Rensselaer Polytechnic Institute

Consolidated Financial Statements
June 30, 2016 and 2015

Rensselaer Polytechnic Institute
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June 30, 2016 and 2015

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Report of Independent Auditors

To The Board of Trustees
Rensselaer Polytechnic Institute

We have audited the accompanying consolidated financial statements of Rensselaer Polytechnic Institute and Affiliates ("Rensselaer"), which comprise the consolidated statement of financial position as of June 30, 2016 and June 30, 2015, and the related consolidated statements of activities and changes in net assets and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute as of June 30, 2016 and June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 19, 2016

Rensselaer Polytechnic Institute
Consolidated Statement of Financial Position
June 30, 2016 and 2015

(in thousands of dollars)	2016	2015
Assets		
Cash and cash equivalents	$ 6,131	$ 15,670
Accounts receivable, net		
Student related and other	2,726	4,375
Research, training, and other agreements	17,529	15,686
Contributions receivable, net	38,441	28,946
Contributions from external remainder trusts	14,757	14,562
Prepaid expenses and other assets	7,084	7,049
Student loans receivable, net	29,655	28,584
Investments, at market - endowment, annuity and life income funds	639,567	681,332
Land, buildings and equipment, net	679,659	695,796
Total assets	$ 1,435,549	$ 1,492,000
Liabilities		
Accounts payable and accrued expenses	$ 34,913	$ 37,336
Short-term borrowings	15,800	28,300
Split interest agreement obligations	6,736	6,389
Deferred revenue	24,954	27,248
Other liabilities	17,409	15,970
Pension liability	153,954	117,112
Accrued postretirement benefits	15,340	15,932
Refundable government loan funds	30,535	29,993
Capital leases payable	20,165	20,567
Long-term debt	742,366	749,425
Total liabilities	1,062,172	1,048,272
Net assets		
Unrestricted		
Endowment, Plant and Other Operations	167,578	193,432
Defined Benefit Pension Plan	(373,083)	(328,941)
Unrestricted	(205,505)	(135,509)
Temporarily restricted	166,992	184,091
Permanently restricted	411,890	395,146
Total net assets	373,377	443,728
Total liabilities and net assets	$ 1,435,549	$ 1,492,000

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

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2016	Total June 30, 2015
Operating revenue					
Student related revenue					
Student tuition and fees, net					
Undergraduate	$ 154,344	$ -	$ -	$ 154,344	$ 146,393
Graduate	45,575	-	-	45,575	45,858
Education for working professionals	2,398	-	-	2,398	4,160
Fees	1,245	-	-	1,245	1,849
Auxiliary services	59,748	-	-	59,748	60,055
Student related revenue	263,310	-	-	263,310	258,315
Gifts	16,382	5,846	-	22,228	25,518
Grants and contracts					
Direct					
Federal	47,862	-	-	47,862	59,493
State	6,926	-	-	6,926	9,055
Private	6,847	-	-	6,847	7,574
Indirect	16,187	-	-	16,187	18,624
Grants and contracts	77,822	-	-	77,822	94,746
Investment return					
Dividends and interest	4,804	3,012	37	7,853	9,714
Realized accumulated gains used to meet spending policy	11,429	10,143	-	21,572	19,183
Interest on student loans	27	-	-	27	38
Investment return designated for operations	16,260	13,155	37	29,452	28,935
Rensselaer Technology Park	4,153	2	-	4,155	4,276
Other	7,676	37	-	7,713	1,846
Net assets released from restrictions	17,974	(17,974)	-	-	-
Total operating revenue	403,577	1,066	37	404,680	413,636
Operating expense					
Instruction	133,252	-	-	133,252	139,388
Research					
Sponsored	90,497	-	-	90,497	105,118
Unsponsored	18,965	-	-	18,965	17,576
Student services	22,908	-	-	22,908	23,010
Institutional and academic support	71,480	-	-	71,480	71,027
Externally funded scholarships and fellowships	13,404	-	-	13,404	12,244
Auxiliary services	43,117	-	-	43,117	42,531
Rensselaer Technology Park	6,190	-	-	6,190	6,475
Defined benefit pension and postretirement	9,551	-	-	9,551	5,947
Total operating expenses	409,364	-	-	409,364	423,316
Change in net assets from operating activities	(5,787)	1,066	37	(4,684)	(9,680)
Nonoperating					
Realized and unrealized (losses) gains, net of spending policy and initiatives	(27,563)	(17,425)	(13)	(45,001)	2,254
Adjustment for pension and postretirement benefits liability	(37,299)	-	-	(37,299)	(53,022)
Life income and endowment gifts	-	1,314	20,297	21,611	32,187
Change in value of life income contracts	(27)	(1,001)	(3,844)	(4,872)	(637)
Gain (loss) on disposal of fixed assets	(106)	-	-	(106)	1,493
Other reclassifications and transfers	786	(1,053)	267	-	-
Change in net assets from nonoperating activities	(64,209)	(18,165)	16,707	(65,667)	(17,725)
Increase (Decrease) in net assets	(69,996)	(17,099)	16,744	(70,351)	(27,405)
Beginning of year	(135,509)	184,091	395,146	443,728	471,133
End of year	$ (205,505)	$ 166,992	$ 411,890	$ 373,377	$ 443,728

