Rensselaer Polytechnic Institute

Consolidated Financial Statements
June 30, 2020 and 2019

Rensselaer Polytechnic Institute
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June 30, 2020 and 2019

Report of Independent Auditors

To the Board of Trustees of Rensselaer Polytechnic Institute

We have audited the accompanying consolidated financial statements of Rensselaer Polytechnic Institute and its affiliates ("Rensselaer"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute and its affiliates as of June 30, 2020 and 2019, and their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Rensselaer changed the manner in which it accounts for leases in 2020. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 13, 2020

Rensselaer Polytechnic Institute
Consolidated Statements of Financial Position
June 30, 2020 and 2019

(in thousands of dollars)	**2020**	**2019** (as restated)
Assets		
Cash and cash equivalents	$ 23,760	$ 17,585
Accounts receivable, net		
Student related and other	8,554	6,923
Research, training, and other agreements	45,447	17,824
Contributions receivable, net	26,060	31,709
Contributions from external remainder trusts	19,437	24,005
Prepaid expenses and other assets	7,581	7,212
Student loans receivable, net	18,538	23,950
Investments, at market endowment, annuity and life income funds	743,960	742,169
Right of use assets	25,818	27,096
Land, buildings and equipment, net	684,700	663,882
Total assets	$ 1,603,855	$ 1,562,355
Liabilities		
Accounts payable and accrued expenses	$ 32,374	$ 33,466
Split interest agreement obligations	6,650	7,003
Deferred revenue	56,853	52,505
Other liabilities	42,352	17,967
Pension liability	132,846	104,139
Accrued postretirement benefits	21,352	17,634
Refundable government loan funds	25,863	32,318
Right of use liabilities	25,903	27,096
Finance leases payable	17,308	17,378
Long term debt	715,035	704,626
Total liabilities	1,076,536	1,014,132
Net assets		
Without donor restrictions	(129,573)	(105,767)
With donor restrictions		
Restricted by time and purpose	171,943	184,079
Restricted in perpetuity	484,949	469,911
With donor restriction	656,892	653,990
Total net assets	527,319	548,223
Total liabilities and net assets	$ 1,603,855	$ 1,562,355

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

Rensselaer Polytechnic Institute
Consolidated Statements of Activities
Year Ended June 30, 2020 with summarized comparative totals for the year ended June 30, 2019

(in thousands of dollars)	Without Donor Restrictions	With Donor Restriction	Total June 30, 2020	Total June 30, 2019
Operating revenue				
Student related revenue				
Tuition and fees, net	$ 259,137	$ -	$ 259,137	$ 253,031
Auxiliary services, net	58,279	-	58,279	63,675
Student related revenue	317,416	-	317,416	316,706
Gifts	15,338	5,770	21,108	25,857
Grants and contracts				
Direct				
Federal	47,161	-	47,161	43,740
State	5,192	-	5,192	8,556
Private	41,613	-	41,613	15,201
Indirect	17,386	-	17,386	16,894
Grants and contracts	111,352	-	111,352	84,391
Investment return				
Dividends and interest	7,406	4,989	12,395	11,743
Realized accumulated gains used to meet spending policy	9,680	9,237	18,917	19,561
Interest on student loans	6	-	6	18
Investment return designated for operations	17,092	14,226	31,318	31,322
Other	7,596	52	7,648	7,007
Net assets released from restrictions	17,968	(17,968)	-	-
Total operating revenue	486,762	2,080	488,842	465,283
Operating expense				
Salaries and wages	179,968	-	179,968	176,731
Employee benefits	42,242	-	42,242	38,447
Supplies, services and other	95,038	-	95,038	79,438
Occupancy, taxes and insurance	24,837	-	24,837	25,601
Interest on debt	32,989	-	32,989	36,558
Depreciation and amortization	30,031	-	30,031	28,054
Student aid and fellowships	51,584	-	51,584	47,726
Total operating expenses	456,689	-	456,689	432,555
Change in net assets from operating activities	30,073	2,080	32,153	32,728
Nonoperating				
Realized and unrealized losses net of spending policy and initiatives	(8,687)	(10,901)	(19,588)	(8,852)
Other components of net periodic benefit costs	(9,032)	-	(9,032)	(8,922)
Adjustments for pension and post retirement liability	(27,762)	-	(27,762)	(18,253)
Life income and endowment gifts	-	9,000	9,000	23,107
Loss on extinguishment of debt	(10,867)	-	(10,867)	(9,376)
Change in value of life income contracts	13	5,179	5,192	3,444
Other reclassifications and transfers	2,456	(2,456)	-	-
Change in net assets from nonoperating activities	(53,879)	822	(53,057)	(18,852)
Increase (decrease) in net assets	(23,806)	2,902	(20,904)	13,876
Net assets, beginning of year	(105,767)	653,990	548,223	534,347
Net assets, end of year	$ (129,573)	$ 656,892	$ 527,319	$ 548,223

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

Rensselaer Polytechnic Institute
Consolidated Statements of Activities
Year Ended June 30, 2019

(in thousands of dollars)	Without Donor Restrictions	With Donor Restriction	Total June 30, 2019
Operating revenue			
Student related revenue			
Tuition and fees, net	$ 253,031	$ -	$ 253,031
Auxiliary services, net	63,675	-	63,675
Student related revenue	316,706	-	316,706
Gifts	17,752	8,105	25,857
Grants and contracts			
Direct			
Federal	43,740	-	43,740
State	8,556	-	8,556
Private	15,201	-	15,201
Indirect	16,894	-	16,894
Grants and contracts	84,391	-	84,391
Investment return			
Dividends and interest	6,459	5,284	11,743
Realized accumulated gains used to meet spending policy	9,941	9,620	19,561
Interest on student loans	18	-	18
Investment return designated for operations	16,418	14,904	31,322
Other	6,977	30	7,007
Net assets released from restrictions	19,803	(19,803)	-
Total operating revenue	462,047	3,236	465,283
Operating expense			
Salaries and wages	176,731	-	176,731
Employee benefits	38,447	-	38,447
Supplies, services and other	79,438	-	79,438
Occupancy, taxes and insurance	25,601	-	25,601
Interest on debt	36,558	-	36,558
Depreciation and amortization	28,054	-	28,054
Student aid and fellowships	47,726	-	47,726
Total operating expenses	432,555	-	432,555
Change in net assets from operating activities	29,492	3,236	32,728
Nonoperating			
Realized and unrealized losses net of spending policy and initiatives	(3,442)	(5,410)	(8,852)
Other components of net periodic benefit costs	(8,922)	-	(8,922)
Adjustments for pension and post retirement liability	(18,253)	-	(18,253)
Life income and endowment gifts	-	23,107	23,107
Loss on extinguishment of debt	(9,376)	-	(9,376)
Change in value of life income contracts	19	3,425	3,444
Other reclassifications and transfers	7,980	(7,980)	-
Change in net assets from nonoperating activities	(31,994)	13,142	(18,852)
Increase (decrease) in net assets	(2,502)	16,378	13,876
Net assets, beginning of year	(103,265)	637,612	534,347
Net assets, end of year	$ (105,767)	$ 653,990	$ 548,223

