

Rensselaer Polytechnic Institute

**Consolidated Financial Statements
June 30, 2023 and 2022**

Rensselaer Polytechnic Institute

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June 30, 2023 and 2022

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Report of Independent Auditors

To the Board of Trustees of Rensselaer Polytechnic Institute

Opinion

We have audited the accompanying consolidated financial statements of Rensselaer Polytechnic Institute and its affiliates (the "Institute"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Fairport, New York
October 24, 2023

Rensselaer Polytechnic Institute
Consolidated Statements of Financial Position
June 30, 2023 and 2022

(in thousands of dollars)

	2023	2022
Assets		
Cash and cash equivalents	\$ 22,150	\$ 62,723
Accounts receivable, net		
Student related and other	7,514	7,247
Research, training, and other agreements	19,746	23,612
Contributions receivable, net	21,531	23,335
Contributions from external remainder trusts	13,637	16,063
Prepaid expenses and other assets	20,102	5,432
Student loans receivable, net	5,560	9,197
Investments, at market endowment, annuity and life income funds	936,196	874,278
Right of use assets	34,056	18,289
Land, buildings and equipment, net	621,549	632,190
Total assets	<u>\$ 1,702,041</u>	<u>\$ 1,672,366</u>
Liabilities		
Accounts payable and accrued expenses	\$ 39,326	\$ 37,588
Split interest agreement obligations	5,845	5,899
Deferred revenue	39,095	47,124
Other liabilities	42,420	38,918
Pension liability	27,275	67,163
Accrued postretirement benefits	17,151	15,719
Refundable government loan funds	6,157	16,362
Right of use liabilities	34,867	18,475
Finance leases payable	15,389	16,080
Long term debt	629,779	654,248
Total liabilities	<u>857,304</u>	<u>917,576</u>
Net assets		
Without donor restrictions	<u>54,395</u>	<u>13,742</u>
With donor restrictions		
Restricted by time and purpose	261,943	227,691
Restricted in perpetuity	528,399	513,357
With donor restrictions	<u>790,342</u>	<u>741,048</u>
Total net assets	<u>844,737</u>	<u>754,790</u>
Total liabilities and net assets	<u>\$ 1,702,041</u>	<u>\$ 1,672,366</u>

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

Rensselaer Polytechnic Institute
Consolidated Statements of Activities
Year Ended June 30, 2023 With Summarized Comparative Totals for the Year
Ended June 30, 2022

<i>(in thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2023	Total June 30, 2022
Operating revenue				
Student related revenue				
Tuition and fees, net	\$ 215,197	\$ -	\$ 215,197	\$ 229,324
Auxiliary services, net	66,527	-	66,527	58,533
Student related revenue	281,724	-	281,724	287,857
Gifts	15,729	20,412	36,141	22,445
Grants and contracts				
Direct				
Federal	48,395	-	48,395	55,704
State	3,935	-	3,935	4,154
Private	10,870	-	10,870	13,427
Indirect	17,143	-	17,143	16,636
Grants and contracts	80,343	-	80,343	89,921
Investment return				
Dividends, interest and other investment income	10,312	7,712	18,024	13,313
Realized accumulated gains used to meet spending policy	11,368	13,492	24,860	19,277
Investment return designated for operations	21,680	21,204	42,884	32,590
Other	6,337	-	6,337	5,552
Net assets released from restrictions	41,568	(41,568)	-	-
Total operating revenue	447,381	48	447,429	438,365
Operating expense				
Salaries and wages	173,763	-	173,763	162,363
Employee benefits	42,198	-	42,198	38,019
Supplies, services and other	92,940	-	92,940	77,166
Occupancy, taxes and insurance	27,131	-	27,131	23,407
Interest on debt	24,184	-	24,184	24,687
Depreciation and amortization	31,328	-	31,328	31,280
Student aid and fellowships	46,605	-	46,605	52,042
Total operating expenses	438,149	-	438,149	408,964
Change in net assets from operating activities	9,232	48	9,280	29,401
Nonoperating				
Realized and unrealized gains/(losses)				
net of spending policy and initiatives	8,998	35,290	44,288	(201,440)
Other components of net periodic benefit costs	(11,496)	-	(11,496)	(11,028)
Adjustments for pension and post retirement liability	32,454	-	32,454	5,855
Life income and endowment gifts	-	7,013	7,013	15,181
Change in value of life income contracts	22	7,891	7,913	(21,046)
Other, reclassifications and transfers	1,443	(948)	495	-
Change in net assets from nonoperating activities	31,421	49,246	80,667	(212,478)
Increase/(decrease) in net assets	40,653	49,294	89,947	(183,077)
Net assets				
Beginning of year	13,742	741,048	754,790	937,867
End of year	\$ 54,395	\$ 790,342	\$ 844,737	\$ 754,790

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

Rensselaer Polytechnic Institute
Consolidated Statements of Activities
Year Ended June 30, 2022