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

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2015
Operating revenue				
Student related revenue				
Student tuition and fees, net				
Undergraduate	$ 146,393	$ -	$ -	$ 146,393
Graduate	45,858	-	-	45,858
Education for working professionals	4,160	-	-	4,160
Fees	1,849	-	-	1,849
Auxiliary services	60,055	-	-	60,055
Student related revenue	258,315	-	-	258,315
Gifts	21,212	4,306	-	25,518
Grants and contracts				
Direct				
Federal	59,493	-	-	59,493
State	9,055	-	-	9,055
Private	7,574	-	-	7,574
Indirect	18,624	-	-	18,624
Grants and contracts	94,746	-	-	94,746
Investment return				
Dividends and interest	5,899	3,768	47	9,714
Realized accumulated gains used to meet spending policy	10,279	8,904	-	19,183
Interest on student loans	38	-	-	38
Investment return designated for operations	16,216	12,672	47	28,935
Rensselaer Technology Park	4,276	-	-	4,276
Other	1,812	34	-	1,846
Net assets released from restrictions	18,542	(18,096)	(446)	-
Total operating revenue	415,119	(1,084)	(399)	413,636
Operating expense				
Instruction	139,388	-	-	139,388
Research				
Sponsored	105,118	-	-	105,118
Unsponsored	17,576	-	-	17,576
Student services	23,010	-	-	23,010
Institutional and academic support	71,027	-	-	71,027
Externally funded scholarships and fellowships	12,244	-	-	12,244
Auxiliary services	42,531	-	-	42,531
Rensselaer Technology Park	6,475	-	-	6,475
Defined benefit pension and postretirement	5,947	-	-	5,947
Total operating expenses	423,316	-	-	423,316
Change in net assets from operating activities	(8,197)	(1,084)	(399)	(9,680)
Nonoperating				
Realized and unrealized (losses) gains, net of spending policy and initiatives	75	2,224	(45)	2,254
Adjustment for pension and postretirement benefits liability	(53,022)	-	-	(53,022)
Life income and endowment gifts	-	840	31,347	32,187
Change in value of life income contracts	36	(491)	(182)	(637)
Gain (loss) on disposal of fixed assets	1,493	-	-	1,493
Other reclassifications and transfers	2,132	(2,914)	782	-
Change in net assets from nonoperating activities	(49,286)	(341)	31,902	(17,725)
Increase (decrease) in net assets	(57,483)	(1,425)	31,503	(27,405)
Beginning of year	(78,026)	185,516	363,643	471,133
End of year	$ (135,509)	$ 184,091	$ 395,146	$ 443,728

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

Rensselaer Polytechnic Institute
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(in thousands of dollars)	2016	2015
Cash flow from operating activities		
Received from student-related revenues	218,637	211,576
Received from sponsored programs	73,831	99,501
Received from donors	21,427	27,791
Received from investment income	7,750	9,867
Received from Rensselaer Technology Park	4,420	3,726
Received from other	7,867	2,713
Payments to employees and fringe benefits	(188,776)	(200,287)
Payments to vendors and suppliers	(86,668)	(95,626)
Payments for scholarships and fellowships	(4,652)	(4,890)
Payments for Interest expense	(37,750)	(39,353)
Payments for pension and post retirement obligations	(8,076)	(11,026)
Payments for other expenses	(7,083)	(6,290)
Net cash provided (used) in operating activities	927	(2,298)
Cash flow from investing activities		
Proceeds from sale of investments	187,635	198,342
Purchase of investments	(169,457)	(189,288)
Additional student loans granted	(5,709)	(5,850)
Student loans paid	4,540	4,968
Proceeds from sale of land, building, and equipment	70	2,207
Purchase of land, building and equipment	(12,888)	(15,166)
Net cash provided (used) in investing activities	4,191	(4,787)
Cash flow from financing activities		
Contributions restricted for long term investments	8,590	4,905
Payment of annuity obligations	(868)	(858)
Payment of debt issuance costs	(160)	-
Proceeds from loans	95,308	179,595
Repayment of debt	(118,068)	(164,802)
Government loan funds	541	604
Net cash provided (used) by financing activities	(14,657)	19,444
Net increase in cash and cash equivalents	(9,539)	12,359
Cash and cash equivalents		
Beginning of year	15,670	3,311
End of year	$ 6,131	$ 15,670

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

(in thousands of dollars)

1. Organization

Rensselaer Polytechnic Institute (Rensselaer or The Institute) is a nonsectarian, coeducational institution composed of five schools: Engineering; Science; Architecture; Humanities, Arts, and Social Sciences; and the Lally School of Management & Technology; as well as an interdisciplinary degree in Information Technology. Rensselaer offers more than 145 programs at the bachelor's, master's, and doctoral levels. Students are encouraged to work in interdisciplinary programs that allow them to combine scholarly work from several departments or schools. The Institute provides rigorous, engaging, interactive learning environments and campus-wide opportunities for leadership, collaboration, and creativity. Rensselaer Technology Park is a university related park for technology ventures seeking a unique environment focused on the interface between industry and education.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Tax Status

The financial statement are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The accompanying financial statements include the Rensselaer Hartford Graduate Center, Inc., a branch of the Institute focused on education for working professionals, which is a separate entity consolidated in the financial statements. Rensselaer and the Center are collectively referred to herein as the Institute. All significant inter-organizational accounts have been eliminated in consolidation. The Institute is a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code, and is generally exempt from income taxes pursuant to the Code. In accordance with accounting standards, the Institute evaluates its income tax status each year.

(b) Net Asset Classification

The Institute is incorporated in and subject to the laws of New York, which incorporate the provisions outlined in the New York Prudent Management of Institution Funds Act (NYPMIFA.) Under NYPMIFA, the assets of donor-imposed restricted funds may be appropriated by the Institute for expenditure. Net assets having similar characteristics have been classified in the following categories:

- *Permanently restricted net assets* are subject to donor-imposed stipulations that they be maintained permanently or until prudently appropriated by the Board of Trustees of the Institute in accordance with New York State law. Generally, the donors of these assets permit the Institute to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.

- *Temporarily restricted net assets* used by the Institute are subject to donor-imposed or legal stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire with the passage of time. Realized and unrealized gains on permanently and temporarily restricted assets are reported as temporarily restricted net assets in accordance with New York State law.

(in thousands of dollars)

- *Unrestricted net assets* are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements without side parties.

(c) Statement of Activities

The Statement of Activities reports changes in net assets from operating and nonoperating activities. Operating activities primarily include revenues and expense related to on-going educational and research efforts as well as gifts and net return on the Institute's endowment. Operating net assets released from restrictions include support for such program activities as financial aid and instruction. Contributions with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when the donor-imposed restriction is satisfied. Expenses are generally reported as decreases in unrestricted net assets.

Nonoperating activities primarily include investment return net of spending, changes in life income and endowment gifts and gain or loss on the disposal of assets or liabilities. Nonoperating net assets released from restrictions primarily represent amounts for facilities and equipment. Contributions restricted for the acquisition of land, buildings and equipment and specific programs are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or being placed in service. Contributions received of a capital nature, that is, contributions to be used for facilities and equipment or to be invested by the Institute to generate a return that will support operations, are included in nonoperating activities.

Revenues are derived from various sources as follows:

- *Student related revenue* includes tuition revenue from undergraduate, graduate, and working professionals, as well as, student fees and auxiliary services. The undergraduate student discount rate was 43.1% and 41.8% for the years ended June 30, 2016 and 2015, respectively.