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

Rensselaer Polytechnic Institute
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

(in thousands of dollars)	**2020**	**2019**
Cash flow from operating activities		
Received from student-related revenues	$ 275,847	$ 286,278
Received from sponsored programs	82,404	80,250
Received from donors	21,022	25,081
Received from investment income	12,881	12,201
Received from Rensselaer Technology Park	4,318	7,971
Received from other	3,188	2,893
Payments to employees and fringe benefits	(220,229)	(214,259)
Payments to vendors and suppliers	(88,906)	(96,868)
Payments for scholarships and fellowships	(5,821)	(6,299)
Payments for Interest expense	(37,337)	(37,931)
Payments for pension and post retirement obligations	(5,170)	(13,223)
Payments for other expenses	(6,753)	(8,959)
Net cash increase from operating activities	35,444	37,135
Cash flow from investing activities		
Proceeds from sale of investments	213,116	154,649
Purchase of investments	(204,906)	(151,719)
Additional student loans granted	-	2
Student loans paid	5,373	5,452
Proceeds from sale of land, building, and equipment	170	583
Purchase of land, building and equipment	(49,173)	(18,875)
Net cash (decrease) increase from investing activities	(35,420)	(9,908)
Cash flow from financing activities		
Contributions restricted for long term investments	13,907	18,888
Payment of annuity obligations	(893)	(863)
Payment of debt extinguishment costs	(6,006)	(8,974)
Payment of debt issuance costs	(1,805)	(558)
Proceeds from loans	337,769	208,000
Repayment of debt	(330,366)	(228,264)
Government loan funds	(6,455)	634
Net cash (decrease) from financing activities	6,151	(11,137)
Net increase in cash and cash equivalents	6,175	16,090
Cash and cash equivalents		
Beginning of year	17,585	1,495
End of year	$ 23,760	$ 17,585
Non cash activities		
Contributed securities	$ 1,063	$ 3,027
Non cash gifts: life insurance, life estates, and trusts	-	5,884
Gifts of equipment and other capital items	6,011	10,339

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 statements 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:

- Net assets *without donor restrictions* are not subject to donor-imposed stipulations and may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Net assets within this classification are generally related to revenues and related expenses associated with the core activities of the Institute. In addition, investment return, changes in post-retirement liabilities and certain types of philanthropic support are also included.

(in thousands of dollars)

- Net assets *with donor restrictions* 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. Net assets within this classification are also 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.

Net assets consisted of the following at June 30:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
ENDOWMENT						
True endowment;						
Scholarships	$ 741	$ 178,836	$ 179,577	$ 1,036	$ 167,860	$ 168,896
Fellowships	3	25,347	25,350	3	25,669	25,672
Faculty support	76	141,380	141,456	71	146,665	146,736
Program support	4,256	181,045	185,301	4,192	177,774	181,966
Awards and prizes	-	7,745	7,745	-	7,760	7,760
Institutional support	69,135	79,177	148,312	73,704	78,574	152,278
Total True endowment	74,211	613,530	687,741	79,006	604,302	683,308
Board-designated endowment:						
Scholarship and fellowships	23,744	261	24,005	24,197	271	24,468
Faculty support	13,129	-	13,129	13,648	-	13,648
Program support	57,832	-	57,832	58,238	258	58,496
Awards and prizes	1,463	226	1,689	1,480	2	1,482
Institutional support	29,006	2	29,008	30,249	-	30,249
Total Board-designated endowment	125,174	489	125,663	127,812	531	128,343
Underwater endowments	(1,571)	(15,456)	(17,027)	(1,110)	(14,040)	(15,150)
Total Endowment	197,814	598,563	796,377	205,708	590,793	796,501
OTHER						
Pledges	-	7,286	7,286	-	7,258	7,258
Gifts	3,269	22,056	25,325	2,737	21,009	23,746
Annuities and trusts	-	26,322	26,322	-	32,265	32,265
Plant and other operations	58,319	2,665	60,984	41,656	2,665	44,321
Defined benefit pension plan	(388,975)	-	(388,975)	(355,868)	-	(355,868)
Total Other	(327,387)	58,329	(269,058)	(311,475)	63,197	(248,278)
Total Net Assets	$ (129,573)	$ 656,892	$ 527,319	$ (105,767)	$ 653,990	$ 548,223

c. Consolidated Statement of Activities

The Consolidated Statement of Activities reports changes in net assets from operating and non-operating activities. Operating activities primarily include revenues and expense related to ongoing 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 with donor restriction revenues and are reclassified to without donor restriction net assets when the donor-imposed restriction is satisfied. Expenses are generally reported as decreases in without donor restriction net assets.

Non-operating activities primarily include investment return, net of spending, changes in life income and endowment gifts and adjustments to postretirement liabilities. Contributions restricted for the acquisition of land, buildings and equipment and specific programs are reported as with donor restriction revenues. These contributions are reclassified to without donor restriction net assets upon 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 non-operating activities.

(in thousands of dollars)

Revenues are derived from various sources as follows:

- *Student related revenue* includes tuition and fee revenue from undergraduate, graduate, and working professionals, as well as, apartment and dorm revenue, meal plan revenue, medical insurance fees, and other auxiliary revenue.

The Institute recognizes student related revenue within the fiscal year in which services are provided. Institutional aid, in the form of scholarships and grants-in-aid, include amounts funded by the Institute's operations, endowment, research funds, and gifts, reduce the published price of tuition and fees, apartment and dorms, and meal plans for students receiving such aid. As such, institutional aid is referred to as a discount and represents the difference between the stated charge for student related revenue and the amount that is billed to the student and/or third parties making payments on behalf of the student. Cash payments to students in excess of published prices, excluding compensation, are reported as *Student aid and fellowship* expense in the consolidated statements of activities.

Payments of tuition and fees, apartment and dorms, and meals for all the terms are recognized as performance obligations are met. Because the academic term for summer spans two reporting periods, a portion of this revenue is included in deferred revenue at June 30, 2020 and 2019. Deferred revenue is shown in Note 2h.