<i>(in thousands of dollars)</i>	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2022
Operating revenue			
Student related revenue			
Tuition and fees, net	\$ 229,324	\$ -	\$ 229,324
Auxiliary services, net	58,533	-	58,533
Student related revenue	287,857	-	287,857
Gifts	18,527	3,918	22,445
Grants and contracts			
Direct			
Federal	55,704	-	55,704
State	4,154	-	4,154
Private	13,427	-	13,427
Indirect	16,636	-	16,636
Grants and contracts	89,921	-	89,921
Investment return			
Dividends, interest and other investment income	6,842	6,471	13,313
Realized accumulated gains used to meet spending policy	9,706	9,571	19,277
Investment return designated for operations	16,548	16,042	32,590
Other	5,544	8	5,552
Net assets released from restrictions	19,975	(19,975)	-
Total operating revenue	438,372	(7)	438,365
Operating expense			
Salaries and wages	162,363	-	162,363
Employee benefits	38,019	-	38,019
Supplies, services and other	77,166	-	77,166
Occupancy, taxes and insurance	23,407	-	23,407
Interest on debt	24,687	-	24,687
Depreciation and amortization	31,280	-	31,280
Student aid and fellowships	52,042	-	52,042
Total operating expenses	408,964	-	408,964
Change in net assets from operating activities	29,408	(7)	29,401
Nonoperating			
Realized and unrealized (losses)			
net of spending policy and initiatives	(77,038)	(124,402)	(201,440)
Other components of net periodic benefit costs	(11,028)	-	(11,028)
Adjustments for pension and post retirement liability	5,855	-	5,855
Life income and endowment gifts	-	15,181	15,181
Change in value of life income contracts	21	(21,067)	(21,046)
Other, reclassifications and transfers	1,041	(1,041)	-
Change in net assets from nonoperating activities	(81,149)	(131,329)	(212,478)
Decrease in net assets	(51,741)	(131,336)	(183,077)
Net assets			
Beginning of year	65,483	872,384	937,867
End of year	\$ 13,742	\$ 741,048	\$ 754,790

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

Rensselaer Polytechnic Institute
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

(in thousands of dollars)

	2023	2022
Cash flow from operating activities		
Received from student-related revenues	\$ 233,986	\$ 220,596
Received from sponsored programs	79,531	99,897
Received from donors	35,701	22,947
Received from investment income	18,145	15,006
Received from Rensselaer Technology Park	1,706	3,419
Received from other	3,513	2,652
Payments to employees and fringe benefits	(216,440)	(200,429)
Payments to vendors and suppliers	(125,592)	(77,731)
Payments for scholarships and fellowships	(1,065)	(913)
Payments for Interest expense	(29,119)	(30,205)
Payments for pension and post retirement obligations	(18,194)	(10,303)
Payments for other expenses	(11,914)	(13,106)
Net cash (decrease)/increase from operating activities	(29,742)	31,830
Cash flow from investing activities		
Proceeds from sale of investments	391,572	315,844
Purchase of investments	(373,349)	(301,491)
Student loans paid	3,610	4,207
Proceeds from sale of land, building, and equipment	76	31
Purchase of land, building and equipment	(19,891)	(11,762)
Net cash increase from investing activities	2,018	6,829
Cash flow from financing activities		
Contributions restricted for long term investments	10,882	7,474
Payment of annuity obligations	(742)	(777)
Repayment of debt	(19,779)	(28,873)
Government loan funds	(3,210)	(4,699)
Net cash decrease from financing activities	(12,849)	(26,875)
Net (decrease)/increase in cash and cash equivalents	(40,573)	11,784
Cash and cash equivalents		
Beginning of year	62,723	50,939
End of year	\$ 22,150	\$ 62,723
Non cash activities		
Contributed securities	\$ 612	\$ 2,301
Gifts of equipment and other capital items	82	436

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

Rensselaer Polytechnic Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of dollars)

1. Organization

Rensselaer Polytechnic Institute (Rensselaer) is a nonsectarian, coeducational institution composed of five schools: Engineering; Science; Architecture; Humanities, Arts, and Social Sciences; and the Lally School of Management; as well as an interdisciplinary degree in Information Technology. Rensselaer offers more than 140 programs at the undergraduate, graduate, and doctoral levels. Students are encouraged to work in interdisciplinary programs that allow them to combine scholarly work from several departments or schools. Rensselaer 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.
- 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.

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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

(in thousands of dollars)

Net assets consisted of the following at June 30:

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment funds	\$ 246,932	\$ 738,344	\$ 985,276	\$ 236,110	\$ 688,647	\$ 924,757
Pledges	-	6,234	6,234	-	6,092	6,092
Gifts	18,390	24,047	42,437	3,910	22,144	26,054
Annuities and trusts	-	19,052	19,052	-	21,500	21,500
Plant and other operations	(210,927)	2,665	(208,262)	(226,278)	2,665	(223,613)
Total net assets	\$ 54,395	\$ 790,342	\$ 844,737	\$ 13,742	\$ 741,048	\$ 754,790

c. Consolidated Statement of Activities

The Consolidated 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 whose donor-imposed restrictions are met in the same reporting period are reported within without donor restrictions net assets. All other contributions with donor-imposed restrictions are reported as with donor restrictions revenues and are reclassified to without donor restrictions net assets when the donor-imposed restriction is satisfied. Expenses are generally reported as decreases in without donor restrictions net assets.

