the Institute. The Board fulfills its fiduciary obligation by delegating operating and supervisory responsibility to the Investment Committee to oversee the investments of Rensselaer. Day-to-day operations and management of the Institute's funds is currently outsourced to High Vista Strategies LLC on a non-discretionary basis.

Contracts and Grants

During the fiscal year ended June 30, 2010, the Institute received, through contracts and grants, total revenues of \$86.4 million. This accounted for approximately 22% of the Institute's total operating revenues of \$391.9 million for that fiscal year. The Institute received \$17.3 million in indirect costs in fiscal year 2009 and \$ 17.6 million in fiscal year 2010. Indirect costs on government grants and contracts represent the allocation of overhead costs (library, institutional support, departmental administration, operation and maintenance of plant, and building and equipment depreciation) to the projects funded by such grants. Rensselaer has achieved a 10% increase in this cost recovery rate since 2001 from 54.5% to 61%.

Rensselaer has been awarded approximately \$95.9 million and \$76.6 million of grants and contracts which have not been advanced or expended as of June 30, 2010 and 2009, respectively, and accordingly, not recorded in the attached financial statements.

Rensselaer conducts a significant amount of research funded by outside sponsors, primarily the federal government. The Institute expects that it will continue to receive significant amounts of federal funds supporting research. However, inasmuch as federally sponsored research is obtained through both grants and contracts, it may vary from year to year, and no assurance can be given that it will continue at the levels experienced in recent years.

Revenues received from contracts and grants for fiscal years ending in 2006 through 2010 are shown below (in thousands):

	2005-06	2006-07	2007-08	2008-9	2009-10
Federal Government	\$45,199	\$48,578	\$49,081	\$49,919	\$55,630
State Government	10,889	15,273	14,132	17,053	7,597
Private	4,457	5,091	5,418	7,089	5,616
Indirect Costs	13,576	15,460	15,036	17,312	17,576
Total	\$74,121	\$84,402	\$83,667	\$91,373	\$86,419

Physical Plant

Rensselaer's 200 academic, residential, and administrative buildings are located on approximately 260 acres in Troy, New York. The Hartford campus consists of a nine story building and adjacent parking garage located on 14 acres in downtown Hartford, Connecticut. In addition, Rensselaer has a wholly owned high technology industrial park on 1,250 acres in North Greenbush, Rensselaer County, New York. At present, over 60 companies with over 2,400 employees occupy the technology park.

Rensselaer's investment in physical plant has grown significantly over the past several years, with net plant assets increasing by over \$238 million or 47% since 2006. The following tabulation shows the assets included in physical plant as of each of the previous five fiscal years ended June 30 (in thousands of dollars):

Fiscal Year	Land	Buildings	Equipment	Construction in Progress	Accumulated Depreciation	Totals
2006	20,601	487,809	180,076	105,088	(280,561)	513,013
2007	20,790	488,418	211,097	155,529	(298,810)	577,024
2008	20,946	500,250	212,589	237,271	(319,850)	651,206
2009	27,404	752,888	223,346	87,115	(347,397)	743,356
2010	29,213	861,429	222,207	13,847	(375,040)	751,656

The above amounts shown for physical plant are stated at cost or, in the case of gifts, at market value on the date the gift was received, less accumulated depreciation, computed on a straight line basis over the estimated useful life of the asset.

The Institute currently insures its buildings and contents, exclusive of land, under blanket insurance policies in the total amount of \$1.4 billion. Such insurance provides for 100% of the replacement value of the buildings and contents.

Financial Operations

As stated previously, the Rensselaer Board of Trustees unanimously approved The Rensselaer Plan (the “Plan”) on May 12, 2000. The Plan is long-term in its scope and approach, with the necessary flexibility to adapt to changing conditions and factors. It also guides Institute decisions and provides the framework for school and divisional “performance plans” that serve as the basis for each year’s operating plan and budget.