Other auxiliary services revenue includes laptop sales to students, sales within the student union, ticket sales for athletic and community events, parking services, and other miscellaneous activities. Revenue for these items is recorded when the performance obligation is satisfied.

(in thousands of dollars)

Student related revenue by contract is as follows:

	2020	2019
Tuition and fee revenue, net		
Undergraduate tuition revenue	$ 350,561	$ 346,165
Graduate tuition revenue	62,889	59,571
Education for working professionals revenue	2,941	1,980
Fees	11,255	11,657
Total tuition and fee revenue	427,646	419,373
Institutional aid allocated to tuition and fees	(168,509)	(166,342)
Total tuition and fee revenue, net	$ 259,137	$ 253,031
Auxiliary services, net		
Apartment and dorm revenue, net		
Apartment and dorm revenue	$ 31,377	$ 35,229
Institutional aid allocated to apartment and dorms	(2,268)	(1,984)
Total apartment and dorm revenue, net	29,109	33,245
Meal plan revenue, net		
Meal plan revenue	20,882	22,942
Institutional aid allocated to meal plans	(521)	(489)
Total meal plan revenue, net	20,361	22,453
Medical insurance fee revenue	4,444	3,942
Other auxiliary services		
Laptop sales	1,796	1,759
Rensselaer Union	979	1,569
Other	1,590	707
Total other auxiliary services	4,365	4,035
Total auxiliary services revenue, net	$ 58,279	$ 63,675

- *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 without donor restriction 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 receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return or may be a nonreciprocal transaction in which the resources provided are for the benefit of the Institute, the funding organization’s mission, or the public at large.

(in thousands of dollars)

Revenues from exchange transactions are recognized as the performance obligations are met, which in some cases, may be as the related costs are incurred. Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and right of return for amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized as the barrier is met.

The Institute has been awarded approximately $95,049 and $94,185 of grants and contracts which have not been advanced or expended and are classified as conditional contributions as of June 30, 2020 and 2019, respectively, and accordingly, are not recorded in the financial statements.

- *Net 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, less investment fees, is recognized in the Consolidated Statement of Activities.

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 6.

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, including building components, (10-50 years) and equipment (5-20 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.

(in thousands of dollars)

h. Deferred Revenue

Payments received for future periods are reported as deferred revenue. Deferred revenue includes amounts prepaid for student related revenue, sponsored research and other prepaid amounts. The Rensselaer Tech Park revenue stems primarily from building and land lease revenue and is recorded over the corresponding contract term. The activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table.

	Student Related Revenue	Grants and Contracts	Rensselaer Tech Park	Capital Projects	Total Deferred Revenue
Balance at June 30, 2018	$ 1,221	$ 15,352	$ 12,839	$ -	$ 29,412
Revenue recognized	(1,221)	(9,824)	(593)	-	(11,638)
Payments received for future performance obligations	13,681	7,437	4,257	9,356	34,731
Balance at June 30, 2019	13,681	12,965	16,503	9,356	52,505
Revenue recognized	(13,681)	(5,243)	(1,040)	(1,024)	(20,988)
Payments received for future performance obligations	15,401	3,757	1,202	4,976	25,336
Balance at June 30, 2020	$ 15,401	$ 11,479	$ 16,665	$ 13,308	$ 56,853

i. Refundable Government Loan Funds

Amounts received from the Federal government to fund a portion of the Federally sponsored student loans are ultimately refundable to the Federal government and have been reported as advances from the Federal government for student loans in the consolidated statement of financial position. The recorded value of student loan instruments approximates fair value. The authority to make new Perkins Loans ended on September 30, 2017, and final disbursements were permitted through June 30, 2018. As of June 30, 2020, the Institute has collected approximately $5,266 that is to be refunded to the Federal government once remittance guidance is received.

j. Leases

The Institute reviews the terms and conditions of contracts at their inception to determine whether they contain or are leases. A lease is defined as a contract or part of a contract that provides the Institute a right to use property, plant, or equipment for a period of time in exchange for consideration. Operating lease right-of-use (“ROU”) assets are included in “Right of use assets” and corresponding lease liabilities are included in “Right of use liabilities” on the Consolidated Statements of Financial Position. Finance lease ROU assets are included in “Land, buildings and equipment, net” and corresponding finance lease liabilities are included in “Finance leases payable” on the Consolidated Statements of Financial Position.

(in thousands of dollars)

Operating and Finance lease assets and liabilities are recognized for those leases whose lease term as of the contracted commencement date exceeds 12 months. The lease term is defined as the contractual right of use period and includes any extension period the Institute is reasonably certain to exercise. The ROU assets and liabilities are initially recognized at the lease commencement date at the aggregate amount of contracted lease payments, discounted utilizing the Institute's incremental borrowing rate or the lessor's implicit rate (if known). Non-lease components, such as maintenance, are accounted for separate by the Institute and are not included in the calculation of finance and operating ROU assets and liabilities. Some of the Institute's leases require variable payments that may depend on usage or output, and these variable payments are excluded in the measurement of ROU assets and liabilities.

k. 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.

l. Risks and Uncertainties

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic. The spread of COVID-19 worldwide has had a significant negative impact on the global, national, state and local economies and, as a result, financial markets have and continue to experience volatility. The values of certain investments have and will fluctuate in response to changing market conditions and, therefore, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. The Institute's operations were significantly disrupted after the issuance of the "New York State on PAUSE" executive order requiring the closure of the campus and transition to online delivery of academic instruction. The Institute has made significant adjustments to its campus facilities and business operations to re-open for the Fall term in academic year 2020-21. Specifically, the Institute significantly reduced the number of in-person classes and expanded its hybrid and fully remote instruction formats reducing the overall student population on campus. Additionally, the density in on-campus housing and dining facilities was reduced by more than half. As of the issuance of these financial statements, the full impact of the COVID-19 outbreak and its potential impact on the Institute continues to evolve.

m. Recently Adopted Accounting Standards

- ASU 2016-02: Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02, *Leases* (Topic 842), which the Institute has adopted effective July 1, 2019. The core principal of the standard is that lessees should recognize assets and liabilities associated with lease arrangements, whereas previous generally accepted accounting principles did not contain this requirement for most leases. Under this new guidance, the Institute recognized right-of-use ("ROU") assets and corresponding right-of-use liabilities for its operating leases with terms greater than twelve months, and has updated capital lease terminology to refer to such arrangements as finance leases.