Nonoperating activities primarily include investment return, net of spending, changes in life income and endowment gifts, adjustments to postretirement liabilities and settlement of contingencies. Contributions restricted for the acquisition of land, buildings and equipment and specific programs are reported as with donor restrictions revenues. These contributions are reclassified to without donor restrictions 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 nonoperating activities.

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.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(in thousands of dollars)

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, 2023 and 2022. 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.

Student related revenue by contract is as follows:

	2023	2022
Tuition and fee revenue, net		
Undergraduate tuition revenue	\$ 349,894	\$ 330,203
Graduate tuition revenue	57,594	61,221
Education for working professionals revenue	3,073	3,093
Fees	12,982	10,987
Total tuition and fee revenue	423,543	405,504
Institutional aid allocated to tuition and fees	(208,346)	(176,180)
Total tuition and fee revenue, net	\$ 215,197	\$ 229,324
Auxiliary services, net		
Apartment and dorm revenue, net		
Apartment and dorm revenue	\$ 34,187	\$ 33,140
Institutional aid allocated to apartment and dorms	(2,460)	(3,706)
Total apartment and dorm revenue, net	31,727	29,434
Meal plan revenue, net		
Meal plan revenue	25,887	21,458
Institutional aid allocated to meal plans	(477)	(456)
Total meal plan revenue, net	25,410	21,002
Medical insurance fee revenue	4,385	3,953
Other auxiliary services		
Laptop sales	493	1,166
Rensselaer Union	859	833
Other	3,653	2,145
Total other auxiliary services	5,005	4,144
Total auxiliary services revenue, net	\$ 66,527	\$ 58,533

- **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 restrictions net assets when an

Rensselaer Polytechnic Institute

Notes to Consolidated Financial Statements

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(in thousands of dollars)

expense is incurred that satisfies the donor-imposed restriction. Contributions with donor restrictions that are received and expended for the restricted purpose in the same fiscal year are recorded in net assets without donor restrictions. 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.

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 nonexchange 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 nonexchange transactions are recognized as the barrier is met.

The Institute has been awarded approximately \$81,806 of grants and contracts which have not been advanced or expended and are classified as conditional contributions as of June 30, 2023, 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. 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.

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.

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(in thousands of dollars)

g. Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or at 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 without donor restrictions 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. 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
Balances at June 30, 2021	\$ 15,120	\$ 9,458	\$ 15,708	\$ 12,284	\$ 52,570
Revenue recognized	(15,120)	(1,433)	(1,027)	(1,024)	(18,604)
Payments received for future performance obligations	10,974	846	1,338	-	13,158
Balances at June 30, 2022	10,974	8,871	16,019	11,260	47,124
Revenue recognized	(10,974)	(5,109)	(1,229)	(1,025)	(18,337)
Payments received for future performance obligations	9,468	787	53	-	10,308
Balances at June 30, 2023	<u>\$ 9,468</u>	<u>\$ 4,549</u>	<u>\$ 14,843</u>	<u>\$ 10,235</u>	<u>\$ 39,095</u>

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, 2023, the Institute has collected approximately \$2,609 that is to be refunded to the Federal government.

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.

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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). Nonlease components, such as maintenance, are accounted for separately 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. Related Parties

Members of the Institute's Board of Trustees and employees may, from time to time, be associated, either directly or indirectly, with companies doing business with Rensselaer.

The Institute requires members of the board and employees to disclose annually any significant financial interests in, or employment or consulting relationships with, entities doing business with it. These annual disclosures cover trustees, employees and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the relevant entity. No such associations are considered to be significant.

m. Accounting Standards to be Adopted

ASU No. 2016-13: Financial Instruments – Credit losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13. The standard introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses, which requires organizations to estimate credit losses immediately upon exposure. Under the CECL model, management must also consider current conditions and reasonable and supportable forecasts of future events and circumstances, in addition to experience, to estimate expected credit losses for certain financial assets, including receivables that result from revenue transactions (trade receivables). The ASU is effective for fiscal years beginning after December 15, 2022. The Institute is in the process of evaluating the impact of the ASU, which will be adopted in fiscal year 2024.

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(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. Payment on any outstanding accounts receivables are generally expected to occur within the following fiscal year. There is also a corresponding allowance for uncollectible accounts at June 30, 2023 and 2022. Accounts receivable from the following sources were outstanding as of June 30:

	2023	2022
Student related receivables	\$ 4,625	\$ 5,477
Research, training and other agreements	20,800	24,289
Rensselaer technology park	219	236
Other	3,520	2,214
	<hr/>	<hr/>
Gross account receivable	29,164	32,216
Less: Allowance for doubtful accounts	(1,904)	(1,357)
	<hr/>	<hr/>
Net accounts receivable	\$ 27,260	\$ 30,859
	<hr/>	<hr/>

b. Contributions Receivable

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

	2023	2022
Less than one year	\$ 1,654	\$ 1,483
Between one and five years	16,173	15,887
More than five years	8,300	11,320
	<hr/>	<hr/>
Gross contributions receivable	26,127	28,690
Less: Unamortized discount	(4,360)	(4,530)
Less: Allowance for uncollectible amounts	(236)	(825)
	<hr/>	<hr/>
Net contributions receivable	\$ 21,531	\$ 23,335
	<hr/>	<hr/>

Bequest expectancies as of June 30, 2023, totaling \$178,767 have been excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to a \$360,000 transformational gift received in 2001, revenue is being recognized as periodic cash payments are received. Revenue of \$10,000 related to the transformational gift was recognized in 2023 and 2022, 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 is 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.