(in thousands of dollars)

Student tuition by segment and location is as follows:

	2016	2015
Undergraduate tuition		
Troy Campus tuition revenue	$ 266,694	$ 247,158
Institutional aid	(115,076)	(103,384)
Total undergraduate academic tuition revenue	151,618	143,774
Summer tuition revenue	2,726	2,619
Total undergraduate tuition	$ 154,344	$ 146,393
Graduate tuition		
Troy Campus tuition revenue	$ 46,354	$ 46,879
Institutional aid	(1,011)	(1,351)
Total graduate academic tuition revenue	45,343	45,528
Summer tuition revenue	232	330
Total graduate tuition	$ 45,575	$ 45,858
Education for working professionals		
Troy Campus	$ 782	$ 1,194
Hartford Campus	1,742	3,087
Total education for working professionals revenue	2,524	4,281
Institutional aid	(126)	(121)
Total education for working professionals tuition	$ 2,398	$ 4,160

- *Contributions*- Contributions, including unconditional promises to give (pledges), are recognized as revenue in the appropriate net asset class in the period received. A pledge is initially recorded at present value based on an appropriate market rate. Restricted contributions are released 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. Additional information can be found in Note 3b.

- *Government grants and contracts*- The Institute has been awarded approximately $90,463 and $87,020 of grants and contracts which have not been advanced or expended as of June 30, 2016 and 2015, respectively, and accordingly, are not recorded in the financial statements.

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

(in thousands of dollars)

(d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less when purchased. They are carried at cost, which approximated fair value. Cash that is part of the Institute's investment portfolio is reported as investments and included in Note 5.

(e) Accounts and Notes Receivable

Accounts and notes receivable include amounts arising from tuition and fees, Rensselaer Technology Park activity and amounts owed on research contracts. They are carried at net realizable value.

(f) Investments

The Institute's investments are recorded in the financial statements at fair value. Investment income is recorded on an accrual basis, and 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.

(g) 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 (30-50 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.

(h) Use of Estimates

The preparation of financial statements 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.

(i) Recently Adopted Accounting Standards

On July 1, 2015, the Institute early adopted new accounting standard related to *Simplfying the Presentation of Debt Issuance Costs*. The standard requires debt issuance costs related to debt be recorded as a direct deduction from the face amount of debt. This disclosure change, which was applied retrospectively, can be seen in the Bonds and Notes Payable table shown in footnote 8 for both fiscal years 2016 and 2015.

(j) Reclassifications

It is the Institute's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation. A reclassification was made to 2015 numbers in the Statement of Financial Position between research, training, and other agreements and deferred revenue to conform to the current year presentation. Certain 2015 natural expense classifications in footnote 10 have been reclassified to conform to the current year.

(in thousands of dollars)

3. Receivables

(a) Accounts Receivable

The Institute's receivables are comprised of student related, research, training and other agreements and are reviewed and monitored for aging and collectability on a regular basis. There is also a corresponding allowance for uncollectable accounts at June 30, 2016 and 2015. Accounts receivable from the following sources were outstanding as of June 30:

	2016	2015
Student related receivables	$ 2,088	$ 2,725
Research, training and other agreements	17,662	15,854
Rensselaer Technology Park	392	1,004
Other	659	1,163
Gross account receivable	20,801	20,746
Less: Allowance for doubtful accounts	(546)	(685)
Net accounts receivable	$ 20,255	$ 20,061

(b) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30:

	2016	2015
Less than one year	$ 1,906	$ 841
Between one and five years	24,945	14,494
More than five years	19,639	21,240
Gross contributions receivable	46,490	36,575
Less: Unamortized discount	(7,585)	(7,184)
Less: Allowance for uncollectible amounts	(464)	(445)
Net contributions receivable	$ 38,441	$ 28,946

Conditional pledges, which are not accrued, approximate $1,000 at June 30, 2016 and were unrestricted as to purpose. Bequest expectancies totaling $111,801 have been also excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to a $360,000 transformational gift, revenue is being recognized as periodic cash payments are received. Revenue of $10,000 related to the transformational gift was recognized in 2016 and 2015, respectively.

(c) Student Loans Receivable

Student loan programs are funded by many sources, including institutional sources and governmental programs, including the Federal Perkins Loan Program. The amount received from the government's portion of the Perkins loan program are refundable to the federal government and reported as a liability on the Institute's statement of financial position.

(in thousands of dollars)

The Institute regularly assesses the adequacy of the allowance for credit losses relating to these loans by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans.

The following provides enhanced disclosures about the student loan receivables and allowances associated with the institutional and federal loan programs.

	2016			2015		
	Receivable	Allowance	Net Receivable	Receivable	Allowance	Net Receivable
Institutional loans	$ 1,051	$ (748)	$ 303	$ 1,125	$ (768)	$ 357
Federal loans	30,511	(1,159)	29,352	29,349	(1,122)	28,227
Total loan receivable	$ 31,562	$ (1,907)	$ 29,655	$ 30,474	$ (1,890)	$ 28,584

	Institutional	Federal	Total Allowance
Allowance at beginning of year	$ (768)	$ (1,122)	$ (1,890)
Current year provisions	20	(37)	(17)
Current year write-offs	-	-	-
Current year recoveries	-	-	-
Allowance at end of year	$ (748)	$ (1,159)	$ (1,907)

4. Split Interest Agreements

Split interest gift agreements consist primarily of irrevocable charitable remainder trusts, pooled income funds and charitable gift annuities for which the Institute 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, 2016 and 2015 were $17,402 and $17,662, 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 1.2% to 10.6%. The liability for the present value of deferred gifts of $6,736 and $6,389 at June 30, 2016 and 2015, 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 fair value of these trusts at June 30, 2016 and 2015 was $59,616 and $63,057 respectively, and included in the investment balance. 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 and the fair value of the institutions

(in thousands of dollars)

investment of those distributions are disclosed in Note 5. Changes in fair value of the trusts are recorded as gain or loss in permanently restricted net assets.