(in thousands of dollars)

The Institute has elected to adopt the standard utilizing the modified retrospective approach as of the beginning of the earliest comparative period presented. Additionally, the Institute has elected the package of practical expedients offered under the guidance to not reassess agreements whose commencement date was prior to the effective date for purposes of lease identification or classification. This adoption had the impact of adding operating lease ROU assets of $25,818 and $27,096 as well as ROU liabilities of $25,903 and $27,096 to the Institute's Consolidated Statement of Financial Position as of June 30, 2020 and 2019, respectively, and did not have any impact on the Institute's Consolidated Statement of Activities for the years then ended.

- ASU 2016-18: Statement of Cash Flows - Restricted Cash

In November 2016, the FASB issued ASU 2016-18. The objective of this standard update is to require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. It has been the Institute's policy to consider short-term highly liquid investments held within the endowment and similar investment pools as investments rather than cash equivalents, and has defined restricted cash as that which is legally restricted as to withdrawal and usage. The adoption of ASU 2016-18 did not have a material impact on the Institute's financial statements for the fiscal years ended June 30, 2020 and 2019.

n. Accounting Standards to be Adopted

- ASU 2018-13: Fair Value

In August 2018, the FASB issued ASU 2018-13. The objective of this standard update is to improve the effectiveness of fair value measurement disclosures. ASU 2018-13 will be effective for the Institute's fiscal year ended June 30, 2021. The Institute is currently assessing the potential impact of this standard update on its disclosures.

o. Reclassifications and Restatements

It is the Institute's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

In conjunction with the adoption of ASU 2016-02, the Institute restated the Consolidated Statement of Financial Position for the year ended June 30, 2019 to recognize ROU assets and ROU liabilities in the amount of $27,096. This recognition had no effect on the Consolidated Statement of Activities for the year ended June 30, 2019.

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. Payment on any outstanding accounts receivables are generally expected to occur within the following fiscal year, with the exception of $13,251 in research receivables which are anticipated to be collected in fiscal year 2022. There is also a corresponding allowance for

(in thousands of dollars)

uncollectible accounts at June 30, 2020 and 2019. Accounts receivable from the following sources were outstanding as of June 30:

	2020	2019
Student related receivables	$ 6,979	$ 6,220
Research, training and other agreements	45,886	18,142
Rensselaer technology park	323	375
Other	1,603	674
Gross account receivable	54,791	25,411
Less: Allowance for doubtful accounts	(790)	(664)
Net accounts receivable	$ 54,001	$ 24,747

b. Contributions Receivable

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

	2020	2019
Less than one year	$ 5,237	$ 3,803
Between one and five years	16,417	22,004
More than five years	8,372	11,130
Gross contributions receivable	30,026	36,937
Less: Unamortized discount	(3,668)	(4,892)
Less: Allowance for uncollectible amounts	(298)	(336)
Net contributions receivable	$ 26,060	$ 31,709

There were no conditional pledges at June 30, 2020. Bequest expectancies totaling $129,200 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 2020 and 2019, respectively.

(in thousands of dollars)

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. The Federal Perkins Loan Program expired on September 30, 2017 and no new disbursements are permitted after June 30, 2018. The Institute began liquidation of its revolving fund in fiscal year 2019.

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.

	2020			2019		
	Receivable	Allowance	Net Receivable	Receivable	Allowance	Net Receivable
Institutional loans	$ 852	$ (722)	$ 130	$ 884	$ (716)	$ 168
Federal loans	19,707	(1,299)	18,408	25,081	(1,299)	23,782
Total loan receivable	$ 20,559	$ (2,021)	$ 18,538	$ 25,965	$ (2,015)	$ 23,950

	2020			2019		
	Institutional	Federal	Total Allowance	Institutional	Federal	Total Allowance
Allowance at beginning of year	$ (716)	$ (1,299)	$ (2,015)	$ (701)	$ (1,437)	$ (2,138)
Current year provisions	(6)	-	(6)	(15)	138	123
Allowance at end of year	$ (722)	$ (1,299)	$ (2,021)	$ (716)	$ (1,299)	$ (2,015)

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, 2020 and 2019 were $13,534 and $15,263, 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 $6,650 and $7,003 at June 30, 2020 and 2019, 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, 2020 and 2019 was $72,359 and $68,524 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

(in thousands of dollars)

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 investment of those distributions are disclosed in Note 6. Changes in fair value of the trusts are recorded as gain or loss in with donor restriction net assets.

5. Financial Assets and Liquidity Resources

As of June 30, 2020, and 2019, the Institute has the following financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditures. In addition to these assets, a significant portion of the Institute's annual expenditures will be funded by current year operating revenues including tuition and grant and contract income. The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2020	2019
Financial assets:		
Cash	$ 23,760	$ 17,585
Accounts receivable	8,177	6,512
Loan receivable	190	424
Contributions receivable	5,237	3,803
Investments: appropriated for spending in the following year	29,463	29,646
Total financial assets available within one year	66,827	57,970
Liquidity resources:		
Bank lines of credit (undrawn)	55,000	50,000
	$ 121,827	$ 107,970

Additionally, within the endowment the Institute has board-designated funds of $112,561 and $116,345 and accumulated gains from unrestricted endowments of $67,564 and $72,594, at June 30, 2020 and 2019. Although the Institute does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process or as subsequently approved by the Board of Trustees, amounts from its board-designated funds and accumulated gains from unrestricted endowments could be made available if necessary.

(in thousands of dollars)

6. 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:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 20,701	$ 20,701	$ 37,853	$ 37,853
Fixed income	76,039	69,209	89,141	84,707
Domestic equity	211,584	187,607	179,653	157,521
Global equity	37,973	21,400	33,382	21,400
Foreign equity	143,739	124,447	132,204	101,050
Real assets	21,966	73,912	34,210	84,683
Marketable alternatives	55,378	51,966	59,340	50,417
Private investments	104,221	82,468	107,862	84,594
	671,601	631,710	673,645	622,225
Perpetual trusts held by others	72,359	51,688	68,524	51,688
Total investments	$ 743,960	$ 683,398	$ 742,169	$ 673,913

At June 30, 2020, Rensselaer has committed to investing approximately an additional $13,654 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.

Global Equity

This category contains investments in U.S. and non-U.S. developed 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.

(in thousands of dollars)

Foreign Equity
This category contains investments in non-U.S. developed 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 period 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.