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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.

	2023			2022		
	Receivable	Allowance	Net Receivable	Receivable	Allowance	Net Receivable
Institutional loans	\$ 360	\$ (311)	\$ 49	\$ 380	\$ (311)	\$ 69
Federal loans	6,776	(1,265)	5,511	10,395	(1,267)	9,128
Total loan receivable	<u>\$ 7,136</u>	<u>\$ (1,576)</u>	<u>\$ 5,560</u>	<u>\$ 10,775</u>	<u>\$ (1,578)</u>	<u>\$ 9,197</u>

	2023			2022		
	Institutional	Federal	Total Allowance	Institutional	Federal	Total Allowance
Current year provisions	\$ (311)	\$ (1,267)	\$ (1,578)	\$ (722)	\$ (1,299)	\$ (2,021)
		2	2	411	32	443
Allowance at end of year	<u>\$ (311)</u>	<u>\$ (1,265)</u>	<u>\$ (1,576)</u>	<u>\$ (311)</u>	<u>\$ (1,267)</u>	<u>\$ (1,578)</u>

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, 2023 and 2022 were \$11,260 and \$11,336, 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 0.6% to 8.6%. The liability for the present value of deferred gifts of \$5,845 and \$5,899 at June 30, 2023 and 2022, 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, 2023 and 2022 was \$78,230 and \$71,812, 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 institution's 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 restrictions net assets.

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5. Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, 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.

	2023	2022
Financial assets		
Cash	\$ 22,150	\$ 62,723
Accounts receivable	7,514	7,247
Loan receivable	29	218
Contributions receivable	1,654	1,483
Investments: appropriated for spending in the following year	36,316	38,740
Total financial assets available within one year	67,663	110,411
Liquidity resources		
Bank lines of credit (undrawn)	55,000	55,000
	<u>\$ 122,663</u>	<u>\$ 165,411</u>

Additionally, within the endowment the Institute has board-designated funds of \$139,484 and \$132,067 and accumulated gains from unrestricted endowments of \$86,544 and \$84,493, at June 30, 2023 and 2022. 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.

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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:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 30,762	\$ 30,678	\$ 46,111	\$ 46,111
Fixed income	113,808	113,878	100,973	104,360
Domestic equity	374,387	299,650	300,074	264,101
Global equity	993	993	29,150	19,933
Foreign equity	168,538	126,857	152,021	132,080
Real assets	13,276	48,189	15,000	49,354
Marketable alternatives	80,341	62,450	65,155	57,520
Private investments	75,861	87,098	93,982	79,810
	857,966	769,793	802,466	753,269
Perpetual trusts held by others	78,230	51,688	71,812	51,688
Total investments	\$ 936,196	\$ 821,481	\$ 874,278	\$ 804,957

At June 30, 2023, Rensselaer had committed to investing approximately an additional \$52,916 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, annuity contracts, 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.

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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. 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.

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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.

The following table presents the financial instruments carried at fair value as of June 30, 2023 and 2022, by caption on the consolidated statements of financial position, based on the valuation hierarchy defined above:

	2023				
	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	\$ 30,274	\$ 488	\$ -	\$ -	\$ 30,762
Fixed income	65,618	-	3,233	44,957	113,808
Domestic equity	374,327	-	40	20	374,387
Global equity	993	-	-	-	993
Foreign equity	109,557	-	-	58,981	168,538
Real assets	2,205	-	-	11,071	13,276
Marketable alternatives	-	-	-	80,341	80,341
Private investments	-	-	660	75,201	75,861
	582,974	488	3,933	270,571	857,966
Perpetual trusts held by others	-	-	78,230	-	78,230
Total investments	\$ 582,974	\$ 488	\$ 82,163	\$ 270,571	\$ 936,196

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	2022				
	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	\$ 45,648	\$ 463	\$ -	\$ -	\$ 46,111
Fixed income	67,558	-	3,137	30,278	100,973
Domestic equity	300,014	-	40	20	300,074
Global equity	29,150	-	-	-	29,150
Foreign equity	100,264	-	-	51,757	152,021
Real assets	2,408	-	-	12,592	15,000
Marketable alternatives	-	-	-	65,155	65,155
Private investments	-	-	660	93,322	93,982
	545,042	463	3,837	253,124	802,466
Perpetual trusts held by others	-	-	71,812	-	71,812
Total investments	\$ 545,042	\$ 463	\$ 75,649	\$ 253,124	\$ 874,278

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 Institute's investment holdings that are categorized as Level 3 investments primarily consist of interests in perpetual trusts of which the Institute is a named beneficiary and receives periodic cash distributions. They are classified as Level 3 due to the inability for the Institute to redeem or liquidate these interests. The interests are valued at the observable input of the corresponding trust investment value, adjusted ratably for the Institute's proportional beneficiary share. In aggregate, other investments classified as Level 3 for the years ended June 30, 2023 and 2022 were not material to the Institute's financial statements.