5. Investments

The Institute's investments are overseen by the Investment Committee of the Board of Trustees. The fair value and cost of investments at June 30 is as follows:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 36,338	$ 36,338	$ 42,634	$ 42,634
Fixed income	82,368	79,445	69,521	71,400
Domestic equity	80,253	75,983	54,599	49,262
Global equity	64,429	53,350	45,175	36,950
Foreign equity	70,735	61,625	69,019	53,296
Real assets	3,186	2,873	3,047	2,880
Marketable alternatives				
Fixed income	28,363	18,864	29,511	18,864
Multi strategy	28,479	16,392	70,041	43,392
Equity	13,393	15,179	19,641	15,187
Private investments				
Fixed income	7,623	10,179	8,445	11,935
Real assets	65,438	110,382	80,492	116,848
Equity	99,346	69,730	126,150	79,122
Subtotal	579,951	550,340	618,275	541,770
Perpetual trusts held by others	59,616	51,829	63,057	51,829
Total investments	$ 639,567	$ 602,169	$ 681,332	$ 593,599

- At June 30, 2016, Rensselaer has committed to investing approximately an additional $11 million in private investments related to various equity and real asset partnerships.

(a) Investment Classification Descriptions

Fixed Income

This category contains investments in public and nonpublic fixed income securities, including convertible bonds, corporate bonds, foreign sovereign bonds, high yield bonds, and U.S. government and government sponsored bonds. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. In addition, they are subject to a variety of liquidity restrictions that normally range from three days to three months.

Domestic Equity

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. In addition, they are subject to a variety of liquidity restrictions that normally range from three days to three months.

(in thousands of dollars)

Global Equity
This category contains investments in U.S. and 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. In addition, they are subject to a variety of liquidity restrictions that normally range from three days to three months.

Foreign Equity
This category contains 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. In addition, they are subject to a variety of liquidity restrictions that normally range from three days to three months.

Real Assets
This category contains investments in a U.S. and non-U.S. assets, including real estate, infrastructure, and commodity. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. In addition, they are long-term in nature and liquidity is asset specific.

Marketable Alternatives
This category contains investments in a variety of partnerships and similar entities focused on primarily marketable investments in the U.S and non-U.S. markets. The individual managers utilize a variety of strategies, including distressed, event-driven, long/short, relative value, global macro, and sector specific. Most of these investments have an initial lockup and offer liquidity, thereafter, ranging from thirty days to one year.

Private Investments
This category contains investments in U.S. and non-U.S. partnerships and similar entities focused primarily on venture capital investments, buyouts, growth equity, real estate, infrastructure, commodity, and fixed income. The capital commitments made by the Institute are drawn down over time by the manager. As investments mature and/or are realized, distributions are made by the manager to the Institute during the life of the partnership, typically 10 years. The Institute does not have any redemption rights in these investments.

Perpetual Trusts
This category includes certain perpetual trusts held and administered by others for which Rensselaer is the beneficiary.

(b) 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.

(in thousands of dollars)

(c) Dividends, Interest and Realized and Unrealized Gains and Losses

Total dividends, interest and realized and unrealized gains (reflected as both operating and nonoperating activity) are as follows:

	2016	2015
Dividends and interest available for spending	$ 7,853	$ 9,714
Realized gains (loss)	24,470	21,751
Unrealized gains (loss)	(46,047)	1,326
Investment return	(13,724)	32,791
Investment management fees	1,852	1,640
Net investment return	$ (15,576)	$ 31,151

(d) Fair Value

The Institute is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported Net Asset Value (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 investments, real assets 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 three levels are fair value hierarchies related to Institute valued and directly managed investments are:

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.

Directly managed corporate investments which can be redeemed a net asset value (NAV) by the Institute on the measurement date or in the near future are classified as level2. Directly managed investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

(in thousands of dollars)

Investments managed by third party investment managers are presented at the estimated fair value determined using the practical expedient. As these investments are not directly managed by the Institute, they are excluded from leveling hierarchy in accordance with accounting standard guidance released May 2015.

The following table presents the financial instruments carried at fair value as of June 30, 2016 and 2015, by caption on the consolidated statement of financial position, based on the valuation hierarchy defined above:

	2016				
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**Significant Unobservable Level 3**	**NAV Investments Valued by Practical Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 35,731	$ 607	$ -	$ -	$ 36,338
Fixed income	17,121	20,414	-	44,833	82,368
Domestic equity	80,198	-	35	20	80,253
Global equity	24,176	-	-	40,253	64,429
Foreign equity	37,209	-	-	33,526	70,735
Real assets	-	-	3,186	-	3,186
Marketable alternatives					
Fixed income	-	-	-	28,363	28,363
Multi strategy	-	-	-	28,479	28,479
Domestic equity	-	-	-	13,393	13,393
Private investments					
Fixed Income	-	-	890	6,733	7,623
Real assets	-	-	-	65,438	65,438
Equity	-	-	-	99,346	99,346
Subtotal	194,435	21,021	4,111	360,384	579,951
Perpetual Trusts held by others	-	-	59,616	-	59,616
Total investments	$ 194,435	$ 21,021	$ 63,727	$ 360,384	$ 639,567

	2015				
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**Significant Unobservable Level 3**	**NAV Investments Valued by Practical Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 42,001	$ 633	$ -	$ -	$ 42,634
Fixed income	15,648	14,604	-	39,269	69,521
Domestic equity	54,544	-	35	20	54,599
Global equity	15,114	-	-	30,061	45,175
Foreign equity	36,329	-	-	32,690	69,019
Real assets	-	-	3,047	-	3,047
Marketable alternatives					
Fixed income	-	-	-	29,511	29,511
Multi strategy	-	-	-	70,041	70,041
Domestic equity	-	-	-	19,641	19,641
Private investments					
Fixed income	-	-	890	7,555	8,445
Real assets	-	-	-	80,492	80,492
Equity	-	-	-	126,150	126,150
Subtotal	163,636	15,237	3,972	435,430	618,275
Perpetual Trusts held by others	-	-	63,057	-	63,057
Total investments	$ 163,636	$ 15,237	$ 67,029	$ 435,430	$ 681,332

(in thousands of dollars)

Investments valued using the practical expedient primarily include Rensselaer's ownership in alternative investments (principally limited partnership interests in marketable alternatives, private investments, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the NAV of the respective partnership and consists 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. The Institute 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 the Institute 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 roll-forward of the consolidated statement of financial position amounts at June 30, 2016 and 2015 for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above:

	2016				
Level 3 Investments	**Domestic Equity**	**Real Assets**	**Private Investments**	**Perpetual Trusts**	**Total**
Fair value, beginning of year	$ 35	$ 3,047	$ 890	$ 63,057	$ 67,029
Realized gains (loss)	-	-	-	-	-
Unrealized gains (loss)	-	22	-		22
Purchases	-	117	-	-	117
Sales	-	-	-	-	-
Change in value	-	-	-	(3,441)	(3,441)
Fair value, end of year	$ 35	$ 3,186	$ 890	$ 59,616	$ 63,727

	2015				
Level 3 Investments	**Domestic Equity**	**Real Assets**	**Private Investments**	**Perpetual Trusts**	**Total**
Fair value, beginning of year	$ 35	$ 5,375	$ 790	$ 63,090	$ 69,290
Realized gains (loss)		951	-	-	951
Unrealized gains (loss)	-	302	-	-	302
Purchases	-	-	100	-	100
Sales		(3,581)			(3,581)
Change in value	-	-	-	(33)	(33)
Fair value, end of year	$ 35	$ 3,047	$ 890	$ 63,057	$ 67,029

(in thousands of dollars)

Contributions from external remainder trusts, reported separately from investments at market, are also considered Level 3 of the fair value hierarchy defined above. The following table rolls forward the values, as of June 30:

	2016	2015
Level 3 Contributions from external remainder trusts		
Fair value, beginning of year	$ 14,562	$ 14,702
Unrealized gains (loss)	(246)	23
Purchases / gifts	582	131
Sales / settlements	(141)	(294)
Fair value, end of year	$ 14,757	$ 14,562

In accordance with currently effective standards updates for estimating fair value of investments, the Institution conducted a review of valuation changes between hierarchies Level 1 and Level 2 occurring during fiscal year 2016 and noted no material valuation changes.

6. Endowment

Rensselaer's endowment consists of approximately 700 individual donor restricted endowment funds and 84 board designated endowment funds for a variety of purposes plus assets that 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 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 $620,075 and $661,611 as of June 30, 2016 and June 30, 2015, respectively.

Endowment net assets consist of the following at June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
True endowment funds	$ 55,666	$ 108,806	$ 394,249	$ 558,721
Board-designated endowment funds	98,947	-	-	98,947
Total endowment net assets	$ 154,613	$ 108,806	$ 394,249	$ 657,668

(in thousands of dollars)

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
True endowment funds	$ 75,283	$ 126,660	$ 377,102	$ 579,045
Board-designated endowment funds	111,053	-	-	111,053
Total endowment net assets	$ 186,336	$ 126,660	$ 377,102	$ 690,098

The unrestricted portion of true endowment funds represent amounts that have been appropriated by the Board of Trustees but not yet drawn from the endowment, net of the effect of underwater endowments.

Changes in endowment net assets as of June 30:

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 186,336	$ 126,660	$ 377,102	$ 690,098
Net gifts	-	-	20,296	20,296
Yield (dividends and interest)	4,804	2,989	37	7,830
Investment gains(losses), realized and unrealized	(16,134)	(5,349)	(3,438)	(24,921)
Reclassification of underwater endowments	(8,334)	8,334	-	-
Reclassifications and other changes	9,174	(8,309)	252	1,117
Endowment additions	(10,490)	(2,335)	17,147	4,322
Amounts appropriated for expenditure	21,233	13,133	-	34,366
Investment management fees and other expenditures	-	2,386	-	2,386
Endowment deductions	21,233	15,519	-	36,752
Endowment net assets, end of year	$ 154,613	$ 108,806	$ 394,249	$ 657,668

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 191,489	$ 125,422	$ 345,511	$ 662,422
Net gifts	2,000	117	31,102	33,219
Yield (dividends and interest)	5,899	3,718	47	9,664
Investment gains(losses), realized and unrealized	10,354	11,815	(35)	22,134
Reclassification of underwater endowments	(3,847)	3,847	-	-
Reclassifications and other changes	3,619	(3,607)	477	489
Endowment additions	18,025	15,890	31,591	65,506
Amounts appropriated for expenditure	23,178	12,622	-	35,800
Investment management fees and other expenditures	-	2,030	-	2,030
Endowment deductions	23,178	14,652	-	37,830
Endowment net assets, end of year	$ 186,336	$ 126,660	$ 377,102	$ 690,098

(in thousands of dollars)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets at June 30: (Endowments Only)

	2016	
Restricted for	**Temporarily Restricted**	**Permanently Restricted**
Scholarship support	$ 35,285	$ 94,339
Fellowship support	8,469	14,954
Faculty support	39,420	79,867
Program support	23,616	83,747
Awards and prizes	1,970	3,781
Institutional support	46	117,561
Permanent and Temporary net asset purpose	$ 108,806	$ 394,249

	2015	
Restricted for	**Temporarily Restricted**	**Permanently Restricted**
Scholarship support	$ 40,849	$ 89,892
Fellowship support	9,627	14,718
Faculty support	45,470	73,662
Program support	28,381	82,938
Awards and prizes	2,317	3,696
Institutional support	16	112,196
Permanent and Temporary net asset purpose	$ 126,660	$ 377,102

(a) Interpretation of Relevant Law

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) became effective on September 17, 2010 and governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure.

(in thousands of dollars)

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the Institute classifies as permanently restricted net assets the un-appropriated portion of (a) the original value of gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund 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 donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are expended by the Institute in a manner consistent with the donor's intent. The remaining portion of donor-restricted endowment funds that are not classified as permanently or temporarily restricted net assets are classified as unrestricted net assets.

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board-approved spending policy is designed to insulate endowment support for programming from short-term fluctuations in capital markets.

(b) 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 $22,046 and $12,710 as of June 30, 2016 and 2015, 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.

(c) 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 7.1 percent annually. Actual returns in any given year may vary from this amount.

(d) 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.

(in thousands of dollars)

(e) Endowment Spending Policy

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 20 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.

7. Land, Building, and Equipment

Land, buildings, and equipment consist of the following at June 30:

	2016	2015
Land and land improvements	$ 34,168	$ 33,389
Buildings	928,737	925,602
Equipment	228,461	228,390
Construction in progress	6,654	4,482
Gross land, building and equipment	1,198,020	1,191,863
Less: Accumulated depreciation	(518,361)	(496,067)
Net land, building and equipment	$ 679,659	$ 695,796

As of June 30, 2016, Rensselaer had $2,945 of open commitments to contractors for construction on work being performed.