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

	2020	2019
Dividends and interest available for spending	$ 12,395	$ 11,743
Realized and unrealized gains (loss), net of fees	(671)	10,709
Net investment return	$ 11,724	$ 22,452

(in thousands of dollars)

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 at net asset value (NAV) by the Institute on the measurement date or in the near future are classified as Level 2. 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)

The following table presents the financial instruments carried at fair value as of June 30, 2020 and 2019, by caption on the consolidated statement of financial position, based on the valuation hierarchy defined above:

2020	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	$ 20,291	$ 410	$ -	$ -	$ 20,701
Fixed income	53,449	-	-	22,590	76,039
Domestic equity	210,136	-	35	1,413	211,584
Global equity	37,973	-	-	-	37,973
Foreign equity	96,119	-	-	47,620	143,739
Real assets	-	-	2,813	19,153	21,966
Marketable alternatives	-	-	-	55,378	55,378
Private investments	-	-	890	103,331	104,221
	417,968	410	3,738	249,485	671,601
Perpetual trusts held by others	-	-	72,359	-	72,359
Total investments	$ 417,968	$ 410	$ 76,097	$ 249,485	$ 743,960

2019	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	$ 37,118	$ 735	$ -	$ -	$ 37,853
Fixed income	58,456	-	-	30,685	89,141
Domestic equity	179,598	-	35	20	179,653
Global equity	33,382	-	-	-	33,382
Foreign equity	87,056	-	-	45,148	132,204
Real assets	-	-	3,056	31,154	34,210
Marketable alternatives	-	-	-	59,340	59,340
Private investments	-	-	890	106,972	107,862
	395,610	735	3,981	273,319	673,645
Perpetual trusts held by others	-	-	68,524		68,524
Total investments	$ 395,610	$ 735	$ 72,505	$ 273,319	$ 742,169

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.

(in thousands of dollars)

The following table is a roll-forward of the consolidated statement of financial position amounts at June 30, 2020 and 2019 for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above:

	2020				
	Domestic Equity	Real Assets	Private Investments	Perpetual Trusts	Total
Level 3 Investments					
Fair value, beginning of year	$ 35	$ 3,056	$ 890	$ 68,524	$ 72,505
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Change in value	-	(243)	-	3,835	3,592
Fair value, end of year	$ 35	$ 2,813	$ 890	$ 72,359	$ 76,097

	2019				
	Domestic Equity	Real Assets	Private Investments	Perpetual Trusts	Total
Level 3 Investments					
Fair value, beginning of year	$ 35	$ 3,275	$ 890	$ 67,226	$ 71,426
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Change in value	-	(219)	-	1,298	1,079
Fair value, end of year	$ 35	$ 3,056	$ 890	$ 68,524	$ 72,505

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:

	2020	2019
Level 3 Contributions from external remainder trusts		
Fair value, beginning of year	$ 24,005	$ 23,565
Unrealized gains (loss)	347	1,538
Purchases / gifts	-	5,884
Sales / settlements	(4,915)	(6,982)
Fair value, end of year	$ 19,437	$ 24,005

There were no material transfers or valuation changes between hierarchies Level 1 and Level 2 during fiscal year 2020.

The following table provides additional information about the Institute's investments which are recorded at NAV as of June 30, 2020:

Asset Class	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Redemption Restrictions
Fixed income	$ 22,590	$ -	Daily	Same Day	Lock-up provisions expired
Domestic equity	1,413	-	Daily	Same Day	Lock-up provisions expired
Foreign equity	47,620	-	Daily-Monthly	Same Day -10 Days	Lock-up provisions expired
Real assets	19,153	2,039	NA*	NA*	NA*
Marketable alternatives	55,378	-	Quarterly-Annually	45-90 Days	Lock-up provisions expired
Private investments	103,331	11,615	NA*	NA*	NA*
Total	$ 249,485	$ 13,654			

*The Institute does not have redemption rights in these investments, remaining lives are up to 10 years

(in thousands of dollars)

7. Endowment

Rensselaer's endowment consists of approximately 749 individual donor restricted endowment funds and 87 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 endowment does not include any term 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 $728,674 and $725,145 as of June 30, 2020 and June 30, 2019, respectively.

Endowment net assets, excluding unspent income funds, consist of the following at June 30:

	2020		
	Without Donor Restriction	**With Donor Restriction**	**Total**
True endowment funds	$ 67,563	$ 567,623	$ 635,186
Board designated endowment funds	112,561	-	112,561
Total endowment net assets	$ 180,124	$ 567,623	$ 747,747

	2019		
	Without Donor Restriction	**With Donor Restriction**	**Total**
True endowment funds	$ 72,595	$ 560,884	$ 633,479
Board designated endowment funds	116,345	-	116,345
Total endowment net assets	$ 188,940	$ 560,884	$ 749,824

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:

	2020		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Endowment net assets, beginning of year	$ 188,940	$ 560,884	$ 749,824
Net gifts	37	8,807	8,844
Yield (dividends and interest)	6,989	4,989	11,978
Investment return, net	1,017	3,328	4,345
Reclassifications and other changes	(182)	3,775	3,593
Endowment additions	7,861	20,899	28,760
Amounts appropriated for expenditure	16,677	14,160	30,837
Endowment deductions	16,677	14,160	30,837
Endowment net assets, end of year	$ 180,124	$ 567,623	$ 747,747

(in thousands of dollars)

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 184,632	$ 545,423	$ 730,055
Net gifts	1,144	17,037	18,181
Yield (dividends and interest)	6,085	5,284	11,369
Investment return, net	6,275	5,831	12,106
Reclassifications and other changes	6,830	2,143	8,973
Endowment additions	20,334	30,295	50,629
Amounts appropriated for expenditure	16,026	14,834	30,860
Endowment deductions	16,026	14,834	30,860
Endowment net assets, end of year	$ 188,940	$ 560,884	$ 749,824

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.

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 with donor restriction 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 with donor 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 with donor restricted net assets are classified as without donor restricted 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. Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the value of the initial and subsequent donor gift amounts. To the extent that a donor restricted endowment fund falls below its historic value a deficit would exist, and it would be reported as a reduction of net assets with donor restrictions. Subject to the terms of the gift, spending from an endowment fund in a deficit position would continue under the

(in thousands of dollars)

spending policy so long as the fund is impaired less than twenty percent relative to its historical dollar value. When deficiencies exist, they are classified in the net asset category where the original gift was classified. Deficiencies reported in with donor restriction net assets were $15,456 and $14,040 as of June 30, 2020 and 2019, respectively. Currently, 246 donor restricted endowment funds exist with deficiencies, which together have an original gift value of $153,602 and a current fair value of $138,146. Deficiencies reported in without donor restriction net assets were $1,571 and $1,110 as of June 30, 2020 and 2019, respectively. Currently, the Institute has 19 funds with deficiencies in without donor restriction, which together have an original gift value of $19,836 and a current fair value of $18,265. These deficiencies primarily resulted from unfavorable market fluctuations 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.