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.

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The following table is a roll-forward of the consolidated statement of financial position amounts at June 30, 2023 and 2022 for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above:

	2023					
	Fixed Income	Domestic Equity	Real Assets	Private Investments	Perpetual Trusts	Total
Level 3 Investments						
Fair value at beginning of year	\$ 3,137	\$ 40	\$ -	\$ 660	\$ 71,812	\$ 75,649
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Change in value	96	-	-	-	6,418	6,514
Fair value at end of year	\$ 3,233	\$ 40	\$ -	\$ 660	\$ 78,230	\$ 82,163

	2022					
	Fixed Income	Domestic Equity	Real Assets	Private Investments	Perpetual Trusts	Total
Level 3 Investments						
Fair value at beginning of year	\$ 2,895	\$ 35	\$ 1,002	\$ 896	\$ 89,896	\$ 94,724
Purchases	-	-	-	-	-	-
Sales	-	-	(1,002)	(91)	-	(1,093)
Change in value	242	5	-	(145)	(18,084)	(17,982)
Fair value at end of year	\$ 3,137	\$ 40	\$ -	\$ 660	\$ 71,812	\$ 75,649

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:

	2023	2022
Level 3 Contributions from external remainder trusts		
Fair value at beginning of year	\$ 16,063	\$ 22,619
Unrealized gains (loss)	1,428	(2,020)
Purchases/gifts	-	-
Sales/settlements	(3,854)	(4,536)
Fair value at end of year	\$ 13,637	\$ 16,063

There were no material transfers or valuation changes between hierarchies Level 1 and Level 2 during fiscal year 2023.

The following table provides additional information about the Institute's investments, which are recorded at NAV as of June 30, 2023:

Asset Class	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Redemption Restrictions
Fixed income	\$ 44,957	\$ -	Daily	Same Day	NA*
Domestic equity	20	-	NA*	NA*	NA*
Foreign equity	58,981	-	Daily-Monthly	Same Day-10 Days	NA*
Real assets	11,071	1,393	NA*	NA*	NA*
Marketable alternatives	80,341	-	Quarterly-Annually	30-90 Days	0-1 Year lock-up provisions
Private investments	75,201	51,523	NA*	NA*	NA*
	<u>\$ 270,571</u>	<u>\$ 52,916</u>			

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

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7. Endowment

Rensselaer's endowment consists of approximately 811 individual donor restricted endowment funds and 90 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 the 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 statements 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 \$909,962 and \$849,813 as of June 30, 2023 and June 30, 2022, respectively.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
True endowment funds	\$ 86,544	\$ 703,330	\$ 789,874
Board designated endowment funds	139,484	-	139,484
Total endowment net assets	<u>\$ 226,028</u>	<u>\$ 703,330</u>	<u>\$ 929,358</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
True endowment funds	\$ 84,493	\$ 655,361	\$ 739,854
Board designated endowment funds	132,067	-	132,067
Total endowment net assets	<u>\$ 216,560</u>	<u>\$ 655,361</u>	<u>\$ 871,921</u>

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.

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Changes in endowment net assets as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 216,560	\$ 655,361	\$ 871,921
Net gifts	4	6,831	6,835
Yield (dividends and interest)	8,225	7,712	15,937
Investment return, net	20,373	55,204	75,577
Reclassifications and other changes	459	(679)	(220)
Endowment additions	29,061	69,068	98,129
Amounts appropriated for expenditure	19,593	21,099	40,692
Endowment deductions	19,593	21,099	40,692
Endowment net assets at end of year	\$ 226,028	\$ 703,330	\$ 929,358

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 292,913	\$ 778,828	\$ 1,071,741
Net gifts	231	14,777	15,008
Yield (dividends and interest)	8,143	6,471	14,614
Investment return, net	(67,265)	(132,480)	(199,745)
Reclassifications and other changes	387	2,137	2,524
Endowment additions	(58,504)	(109,095)	(167,599)
Amounts appropriated for expenditure	17,849	14,372	32,221
Endowment deductions	17,849	14,372	32,221
Endowment net assets at end of year	\$ 216,560	\$ 655,361	\$ 871,921

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

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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 restrictions 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 spending policy so long as the fund is impaired less than ten 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 restrictions net assets were \$1,474 and \$3,899 as of June 30, 2023 and 2022, respectively. Deficiencies reported in without donor restrictions net assets were \$553 and \$822 as of June 30, 2023 and 2022, respectively.

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.

c. 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.

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d. 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 on a monthly basis 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.