With the creation of the Plan and initiation of performance planning, the Institute established a new performance-based operating and comprehensive capital budgeting and reporting process that links directly to the performance plans and allows meaningful assessment of progress against the Plan. For each of the past eight fiscal years, the academic schools and administrative divisions have created and implemented performance plans designed to focus on the Plan’s goal of establishing Rensselaer as a top-tier, world class technological research university with global reach and global impact. The Finance Committee of the Board of Trustees monitors the budget process and financial implications, with the full Board approving the annual operating and capital budgets.

Financial Update

Fiscal years 2005 through 2009 were peak years of operating investment in Rensselaer Plan activities while the Institute continues to build the foundation for the long-term strategic revenue growth that is intended to sustain a more robust Rensselaer. In order to make these investments while also protecting the core Institute operations, the Board of Trustees has authorized funding draws from quasi-endowment in excess of the spending formula. Categories of spending that have been and may potentially be funded by such draws in the future include:

- Investment in new faculty, including start-up packages focused on the research constellations;
- Capital construction and renewal, with emphasis on academic, research and student life facilities;
- Administrative and technical ramp-up for the capital campaign; and
- Technological and operational investment to operate over 400,000 square feet in new research and academic space.

The financial statements of the Institute are prepared in accordance with the provisions of the *American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations*. The financial statements as of June 30, 2010 and 2009 and for the years then ended, included in this Remarketing Circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RENSELAER POLYTECHNIC INSTITUTE
Combined Statements of Financial Position at June 30, 2006-2010
(In thousands)

<u>Assets</u>	2006	2007	2008	2009	2010
Cash and cash equivalents	\$10,492	7,610	4,068	2,720	6,012
Accounts receivable, net					
Student related and other	5,123	5,778	8,395	8,635	5,925
Research and other agreements	20,441	22,465	21,832	27,886	25,945
Contributions receivable	30,611	33,549	39,120	37,859	31,095
Contr. from external remainder trusts	4,137	6,092	9,374	7,783	7,948
Inventories	2,603	2,465	2,492	2,050	1,889
Prepaid expenses and other assets	1,305	614	8,297	7,443	7,635
Deposits with bond trustees	56,941	21,930	77,106	2,138	185
Student loans receivable, net	27,044	27,355	31,683	33,246	31,165
Collateral Received for Securities Loaned				17,081	14,815
Investments, at market	702,717	835,383	807,865	616,552	636,877
Land, buildings and equipment, net	513,013	577,024	651,206	743,356	751,656
Total assets	\$1,374,427	\$1,540,265	\$1,661,438	1,506,749	1,521,147
Accounts payable and accrued expenses	32,319	50,609	53,982	47,745	42,087
Liability on interest rate swap arrangements	11,743	11,932	32,413	50,684	-
Split Interest Agreement obligations	10,449	12,743	10,431	7,599	9,237
Deferred revenue	10,802	14,040	20,625	20,752	21,362
Short-term portion of long-term debt	5,203	7,735	8,353	8,635	6,455
Deposits	7,618	8,037	8,384	8,890	9,459
Payable for Collateral on Securities Loaned				17,081	14,815
Minimum pension liability	58,109	45,098	43,470	89,069	101,087
Accrued postretirement benefits	13,383	13,690	12,446	13,555	12,164
Refundable government loan funds	25,282	25,686	26,012	26,427	26,977
Long-term debt	411,599	420,374	611,671	681,278	755,578
Total liabilities	\$586,507	\$609,944	\$827,787	971,715	999,221
Unrestricted	493,282	579,157	467,904	187,664	171,963
Temporarily restricted	78,682	114,536	117,348	90,694	87,852
Permanently restricted	215,956	236,628	248,399	256,676	262,111
Total net assets	787,920	930,321	833,651	535,034	521,926
Total liabilities and net assets	\$1,374,427	\$1,540,265	\$1,661,438	1,506,749	1,521,147

RENSSELAER POLYTECHNIC INSTITUTE
Condensed Statements of Activities for the year ended June 30, 2006-2010
(In thousands)