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. From time to time the Board of Trustees may authorize a temporary increase in the spending rate to provide additional temporary support for Institute operations while ensuring the long-term sustainability of the endowment. 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.

(in thousands of dollars)

8. Land, Building, and Equipment

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

	2020	2019
Land and land improvements	$ 38,787	$ 38,030
Buildings	966,156	949,376
Equipment	248,014	235,124
Construction in progress	19,005	21,853
Gross land, building and equipment	1,271,962	1,244,383
Less: Accumulated depreciation	(587,262)	(580,501)
Net land, building and equipment	$ 684,700	$ 663,882

Building assets includes the value of the Asset Retirement Obligation intangible for which amortization of $8 and $9 was reported for the periods ended June 30, 2020 and 2019. The depreciation and amortization expense related to the building, land improvements and equipment were $30,023 and $28,045 in the periods ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, Rensselaer had $846 of open commitments to contractors for construction work being performed.

9. Bonds and Notes Payable

The Institute has entered 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 2020	Outstanding 2019
Troy Industrial Development Authority Civic Facility Issue				
Series 2002E (Note a) - Fixed	2037	4.99 %	$ 24,563	$ 24,543
City of Troy Capital Resource Corporate Series				
Series 2010A (Note b) - Fixed	2040	5.08 %	-	306,430
Series 2010B (Note b) - Fixed	2021	4.39 %	12,406	20,296
Series 2015 (Note e) - Fixed	2035	3.21 %	71,622	74,054
Series 2020A (Note b) - Fixed	2040	2.43 %	309,432	-
Series 2018 Taxable Bonds (Note g) - Fixed	2048	5.25 %	134,501	134,483
Senior Notes				
Series 2011A (Note c) - Fixed	2026	4.35 %	39,889	39,872
Series 2014A (Note d) - Fixed	2029	3.99 %	39,990	39,989
Series 2018 (Note f) - Fixed	2035	4.76 %	62,961	64,959
Private Notes				
IBM Credit LLC (Note h)- Fixed	2021	3.15 %	19,671	-
Total bonds and notes payable			$ 715,035	$ 704,626

	2020	2019
Debt issuance costs	$ (3,983)	$ (3,933)
Net bond premium (discount)	57,747	4,829
Net components subject to amortization	53,764	896
Bond principal	661,271	703,730
Total bonds and notes payable	$ 715,035	$ 704,626

(in thousands of dollars)

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

At June 30, 2020 and 2019, Rensselaer did not have assets held by trustees for construction, debt service and other project-related expenses.

Notes to Debt Outstanding

(a) On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of $218,880 in Series 2002 A-E revenue bonds, including $202,980 in variable rate mode. The transaction also generated a $1,130 premium on the Series 2002A bonds. Proceeds from the issue in the amount of $203,150 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 $177,980 were refinanced with Series 2010 A Tax-Exempt bond. On September 1, 2011 Rensselaer remarketed its Series 2002E bonds for $25,000 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% are due March 1 and September 1, commencing on March 1, 2012.

(b) On April 20, 2010, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $358,810 in fixed rate revenue bonds, Series 2010A for $311,630 and Series 2010B for $47,180. 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. On June 3, 2020 Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $261,165 in fixed rate revenue refunding bonds, Series 2020A. The transaction generated a $50,467 premium. Proceeds from the issuance were used to redeem and defease Series 2010A. Interest rates on the bonds range from 4.00% to 5.00%. Maturities on the bonds range from 2021 to 2040 with a final maturity of September 1, 2040. Interest payments are due March 1 and September 1 commencing on September 1, 2020.

(c) On September 27, 2011, Rensselaer issued Series 2011-A Senior Notes pursuant to a note purchase agreement. Proceeds from this $40,000 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.

(d) On December 15, 2014, Rensselaer issued Series 2014-A Senior Notes pursuant to a note purchase agreement. Proceeds from this $40,000 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.

(e) On December 1, 2015, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $80,000 in fixed rate revenue bonds,

(in thousands of dollars)

Series 2015. The transaction generated a $7,400 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.

(f) On December 17, 2018, Rensselaer issued Series 2018 Senior Notes pursuant to a note purchase agreement. Proceeds from this $65,000 issuance were used to pay off a portion of the Series 2010 Taxable bonds. The interest rate on the notes is 4.76%. Final maturity date is December 17, 2035. Interest payments are due June 17 and December 17, commencing on June 17, 2019. The note is an unsecured obligation of the institute.

(g) On December 17, 2018 Rensselaer issued Taxable bonds for $135,000. Proceeds from this issuance were used to pay off a portion of the Series 2010 Taxable bonds. The interest rate on the bonds is 5.246%. Maturity date on the bonds is September 1, 2048. Interest payments are due March 1 and September 1, commencing on March 1, 2019. The bonds are an unsecured general obligation of the institute.

(h) On October 15, 2019 Rensselaer entered into two financing agreements with IBM Credit LLC in the aggregate amount of $26,137. Proceeds from these agreements were used to fund the acquisition of a high performance computing system supporting the IBM-New York State AI Testbed initiative, which is pledged as collateral. The interest rate of this financing is 3.15% with principal payments to be made on August 1, 2020 and August 1, 2021. Principal payments on these obligations are funded with the proceeds from a grant from the SUNY Research Foundation in support of the AI Testbed initiative.

(i) Letters of Credit.

As of June 30, 2020, Rensselaer had a standby letter of credit with Bank of America of $750 for general liability insurance security purposes related to current construction projects on the Troy, New York campus. There were no draws against this letter of credit during the fiscal year.

The Institute has an unsecured line of credit with Bank of America valued at $35,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 1.10% or at Prime Rate minus 0.50%. There were no outstanding balances on the line of credit at June 30, 2020 and June 30, 2019. The Institute has an unsecured line of credit with Key Bank valued at $20,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 1.60%. There were no outstanding balances on the line of credit at June 30, 2020 and June 30, 2019. The Bank of America line has a renewal date of January 31, 2022 and Key Bank line has a renewal date of February 28, 2021.