8. Land, Building, and Equipment

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

	2023	2022
Land and land improvements	\$ 39,982	\$ 39,950
Buildings	991,802	982,161
Equipment	202,248	208,415
Construction in progress	15,027	7,163
Gross land, building and equipment	1,249,059	1,237,689
Less: Accumulated depreciation	(627,510)	(605,499)
Net land, building and equipment	\$ 621,549	\$ 632,190

Building assets includes the value of the Asset Retirement Obligation intangible for which amortization of \$8 was reported for the periods ended June 30, 2023 and 2022. The depreciation and amortization expense related to the building, land improvements and equipment were \$31,320 and \$31,272 in the periods ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, Rensselaer had \$1,948 of open commitments to contractors for construction work being performed.

9. 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:

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	Year of Final Maturity	Average Annual Interest Rate	Outstanding	
			2023	2022
City of Troy Capital Resource Corporate Series				
Series 2015 (Note d) - Fixed	2035	3.35 %	\$ 62,574	\$ 66,776
Series 2020A (Note a) - Fixed	2040	2.47 %	284,663	296,746
Series 2021 (Note g) - Fixed	2036	1.47 %	22,085	23,307
Series 2018 Taxable Bonds (Note f) - Fixed	2048	5.25 %	134,554	134,536
Senior Notes				
Series 2011A (Note b) - Fixed	2026	4.35 %	31,942	35,925
Series 2014A (Note c) - Fixed	2029	3.99 %	39,993	39,992
Series 2018 (Note e) - Fixed	2035	4.76 %	53,968	56,966
Total bonds and notes payable			<u>\$ 629,779</u>	<u>\$ 654,248</u>

	2023	2022
Debt issuance costs	\$ (2,753)	\$ (3,060)
Net bond premium (discount)	<u>42,992</u>	<u>48,728</u>
Net components subject to amortization	40,239	45,668
Bond principal	<u>589,540</u>	<u>608,580</u>
Total bonds and notes payable	<u>\$ 629,779</u>	<u>\$ 654,248</u>

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, 2023 and 2022, Rensselaer did not have assets held by trustees for construction, debt service and other project-related expenses.

Notes to Debt Outstanding

- 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.

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- b. 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%. The 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.
- c. 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%. The 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.
- d. 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, 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.
- e. 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.
- f. 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.
- g. On June 15, 2021, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of \$19,990 in fixed rate revenue bonds, Series 2021. The transaction generated a \$4,030 premium. Proceeds from the issuance were used to legally defease Series 2002E revenue bonds. Interest rates on the bonds range from 4% to 5%. Maturities on the bonds range from 2022 to 2036 with final maturity September 1, 2036.
- h. Letters of Credit.

As of June 30, 2023, Rensselaer had a standby letter of credit with Bank of America of \$600 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. The interest rate is calculated on the outstanding balance at a daily rate of term BSBY Daily Floating Rate plus .95%. There were no outstanding balances on the line of credit at June 30, 2023 and June 30, 2022. The line of credit has a renewal date of January 31, 2024.

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The Institute has an unsecured line of credit with Key Bank valued at \$20,000. The interest rate on the line is calculated on the outstanding balance at a daily rate of term SOFR plus 1.65 bps. There were no outstanding balances on the line of credit at June 30, 2023 and June 30, 2022. The line of credit has a termination date of August 30, 2023 (see subsequent event described in Note 15).

Principal payments due on all long-term debt as of June 30, 2023 for each of the next five fiscal years are:

	Amount
Year	
2024	\$ 19,665
2025	23,395
2026	24,035
2027	29,770
2028	20,520
Principal payments thereafter	472,155
Total bonds and notes principal payable	589,540
Net premiums and debt issuance costs	40,239
Bonds and notes payable	<u>\$ 629,779</u>

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, 2023 and 2022. The defined benefit plan calculations were based upon data as of or projected to June 30, 2023 and 2022. Postretirement benefit plan calculations were based upon data as of July 1, 2023 and 2022. 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 as of June 30, 2014 to freeze all future benefit accruals for future service of all plan participants.

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	Defined Benefit		Post-Retirement	
	2023	2022	2023	2022
Change in benefit obligation				
Benefit obligation at beginning of year	\$ (292,605)	\$ (365,921)	\$ (15,720)	\$ (20,016)
Service cost	-	-	(696)	(697)
Interest cost	(12,586)	(8,820)	(822)	(455)
Plan participants' contribution	-	-	(418)	(440)
Amendments/Curtailments/Special	-	-	88	-
Actuarial gain (loss)	17,763	52,622	(806)	4,726
Benefits paid	26,795	29,514	1,223	1,163
Benefit obligation at end of year	\$ (260,633)	\$ (292,605)	\$ (17,151)	\$ (15,719)

The accumulated benefit obligation for the defined benefit pension plan was \$260,633 and \$292,605 as of June 30, 2023 and 2022, respectively. The change in the benefit obligation for the pension plan was primarily driven by an actuarial gain due to an increase in the discount rate between June 30, 2023 and June 30, 2022.