(in thousands of dollars)

8. Bonds and Notes Payable

The Institute has entered into various debt obligations, all of which are repaid from the general operations of the Institute, as appropriate. Outstanding bonds and notes payable are as follows:

	Year of Final Maturity	Average Annual Interest Rate	Outstanding 2016	Outstanding 2015
U.S. Department of Education Dormitory Bonds				
and 1988 Mortgage Loan	2018	3.00%	$ 444	$ 612
Rensselaer County IDA - Industrial Development Facility Issue				
Series 1997A (Note a) - VRD	2022	4.34%	5,667	6,139
Series 1999A and B (Note b) - Fixed	2030	5.17%	-	24,047
Series 2006 (Note d) - Fixed	2036	4.89%	-	55,463
Troy Industrial Development Authority Civic Facility Issue				
Series 2002A (Note c) - Fixed	2015	5.50%	-	2,989
Series 2002E (Note c) - Fixed	2037	4.99%	24,484	24,464
Series 2010 Rensselaer Taxable Bonds (Note g) - Fixed	2021	5.60%	204,197	204,036
City of Troy Capital Resource Corporate Series 2010A&B (Note f) - Fixed	2040	5.08%	347,658	349,889
Series 2015 (Note j) - Fixed	2035	4.46%	80,112	-
Senior Notes				
Series 2011A (Note h) - Fixed	2026	4.35%	39,818	39,985
Series 2014A (Note i) fixed	2029	3.99%	39,986	39,801
2009 Whiting Turner Agreement (Note e) - Fixed	2015	5.25%	-	2,000
Total bonds and notes payable			$ 742,366	$ 749,425

Rensselaer has reclassified debt issuance costs of $4,568 and $4,757 in 2016 and 2015, respectively, as a component of total bonds and notes payable with the adoption of the new guidance referred to in note 2.

	2016	2015
Debt issuance costs	$ (4,568)	$ (4,757)
Net Bond Premium (Discount)	5,590	(1,240)
Net components subject to amortization	1,022	(5,997)
Bond principal	741,344	755,422
Total bonds and notes payable	$ 742,366	$ 749,425

Debt principal outstanding is reflected net of bond premiums, discounts, and debt issuance costs and where applicable are being amortized on the straight-line method over the term of the related indebtedness.

Long-term debt is collateralized by certain physical properties with a carrying value of $514 at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, Rensselaer did not have assets held by trustees for construction, debt service and other project-related expenses.

(in thousands of dollars)

Notes to Debt Outstanding

(a) On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of $13.24 million in variable rate demand (VRD) 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 multi modal provisions.

(b) On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $41.11 million in revenue bonds. Proceeds from the issue in the amount of $24.20 million 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 4.13% to 5.00%. The issue was legally defeased as part of the Series 2015 issue on December 1, 2015 (see note j).

(c) On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of $218.88 million in Series 2002 A-E revenue bonds, including $202.98 million in variable rate mode. The transaction also generated a $1.13 million premium on the Series 2002A bonds. Proceeds from the issue in the amount of $203.15 million 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 April 20, 2010 Series 2002 B, C and D bonds totaling $177.98 million were refinanced with Series 2010 A Tax Exempt bonds. On September 1, 2011 Rensselaer remarketed its Series 2002E bonds for $25 million to convert them from variable rate to fixed rate bonds. Maturities on the bonds range from 2026 to 2037 with a final maturity on April1, 2037. Interest rates on the bond range from 4.63% to 5.20% and payments are due March 1 and September 1, commencing on March 1, 2012.

(d) On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $62.38 million in Series 2006 fixed rate revenue bonds. The weighted average interest rate on the bonds is 4.89%. The transaction generated a $1.6 million premium. Proceeds from the issue in the amount of $64 million were utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs. This series was legally defeased as part of the Series 2015 on December 1, 2015 (see note j).

(e) On April 24, 2009 Rensselaer entered into an agreement with The Whiting-Turner Contracting Company for a loan not to exceed $15 million, 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 April1, 2011, after which the interest rate became fixed at current Prime plus 2.00% rate until the note matures. The loan is an unsecured obligation of the Institute.

(in thousands of dollars)

(f) On April 20, 2010, Rensselaer entered into an agreement with the City of T roy Capital Resource Corporation which provided for the issuance of $358.81 million in fixed rate revenue bonds, Series 2010A for $311.63 million and Series 2010B for $47.18 million. 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 2010 termination expenses on several interest rate swap agreements. Interest rates on the bonds range from 5.00% to 5.13%. 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.

(g) On April 20, 2010, Rensselaer issued Series 2010 Taxable bonds for $205 million. 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.

(h) On September 27, 2011, Rensselaer issued Series 2011-A Senior Notes pursuant to a note purchase agreement. Proceeds from this $40 million issuance were applied to the defined benefit pension obligation. The interest on the notes is 4.35%. Final maturity date on the notes is September 1, 2026. Interest payments are due March 1 and September 1, commencing on March 1, 2012. The note is an unsecured obligation of the Institute.

(i) On December 15, 2014, Rensselaer issued Series 2014-A Senior Notes pursuant to a note purchase agreement. Proceeds from this $40 million issuance were applied to the defined benefit pension obligation. The interest on the notes is 3.99%. Final maturity date on the notes is December 14, 2029. Interest payments are due June 15 and December 15, commencing on June 15, 2015. The note is an unsecured obligation of the Institute.

(j) On December 1, 2015, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $80 million in fixed rate revenue bonds, Series 2015. The transaction generated a $7.4 million premium. Proceeds from the issuance were used to legally defease Series 1999 A&B and Series 2006 revenue bonds. Interest rates on the bonds range from 1.5% to 5.0%. Maturities on the bonds range from 2016 to 2032 with final maturity August 1, 2035.

(k) Lines of Credit

As of June 30, 2016, Rensselaer had a standby letter of credit with Bank of America of $1.44 million and $250 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 at inception and was paid in September 2015 was $29 on June 30, 2015.

(in thousands of dollars)

The Institute has an unsecured line of credit with Bank of America valued at $30 million, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 1.05% or at Prime Rate minus 0.50%. There was an outstanding balance of $15.80 million and $18.30 million on the line of credit at June 30, 2016 and 2015, respectively. The Institute has an unsecured line of credit with First Niagara Bank valued at $20 million, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 1.60%. There was an outstanding balance of $10 million on the line of credit at June 30, 2015. The Bank of America line has a renewal date of January 31, 2017 and First Niagara line has a renewal date of December 31, 2016.