(in thousands of dollars)

Principal payments due on all long-term debt as of June 30, 2020 for each of the next five fiscal years are:

Year	Amount
2021	$ 19,570
2022	29,091
2023	19,245
2024	19,875
2025	24,520
Principal payments thereafter	548,970
Total bonds and notes principal payable	661,271
Net premiums and debt issuance costs	53,764
Bonds and notes payable	$ 715,035

10. 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, 2020 and 2019. The defined benefit plan calculations were based upon data as of or projected to June 30, 2020 and 2019. Postretirement benefit plan calculations were based upon data as of July 1, 2019 and 2018. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

The Institute's amortization period used for actuarial gains and losses utilizes the expected future lifetime of inactive participants in the plan, which is reflective of the fact that greater than 90% of the pension plan participants are now inactive. Additionally, the Institute previously amended its pension plan to freeze all future benefit accruals for future service of all plan participants. This freeze was treated as a curtailment and has been reflected as such within the footnote disclosures.

In fiscal year 2020 the Institute updated its actuarial assumptions related to participant mortality from the white-collar mortality table RP-2014 to Pri-2012, and scaled the table to project future mortality improvements using projection scale MP-2019.

	Defined Benefit		Post-Retirement	
	2020	2019	2020	2019
Change in benefit obligation				
Benefit obligation, beginning of year	$ (366,279)	$ (355,939)	$ (17,634)	$ (16,872)
Service cost	-	-	(806)	(650)
Interest cost	(11,500)	(13,747)	(611)	(648)
Plan participants' contribution	-	-	(1,408)	(1,425)
Amendments/Curtailments/Special	-	-		84
Actuarial gain (loss)	(25,921)	(24,420)	(3,072)	29
Benefits paid	30,030	27,827	2,179	1,848
Benefit obligation, end of year	$ (373,670)	$ (366,279)	$ (21,352)	$ (17,634)

The accumulated benefit obligation for the defined benefit pension plan was $373,670 and $366,279 as of June 30, 2020 and 2019, respectively.

(in thousands of dollars)

	Defined Benefit 2020	Defined Benefit 2019	Post-Retirement 2020	Post-Retirement 2019
Change in plan assets				
Fair value plan assets, beginning of year	$ 262,140	$ 265,639	$ -	$ -
Actual return on plan assets	4,315	11,528	-	-
Employer contribution	4,400	12,800	770	423
Plan participants' contributions		-	1,409	1,425
Benefits paid	(30,030)	(27,827)	(2,179)	(1,848)
Fair value plan assets, end of year	$ 240,825	$ 262,140	$ -	$ -
Funded status and amount recognized in the statement of financial position liability	$ (132,846)	$ (104,139)	$ (21,352)	$ (17,634)
Amounts recognized in without donor restriction net assets				
Net prior service cost (credit)	$ -	$ -	$ (103)	$ (209)
Net actuarial (gain) loss	(237,559)	(213,004)	1,990	(1,107)
Without donor restriction net assets	$ (237,559)	$ (213,004)	$ 1,887	$ (1,316)
Other changes in plan assets and benefit obligations recognized in without donor restriction net assets				
New prior service cost (credit)	$ -	$ -	$ 4	$ (84)
New net actuarial (gain) loss	34,957	26,893	3,072	(29)
Amortization of prior service (cost) credit	-	-	106	168
Amortization of actuarial gain (loss)	(10,401)	(8,745)	24	50
	24,556	18,148	3,206	105
Net periodic benefit cost components:				
Service costs	-	-	806	650
Interest cost	11,500	13,747	611	648
Expected return on plan assets	(13,350)	(14,000)	-	-
Amortization of				
Prior service cost (credit)	-	-	(106)	(168)
Net actuarial (gain) loss	10,401	8,745	(24)	(50)
Net periodic benefit cost	8,551	8,492	1,287	1,080
Other changes in plan assets and benefit obligations recognized in without donor restriction net assets	$ 33,107	$ 26,640	$ 4,493	$ 1,185
Changes recognized in net assets from operating activities	$ -	$ -	$ 806	$ 650
Changes recognized in net assets from non-operating activities	33,107	26,640	3,687	535
	$ 33,107	$ 26,640	$ 4,493	$ 1,185

The components of net periodic benefit cost other than the service cost component are included in the line item “Other components of net periodic benefit cost”. Service costs for the post-retirement plan are included in employee benefits expense. The defined benefit pension plan has no service cost related to active participants as the plan is frozen to future accruals. Administrative costs to maintain the plan are netted against expected return on plan assets and shown in other components of net periodic benefit cost on the Consolidated Statement of Activities.

The following are expected future benefit payments:

	Defined Benefit	Post Retirement
Fiscal Year Ending		
2021	$ 25,419	$ 1,439
2022	24,625	1,480
2023	24,605	1,523
2024	24,321	1,617
2025	23,932	1,639
2026-2030	110,581	7,931

(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	
	2020	**2019**	**2020**	**2019**
Benefit obligations				
Discount rate	2.50 %	3.25 %	2.25 %	3.25 %
Net periodic benefit cost				
Discount rate	3.25 %	4.00 %	3.25 %	4.00 %
Expected return on plan assets	6.25 %	6.25 %		

For measurement purposes, a 6.75 percent annual rate of increase in the per capita cost of covered pre-65 medical, post- 65 medical benefits and a 9.0 percent annual rate of increase in prescription drug benefits, respectively, was assumed for fiscal year 2020. These rates were assumed to decrease gradually to 3.784 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.

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 $11,003 and $11,002 in fiscal 2020 and 2019, respectively.

Plan Investments
The Plan investments have been accounted for in accordance with the fair value measurement standard as described in Note 6. Full disclosures surrounding the descriptions of major investment categories and fair value requirements can also be found in Note 6.

(in thousands of dollars)

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

	2020			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**NAV Investments Valued by Practical Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 7,542	$ -	$ -	$ 7,542
Fixed income	4,109	69,248	-	73,357
Domestic equity	74,019	-	-	74,019
Foreign equity	29,546	-	10,684	40,230
Insurance contracts	-	8,832	5,448	14,280
Real assets	-	-	-	-
Marketable alternatives	-	-	20,832	20,832
Private investments	-	-	10,565	10,565
Total pension investments	$ 115,216	$ 78,080	$ 47,529	$ 240,825

	2019			
	Quoted Prices in Active Markets Level 1	**Significant Other Observable Level 2**	**NAV Investments Valued by Practical Expedient**	**Total Fair Value**
Cash and cash equivalents	$ 16,321	$ -	$ -	$ 16,321
Fixed income	5,408	89,986	4,502	99,896
Domestic equity	63,975	-	-	63,975
Foreign equity	19,393	-	11,905	31,298
Insurance contracts	-	6,319	-	6,319
Real assets	-	-	8,643	8,643
Marketable alternatives	-	-	23,404	23,404
Private investments	-	-	12,284	12,284
Total pension investments	$ 105,097	$ 96,305	$ 60,738	$ 262,140

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.