	Defined Benefit		Post-Retirement	
	2023	2022	2023	2022
Change in plan assets				
Fair value plan assets, beginning of year	\$ 225,442	\$ 297,202		\$ -
Actual return on plan assets	17,321	(53,246)		-
Employer contribution	17,390	11,000	804	723
Plan participants' contributions	-	-	418	440
Benefits paid	(26,795)	(29,514)	(1,222)	(1,163)
Fair value plan assets, end of year	\$ 233,358	\$ 225,442	\$ -	\$ -
Funded status and amount recognized in the statement of financial position liability	\$ (27,275)	\$ (67,163)	\$ (17,151)	\$ (15,719)
Amounts recognized in without donor restriction net assets				
Net prior service credit (cost)	\$ -	\$ -	\$ 274	\$ 223
Net actuarial (loss) gain	(148,801)	(182,114)	3,183	4,093
Without donor restriction net assets	\$ (148,801)	\$ (182,114)	\$ 3,457	\$ 4,316
Other changes in plan assets and benefit obligations recognized in without donor restriction net assets				
New prior service (credit) cost	\$ -	\$ -	\$ (88)	\$ -
New net actuarial (gain) loss	(24,560)	10,838	806	(4,726)
Amortization of prior service credit (cost)	-	-	37	34
Amortization of actuarial (loss) gain	(8,754)	(12,028)	105	27
	(33,314)	(1,190)	860	(4,665)
Net periodic benefit cost components:				
Service costs	-	-	696	697
Interest cost	12,586	8,820	823	455
Expected return on plan assets	(10,525)	(10,213)	-	-
Amortization of				
Prior service (credit) cost	-	-	(37)	(34)
Net actuarial loss (gain)	8,754	12,027	(105)	(27)
Net periodic benefit cost	10,815	10,634	1,377	1,091
Other changes in plan assets and benefit obligations recognized in without donor restriction net assets	\$ (22,499)	\$ 9,444	\$ 2,237	\$ (3,574)
Changes recognized in net assets from operating activities	\$ -	\$ -	\$ 696	\$ 697
Changes recognized in net assets from nonoperating activities	(22,499)	9,444	1,541	(4,271)
	\$ (22,499)	\$ 9,444	\$ 2,237	\$ (3,574)

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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		
2024	\$ 24,940	\$ 1,503
2025	24,628	1,544
2026	24,076	1,628
2027	23,470	1,611
2028	22,728	1,701
2029 - 2033	101,483	8,589

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	
	2023	2022	2023	2022
Benefit obligations				
Discount rate	5.25 %	4.50 %	5.25 %	4.50 %
Net periodic benefit cost				
Discount rate	4.50 %	2.50 %	4.50 %	2.50 %
Expected return on plan assets	5.25 %	5.25 %		

To arrive at assumptions for expected long-term rates of return on assets in the Defined Benefit Pension Plan, the Institute considered historical returns and future expectations for returns in each asset class in the asset allocation.

For measurement purposes, a 7.75 percent annual rate of increase in the per capita cost of covered pre-65 medical, post- 65 medical benefits and prescription drug benefits was assumed for fiscal year 2023. These rates were assumed to decrease gradually to 4.037 percent for fiscal year 2075 and remain at that level thereafter. A plan amendment established a maximum of \$75 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the \$75 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.

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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 were \$10,915 and \$9,690 in fiscal 2023 and 2022, respectively.

Plan Investments

The Institute's Investment Committee maintains responsibility for the oversight and decision-making processes regarding fiduciary responsibilities associated with the investments that fund the Institute's defined benefit retirement plan. The Investment Committee weighs the risk factors associated with the investment of plan assets, seeking to invest assets in a manner that supports the plan's long-term horizon. A diversified mix of return-seeking and liability-hedging assets are utilized with the objective of achieving asset growth while providing sufficient liquidity to meet the plan's associated benefit payments and expenses.

		2023		2022	
		Target	Actual	Target	Actual
Return-seeking assets	US equity	24.0 %	24.0 %	23.0 %	11.3 %
	Non US equity	10.0	10.9	10.0	10.5
	Hedge funds	0.0	0.0	0.0	0.0
	Private alternatives	4.0	4.0	6.0	5.8
	Total return-seeking	38.0	38.9	39.0	27.6
Liability-hedging assets	Equity hedge	21.0	19.7	15.0	15.0
	Fixed income	38.0	38.7	43.0	53.9
	Cash	3.0	2.7	3.0	3.5
	Total liability-hedging	62.0	61.1	61.0	72.4
	Total assets	100.0 %	100.0 %	100.0 %	100.0 %

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.

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

		2023		
		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	\$	3,687	\$ -	\$ -
Fixed income		5,671	82,261	-
Domestic equity		99,356	-	14,688
Foreign equity		11,700	-	2,877
Insurance contracts		-	6,929	26
Real assets		-	-	6,163
Marketable alternatives		-	-	-
Total pension investments	\$	120,414	\$ 89,190	\$ 23,754
				\$ 233,358

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	2022			
	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	\$ 3,374	\$ -	\$ -	\$ 3,374
Fixed income	4,582	115,588	-	120,170
Domestic equity	56,496	-	12,555	69,051
Foreign equity	11,962	-	3,086	15,048
Insurance contracts	-	7,931	-	7,931
Real assets	-	-	8	8
Marketable alternatives	-	-	9,860	9,860
Total pension investments	<u>\$ 76,414</u>	<u>\$ 123,519</u>	<u>\$ 25,509</u>	<u>\$ 225,442</u>

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, 2024 are \$1,795 and \$1,503 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.