<i>Operating Revenue</i>	2006	2007	2008	2009	2010
Student related revenue, net	163,874	177,772	187,451	207,295	216,584
Gifts	27,719	54,427	33,560	24,741	25,471
Grants and contracts	74,121	84,402	83,667	91,373	86,419
Investment return	63,584	65,932	69,623	61,334	51,707
Rensselaer Technology Park	5,183	4,657	4,248	4,698	4,621
Other	7,666	7,306	11,633	8,977	7,118
Total operating revenue	\$342,147	\$394,496	\$390,182	398,418	391,920
<i>Operating Expenses</i>					
Instruction	127,720	133,255	144,352	135,565	134,847
Research	80,776	85,123	92,526	106,795	115,233
Student services	9,719	9,900	11,377	13,032	11,933
Institutional and academic support	91,530	96,985	103,739	101,903	93,102
Externally funded scholarships and Fellowships	11,493	11,700	13,702	15,526	14,595
Auxiliary services	28,207	26,286	26,179	27,935	30,685
Rensselaer Technology Park	3,245	3,710	3,861	3,623	3,720
Total operating expenses	\$352,690	366,959	395,736	404,379	404,115
Change in net assets from operating activities	(10,543)	27,537	(5,554)	(5,961)	(12,195)
<i>Non-operating</i>					
Realized and unrealized gains, (losses), net	9,702	76,814	(70,367)	(220,894)	15,402
Realized and unrealized losses, Int rate swaps	15,245	(1,209)	(23,239)	(25,788)	(5,218)
Adjustment for minimum pension liability	10,153	25,848	(5,889)	(51,109)	(11,689)
Life income and endowment gifts	8,808	20,211	14,866	9,192	6,225
Change in value of life income contracts	630	803	(874)	(2,927)	980
Loss on disposal of fixed assets	(3,058)	169	(813)	(1,130)	(1,420)
Loss on debt extinguishment			(4,800)	-	(4,793)
Change in net assets from non-operating activities	41,480	122,636	(91,116)	(292,656)	(913)
Cumulative effect of a change in Accounting principle	(6,541)	(7,772)			
Total change in net assets	24,396	142,401	(96,670)	(298,617)	(13,108)
Net assets at beginning of year	763,524	787,920	930,321	833,651	535,034
Net assets at end of year	\$787,920	\$930,321	\$833,651	535,034	521,926

(1) The Condensed Statement of Activities represents the aggregate total of unrestricted, temporarily restricted, and permanently restricted activity

Outstanding Indebtedness

As of June 30, 2010, Rensselaer had total outstanding indebtedness in the aggregate principal amount of \$762,033,000 net of bond discount or capitalized issuance costs of \$1,411,068, where applicable. See the attached *Combined Financial Statements For the Years Ended June 30, 2010 and 2009* – Note K-Debt Outstanding for a more detailed discussion of outstanding indebtedness as of June 30, 2010.

As additional security for certain of its borrowings, Rensselaer has pledged certain lease, property and other revenues, and has granted liens on certain real property. Additionally, Rensselaer complies with various covenants as outlined in its borrowing documents. The following summarizes Rensselaer's liens on tangible property related to existing debt as of June 30, 2010:

Borrowing

Department of Education Mortgage Loan
Connecticut HEFA

Security Interest

Dormitory project
Academic building and parking projects

The Institute estimates total combined liens on tangible property aggregate less than 5% of its total assets.

Pension Plans

Rensselaer employees who meet eligibility requirements may participate in one of two plans. A Defined Benefit Plan is available for employees hired prior to July 1, 1993 and who made an election effective June 30, 1993 to remain in this plan (this plan is no longer open to new participants). All eligible employees hired after June 30, 1993 may participate in a Defined Contribution Plan, which was established as of July 1, 1993. Eligible employees of the Rensselaer Hartford Graduate Center may also participate in the Defined Contribution Plan. See the attached *Combined Financial Statements For the Years Ended June 30, 2010 and 2009* – Note L & N -Retirement Plans for detailed information about Rensselaer's retirement plans.

Litigation

There is no litigation pending, or to the knowledge of the Institute threatened, in any court, agency, or other administrative body which would have a material adverse effect on Rensselaer or its operations, properties or financial condition.