On August 5, 2014 a Letter of Credit in the amount of $19.7 million was issued for the Institute by the Bank of America with the Department of Education (DOE) as beneficiary. It was established to satisfy certain DOE financial reporting requirements. It was amended on September 30, 2015 to $20.4 million with an expiration of October 31, 2016. The issuance of the letter of credit did not affect the availability under the Institute’s existing lines of credit.

Principal payments due on all long-term debt as of June 30, 2016 for each of the next five fiscal years are:

Year	**Amount**
2017	$ 9,074
2018	9,479
2019	9,916
2020	10,230
2021	215,730
Principal payments thereafter	486,915
Total bonds and notes principal payable	741,344
Net premiums and debt issuance costs	1,022
Bonds and notes payable	$ 742,366

9. 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, 2016 and 2015. The defined benefit plan calculations were based upon data as of or projected to June 30, 2016 and 2015. Postretirement benefit plan calculations were based upon data as of July 1, 2015 and 2014. Rensselaer’s funding policy is based upon and is in compliance with ERISA requirements.

(in thousands of dollars)

In fiscal 2014 the Institute changed the amortization period used for actuarial gains and losses. The change in amortization period reflects the fact that greater than 90% of the pension plan participants are now inactive. As a result, the amortization period for gains and losses was changed from the average future service period of active participants to the expected future lifetime of the inactive participants in the plan. The effect of the change will be to reduce the net periodic benefit cost with the offset reflected in non-operating income (expense). There is no impact on the unfunded liability reported on the Statement of Financial Position.

Additionally, the Institute amended its pension plan effective June 30, 2014 to freeze all future benefit accruals for future service of all plan participants. This was treated as a curtailment and has been reflected as such within the footnote disclosures.

In fiscal 2015, the Institute updated the actuarial assumption related to participant mortality from the RP-2000 with generational improvements table to the white-collar mortality table with generational improvements using scale MP-2014. In fiscal 2016 the Institute revised the post-retirement mortality assumption to the sex-distinct RP-2015 mortality improvement scale on a generational basis, in order to reflect the continued improvement in mortality rates.

	Defined Benefit		Post-retirement	
Change in benefit obligation	**2016**	**2015**	**2016**	**2015**
Benefit obligation, beginning of year	$ (389,724)	$ (353,960)	$ (15,932)	$ (14,475)
Service cost	(1,935)	(2,369)	(557)	(652)
Interest cost	(15,141)	(13,722)	(531)	(523)
Plan participant' contribution	-	(9)	(1,129)	(1,015)
Amendments/Curtailments/Special	-	-	70	96
Actuarial gain (loss)	(29,934)	(42,907)	834	(904)
Benefits paid	21,492	21,308	1,905	1,541
Administrative expense paid	2,759	1,935	-	-
Benefit obligation, end of year	$ (412,483)	$ (389,724)	$ (15,340)	$ (15,932)

(in thousands of dollars)

The accumulated benefit obligation for the defined benefit pension plan was $412,483 and $389,724 as of June 30, 2016 and 2015, respectively.

	Defined Benefit		Post-retirement	
	2016	2015	2016	2015
Change in plan assets				
Fair value plan assets, beginning of year	$ 272,612	$ 280,121	$ -	$ -
Actual return on plan assets	2,868	5,225	-	-
Employer contribution	7,300	10,500	776	526
Plan participant' contributions	-	9	1,129	1,015
Benefits paid	(21,492)	(21,308)	(1,905)	(1,541)
Administrative expense paid	(2,759)	(1,935)	-	-
Fair value plan assets, end of year	$ 258,529	$ 272,612	$ -	$ -
Funded status and amount recognized in the statement of financial position				
Liability	$ (153,954)	$ (117,112)	$ (15,340)	$ (15,932)
Amounts recognized in unrestricted net assets				
Net prior service cost (credit)	$ -	$ -	$ (627)	$ (713)
Net actuarial (gain) loss	(253,481)	(215,600)	(1,832)	(1,164)
Unrestricted net assets	$ (253,481)	$ (215,600)	$ (2,459)	$ (1,877)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets				
New prior service cost (credit)	$ -	$ -	$ (70)	$ -
Gain/loss from curtailment	-	-	-	(96)
New net actuarial (gain) loss	45,696	58,833	(834)	904
Amortization of			-	
Prior service (cost) credit	-	-	156	144
Actuarial gain (loss)	(7,814)	(6,919)	166	45
Curtailment Credit (cost)			-	111
Total recognized in nonoperating (income) expense	$ 37,882	$ 51,914	$ (582)	$ 1,108
Net periodic benefit cost is included in the following components				
Service cost	$ 1,935	$ 2,369	$ 557	$ 652
Interest cost	15,142	13,722	531	523
Expected return on plan assets	(18,631)	(21,151)	-	-
Amortization of				
Prior service cost (credit)	-	-	(156)	(144)
Actuarial (gain) loss	7,814	6,919	(166)	(45)
Curtailment credit (cost)			-	(111)
Net periodic benefit cost (income)	$ 6,260	$ 1,859	$ 766	$ 875

The amounts of net losses in unrestricted net assets expected to be recognized as components of the net periodic benefit cost in fiscal year ending June 30, 2017 are $9,572 and $221 for the defined pension plan and postretirement plan, respectively.

The following are expected future benefit payments:

Fiscal year ending	**Defined Benefit**	**Post Retirement**
2017	$ 23,191	$ 865
2018	23,607	958
2019	23,912	1,030
2020	24,159	1,023
2021	24,356	1,148
2022-2026	121,266	6,378

(in thousands of dollars)

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		Post-retirement	
	2016	**2015**	**2016**	**2015**
Benefit obligations				
Discount rate	3.25%	4.00%	3.25%	3.84%
Expected return on plan assets	6.75%	7.75%	0.00%	0.00%
Rate of compensation increase	0.00%	0.00%	0.00%	0.00%
Net periodic benefit cost				
Discount rate	4.00%	4.00%	3.84%	3.66%
Expected return on plan assets	6.75%	7.75%	0.00%	0.00%
Rate of compensation increase	0.00%	0.00%	0.00%	0.00%

For measurement purposes, a 7.50 percent annual rate of increase in the per capita cost of covered pre-65 medical, post- 65 medical benefits and a 10.5 percent annual rate of increase in prescription drug benefits, respectively, was assumed for fiscal year 2017. These rates were assumed to decrease gradually to 3.89 percent for fiscal year 2075 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:

	1-Percentage Point Increase	**1-Percentage Point Increase**
Effect on total of service and interest cost components	73	(64)
Effect on postretirement benefit obligation	706	(632)

Defined Benefit Plan
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.