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The following table compares expenses by type for the years ended June 30, 2023 and 2022, respectively:

Natural Classification	2023			
	Instruction and Research	Student Services and Support	General Administration and Operations	Total
Salaries and wages	\$ 121,472	\$ 26,153	\$ 26,138	\$ 173,763
Employee benefits	30,403	7,304	4,491	42,198
Supplies, services and other	39,047	37,378	16,515	92,940
Occupancy, taxes and insurance	8,130	10,796	8,205	27,131
Interest on debt	19,337	2,476	2,371	24,184
Depreciation and amortization	21,912	6,725	2,691	31,328
Student aid and fellowships	40,648	5,900	57	46,605
Total operating expenses	280,949	96,732	60,468	438,149
Net periodic benefit cost other than service cost			11,496	11,496
Total expenses	\$ 280,949	\$ 96,732	\$ 71,964	\$ 449,645

Natural Classification	2022			
	Instruction and Research	Student Services and Support	General Administration and Operations	Total
Salaries and wages	\$ 115,785	\$ 22,944	\$ 23,634	\$ 162,363
Employee benefits	29,145	6,466	2,408	38,019
Supplies, services and other	29,440	30,230	17,496	77,166
Occupancy, taxes and insurance	6,566	9,035	7,806	23,407
Interest on debt	19,719	2,528	2,440	24,687
Depreciation and amortization	21,787	6,725	2,768	31,280
Student aid and fellowships	48,177	3,658	207	52,042
Total operating expenses	270,619	81,586	56,759	408,964
Net periodic benefit cost other than service cost	-	-	11,028	11,028
Total expenses	\$ 270,619	\$ 81,586	\$ 67,787	\$ 419,992

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 a putative class action lawsuit 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.

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 \$20,853 and \$21,217 as of June 30, 2023 and 2022. Accumulated amortization for finance leases included under "Land, buildings and equipment, net" was \$5,891 and \$5,747 as of June 30, 2023 and 2022.

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

	2023	2022
Amortization of ROU asset	\$ 558	\$ 613
Interest on lease liabilities	908	940
Total finance lease cost	<u>1,466</u>	<u>1,553</u>
Total operating lease cost	<u>5,936</u>	<u>5,568</u>
Total lease cost	<u>\$ 7,402</u>	<u>\$ 7,121</u>

Supplemental cash flow information related to leases was as follows:

	2023	2022
Operating cash outflows from finance leases	\$ 908	\$ 940
Operating cash outflows from operating leases	5,311	5,544
Financing cash outflows from finance leases	<u>741</u>	<u>761</u>
Total cash paid for amounts included in measurement of lease liabilities	<u>\$ 6,960</u>	<u>\$ 7,245</u>

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:

	2023	2022
Weighted average remaining lease term (yrs)		
Finance Leases	15.25	16.15
Operating Leases	8.75	7.97
Weighted average discount rate		
Finance Leases	5.88 %	5.58 %
Operating Leases	5.50 %	4.09 %

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Remaining maturities of lease liabilities were as follows:

Minimum Lease Commitments at June 30, 2023	Operating Leases	Finance Leases
2024	\$ 5,407	\$ 1,608
2025	5,876	1,597
2026	5,498	1,528
2027	4,060	1,514
2028	3,825	1,500
2028 and thereafter	19,902	15,515
Total lease payments	44,568	23,262
Less: Interest	(9,701)	(7,873)
Present value of lease liabilities	<u>\$ 34,867</u>	<u>\$ 15,389</u>

Minimum Lease Commitments at June 30, 2022	Operating Leases	Finance Leases
2023	\$ 3,616	\$ 1,641
2024	3,328	1,590
2025	3,130	1,579
2026	3,000	1,517
2027	1,516	1,515
2028 and thereafter	7,120	17,016
Total lease payments	21,710	24,858
Less: Interest	(3,235)	(8,778)
Present value of lease liabilities	<u>\$ 18,475</u>	<u>\$ 16,080</u>

14. Asset Retirement Obligations

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

	2023	2022
Change in asset retirement obligation		
Asset retirement obligation, beginning of year	\$ 13,107	\$ 12,473
Additions	6,405	-
Accretion expense	705	634
Disposals	-	-
Asset retirement obligation, end of year	<u>\$ 20,217</u>	<u>\$ 13,107</u>

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15. Subsequent Events

The Institute did not renew its existing Revolving Credit Agreement with KeyBank National Association after August 30, 2023. Instead, on August 31, 2023, the Institute entered into a line of credit agreement with Northern Trust Bank. The line is valued at \$20,000. The interest rate on the line is calculated on the outstanding balance at a daily rate of term SORF plus 1.75 bps. The line of credit has a termination date of August 29, 2024.

There were no additional subsequent events through October 24, 2023, the date on which the consolidated financial statements were issued.