Rensselaer's expected contributions for fiscal year ending June 30, 2021 are $13,965 and $1,439 to the defined benefit pension plan and postretirement plan, respectively.

11. Functional Expense Classification

Expenses are presented by functional classification in alignment with the overall mission of academic instruction and research of the Institute. Functional expenses are categorized as academic and research, student services and support, and general and administrative. Student services and support include various student-supporting functions such as admissions, health and career services, and athletics, as well as auxiliary services, including room and board and related student aid.

Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation, plant operations and maintenance expenses are allocated on a square footage basis. Interest expense on indebtedness is allocated to the functional categories that have benefited from the associated debt.

(in thousands of dollars)

The following table compares expenses by type for the years ended June 30, 2020 and 2019, respectively:

	2020			
Natural Classification	**Instruction and Research**	**Student Services and Support**	**General Administration and Operations**	**Total**
Salaries and wages	$ 131,379	$ 23,361	$ 25,228	$ 179,968
Employee benefits	32,080	6,397	3,765	42,242
Supplies, services and other	53,244	27,205	14,588	95,037
Occupancy, taxes and insurance	7,829	10,471	6,538	24,838
Interest on debt	26,365	3,378	3,246	32,989
Depreciation and amortization	20,944	6,417	2,670	30,031
Student aid and fellowships	47,201	4,314	69	51,584
Total operating expenses	319,042	81,543	56,104	456,689
Net periodic benefit cost other than service cost	-	-	9,032	9,032
Total expenses	$ 319,042	$ 81,543	$ 65,136	$ 465,721

	2019			
Natural Classification	**Instruction and Research**	**Student Services and Support**	**General Administration and Operations**	**Total**
Salaries and wages	$ 127,593	$ 23,303	$ 25,835	$ 176,731
Employee benefits	31,141	6,355	951	38,447
Supplies, services and other	32,177	30,707	16,554	79,438
Occupancy, taxes and insurance	8,676	10,432	6,493	25,601
Interest on debt	29,222	3,744	3,592	36,558
Depreciation and amortization	19,477	6,093	2,484	28,054
Student aid and fellowships	42,410	4,675	641	47,726
Total operating expenses	290,696	85,309	56,550	432,555
Net periodic benefit cost other than service cost	-	-	8,922	8,922
Total expenses	$ 290,696	$ 85,309	$ 65,472	$ 441,477

12. Commitments and Contingencies

In the normal course of business, the Institute receives various claims and has been named as a defendant in various litigation proceedings. These include but are not limited to two putative class action lawsuits filed by students seeking refunds of a portion of tuition and certain other fees after Rensselaer was forced to move to online instruction because of the COVID-19 pandemic. Although there can be no assurance as to the eventual outcome of claims and litigation in which Rensselaer has been named, in the opinion of management such claims and litigation will not, in the aggregate, have a material adverse effect on Rensselaer's financial position.

13. Leases

The Institute's operating and finance leases consist of contractual arrangements for the use of real estate, vehicles, and lab and information technology equipment. Gross assets for finance leases included under "Land, buildings and equipment, net" were $21,087 and $20,552 as of June 30, 2020 and 2019. Accumulated amortization for finance leases included under "Land, buildings and equipment, net" was $4,645 and $4,116 as of June 30, 2020 and 2019.

(in thousands of dollars)

Total lease cost as recognized in the Institute's Consolidated Statements of Activities are as follows:

	2020	2019
Amortization of ROU asset	$ 533	$ 434
Interest on lease liabilities	1,003	1,025
Total finance lease cost	1,536	1,459
Total operating lease cost	5,803	4,607
Total lease cost	$ 7,339	$ 6,066

Supplemental cash flow information related to leases was as follows:

	2020	2019
Operating cash outflows from finance leases	$ 1,003	$ 1,025
Operating cash outflows from operating leases	5,701	4,621
Financing cash outflows from finance leases	609	487
Total cash paid for amounts included in measurement of lease liabilities	$ 7,313	$ 6,133

The Institute recognizes ROU assets and liabilities for operating and finance leases at the commencement date of the lease at the present value of lease payments over the lease term. Generally, the Institute utilizes its incremental borrowing rate that most closely approximates the lease term as lessors do not typically disclose implicit rates. The following summarizes information concerning lease amounts recognized in our consolidated financial statements:

	2020	2019
Weighted average remaining lease term (yrs) - Finance Leases	17.98	19.34
Weighted average remaining lease term (yrs) - Operating Leases	8.54	9.61
Weighted average discount rate - Finance Leases	5.86%	5.87%
Weighted average discount rate - Operating Leases	4.06%	4.10%

(in thousands of dollars)

Remaining maturities of lease liabilities were as follows:

Minimum Lease Commitments at June 30, 2020		Operating Leases	Finance Leases
	2021	5,407	1,683
	2022	4,733	1,677
	2023	3,287	1,573
	2024	3,033	1,522
	2025	2,893	1,514
2026 and thereafter		11,434	20,015
Total lease payments		30,787	27,984
Less: Interest		(4,884)	(10,676)
Present Value of lease liabilities		25,903	17,308

Minimum Lease Commitments at June 30, 2019		Operating Leases	Finance Leases
	2020	4,671	1,514
	2021	4,279	1,514
	2022	3,573	1,508
	2023	3,201	1,490
	2024	2,961	1,496
2025 and thereafter		14,239	21,512
Total lease payments		32,924	29,034
Less: Interest		(5,828)	(11,656)
Present Value of lease liabilities		27,096	17,378

14. Asset Retirement Obligations

The following is a summary of the asset retirement obligation which is included in other liabilities and supplies expense:

	2020	**2019**
Change in asset retirement obligation		
Asset retirement obligation, beginning of year	$ 11,661	$ 11,334
Accretion expense	325	335
Disposals	(15)	(8)
Asset retirement obligation, end of year	$ 11,971	$ 11,661

(in thousands of dollars)

15. Subsequent Events

On August 19, 2020 the Institute amended its existing Revolving Credit Agreement with KeyBank National Association, increasing the aggregate amount available from $20,000 to $30,000 and extended the maturity date from January 28, 2021 to August 19, 2021. Existing covenants were updated to include a requirement to maintain, on average, $3,000 in aggregate deposit balances with Key Bank.

On August 26, 2020 the Institute entered into a Loan Agreement with Bank of America, N.A for a revolving line of credit in the amount of $10,000 to be used for the working capital needs of the Institute. The maturity date is July 30, 2021.

There were no additional subsequent events through October 13, 2020, the date on which the consolidated financial statements were issued.