Defined Contribution Plan
Rensselaer and the Center also have noncontributory Defined Contribution Plans open to full-time employees who have met minimum service requirements. Contributions to these plans (8% of employee salary) were $9,800 and $8,937 in fiscal 2016 and 2015, respectively.

Plan Investments
The Plan investments have been accounted for in accordance with the fair value measurement standard as described in Note 5. Full disclosures surrounding the descriptions of major investment categories and fair value requirements can also be found in Note 5.

(in thousands of dollars)

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

	2016			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**NAV Investments Valued by Partial Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 7,168	$ -	$ -	$ 7,168
Fixed income	2,821	75,401	6,698	84,920
Domestic equity	51,900	-	-	51,900
Foreign equity	14,952	-	9,271	24,223
Insurance contracts	-	8,896	-	8,896
Marketable alternatives				
Fixed income	-	-	20,245	20,245
Other strategies	-	-	17,213	17,213
Private investments				
Fixed income	-	-	9,641	9,641
Real assets	-	-	22,247	22,247
Equity	-	-	12,076	12,076
Total pension investments	$ 76,841	$ 84,297	$ 97,391	$ 258,529

	2015			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**NAV Investments Valued by Partial Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 11,802	$ -	$ -	$ 11,802
Fixed income	2,310	74,207	7,808	84,325
Domestic equity	54,087	-	224	54,311
Foreign equity	16,609	-	10,106	26,715
Insurance contracts		3,245	-	3,245
Marketable alternatives				
Fixed income	-	-	20,863	20,863
Other strategies	-	-	18,133	18,133
Private investments				
Fixed income	-	-	10,999	10,999
Real assets	-	-	28,794	28,794
Equity	-	-	13,425	13,425
Total pension investments	$ 84,808	$ 77,452	$ 110,352	$ 272,612

The Plan contains features that allow participants to have a percentage of their benefits fluctuate based on the return of an 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.

(in thousands of dollars)

Rensselaer's expected contributions for fiscal year ending June 30, 2017 are $4,100 and $866 to the defined benefit pension plan and postretirement plan, respectively.

10. Natural Expense Classification

The following table compares expenses by type for the years ended June 30, 2016 and 2015, respectively:

	2016	2015
Salaries and wages	$ 153,466	$ 162,464
Employee benefits excluding retirement	26,433	28,151
Retirement plan expense	16,051	11,671
Employee benefits total	42,484	39,822
Total compensation	195,950	202,286
Supplies and services	61,458	69,073
Utilities	10,483	11,222
Employee travel	6,433	6,957
Taxes and insurance	6,730	6,290
Telecommunications	532	639
Library materials	2,543	2,529
Interest on debt	40,756	39,682
Depreciation and amortization	28,985	28,631
Student aid and fellowships	50,125	50,754
Operating lease agreements	5,173	5,178
Provision for uncollectible accounts	196	75
Total non-salary	213,414	221,030
Total expenses by functional category	$ 409,364	$ 423,316

11. Commitments and Contingencies

In the normal course of business, the Institute 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.

Guarantee
During 2012, the Institute entered into a guarantee agreement with an apartment complex, adjacent to campus, for 100% of the lease revenue for the ten year period ending June 2022. The guarantee was provided in consideration for exclusive RPI student leasing rights. The gross rental value for the remaining seven years at June 30, 2016 is $5,947.

(in thousands of dollars)

Leases

At June 30, 2016, the minimum annual commitments under capital and operating leases for real property and equipment are as follows:

	Operating leases	Capital leases
2017	$ 4,124	$ 1,605
2018	3,875	1,605
2019	3,467	1,613
2020	3,094	1,615
2021	2,692	1,615
Thereafter	19,371	28,242
Total leases	$ 36,623	36,295
Less: Amount representing interest		(16,130)
Present value of minimum lease payments		$ 20,165

12. Asset Retirement Obligations

The following is a summary of the asset retirement obligation which is included in accounts payable and accrued expenses:

	2016	2015
Change in asset retirement obligation		
Asset retirement obligation, beginning of year	$ 10,170	$ 9,718
Accretion expense	497	452
Asset retirement obligation, end of year	$ 10,667	$ 10,170

(in thousands of dollars)

13. Cash Flow Statement

The Institute has presented cash flows from operating activities in the statement of cash flows using the direct method. The following table reconciles total changes in net assets to net cash provided by or used in operating activities.

	2016	2015
Adjustments to reconcile change in net assets to net cash provided by operations		
Total change in net assets	$ (70,351)	$ (27,405)
Depreciation and amortization	28,985	28,631
Accretion expense	497	452
(Gain) loss on disposal of fixed assets	106	(1,493)
Benefit (provision) for uncollectible accounts and loans	111	(134)
Loans receivable cancellations	97	50
Realized and unrealized losses (gains) on investments	23,430	(21,436)
Amortization of bond (premiums) discounts and issuance costs	188	376
Loss of defeasance	579	-
Interest expense defeased	1,942	-
Contributions of equipment and other capital items	(351)	(195)
Receipt of contributed securities and life insurance	(3,255)	(3,095)
Contributions to external trusts	(582)	(248)
Contributions restricted for long term investment	(8,591)	(5,222)
Change in value	5,415	6,917
Changes in operating assets and liabilities		
Accounts receivable	1,559	(457)
Contributions receivable	(9,914)	(27,426)
Research receivables	(1,845)	(2,037)
Prepaid expense and other assets	(35)	656
Accounts payable and accrued expenses	(1,957)	(2,214)
Deferred revenue and other liabilities	(1,351)	7,253
Pension and post retirement liabilities	36,250	44,729
Net cash provided (used) in operating activities	$ 927	$ (2,298)
Supplemental disclosure		
Cash paid during year for interest	$ 37,395	$ 39,337

14. Subsequent Events

There were no subsequent events through October 19, 2016, the date on which the consolidated financial statements were available for issuance.