



Rensselaer

2023 ANNUAL REPORT
November 1, 2023

Rensselaer Polytechnic Institute

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Rensselaer Polytechnic Institute 2023 Annual Report

Dated: November 1, 2023

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General Information

Introduction

This Annual Report is dated November 1, 2023 and contains information through that date. This report constitutes the official disclosure information regarding the financial condition of Rensselaer Polytechnic Institute (“Rensselaer” or the “Institute”). It includes a discussion of recent trends in the areas of enrollment and admissions, tuition and fees, financial aid, gifts and endowment, physical plant, financial operations, government contracts and grants, and outstanding indebtedness. It is also appended with Rensselaer’s audited financial statements for the fiscal years ending June 30, 2023 and 2022, along with a report of the Institute’s independent auditors.

Overview

Rensselaer Polytechnic Institute, a New York education corporation, enrolls approximately 7,300 undergraduates and graduate students in residential programs at its Troy, New York campus, while enrolling approximately 130 professionals seeking graduate degrees on its online platform Rensselaer at Work (RaW). The main Troy campus is comprised of five schools: Architecture; Engineering; Humanities, Arts and Social Sciences; Lally School of Management; and Science. More than 145 degree programs in nearly 60 fields and over 1,000 courses lead to bachelors, masters, and doctoral degrees in all five schools. Rensselaer’s on line platform RaW serves working professionals and employers with graduate level education in engineering, science, management and leadership programs.

As a research university, Rensselaer attracts a faculty whose research programs range from:

- Semiconductors, microelectronics, nanotechnology;
- Quantum, AI computational modeling and simulation, data science;
- Biomedical engineering, biotechnology; precision medicine
- Advanced materials, environmental studies, lighting, electronic arts, games and simulation arts.

Rensselaer focuses on inter-disciplinary research and has made research investments supported by strong industry partnerships. Through a strong partnership with IBM, Rensselaer plans to deploy the first IBM Quantum System One on a University Campus.

Rensselaer is consistently ranked by *U.S. News & World Report* as one of the top national universities in the United States. The 2024 ranking was 60th among national universities. The Institute’s undergraduate engineering program was ranked 34th in the country. *DesignIntelligence*, the primary organization that issues yearly rankings of architecture schools throughout the U.S., ranked Rensselaer’s School of Architecture 14th in the country their last rating cycle which has not been updated in 2022. The Institute’s Games and Simulation Arts and Sciences program is ranked 21st nationally on the *Animation Career Review* list of top game design programs in the United States.

History

Rensselaer was founded in 1824 in Troy, New York. It is the nation’s oldest English speaking technological research university. The Institute was created with a mission to provide educational opportunities for those “who may choose to apply themselves in the application of science to the common purposes of life.” Rensselaer educates the leaders of tomorrow for technologically based careers, and celebrates discovery and the responsible application of technology to create knowledge and global prosperity.

Rensselaer Forward

Martin A. Schmidt, the 19th President of Rensselaer Polytechnic Institute, took office on July 1, 2022. Prior to coming to Rensselaer, Schmidt served as the provost of Massachusetts Institute of Technology (MIT)

since 2014. Under new leadership, Rensselaer has begun to develop a new strategic plan, Rensselaer Forward, which will be a directional guide for the ten years following Rensselaer’s bicentennial in 2024. The plan is being developed through a robust and inclusive process, organized around five themes: Education, Research, Translation, Regional Engagement, Welcoming and Inclusive. The plan will build upon Rensselaer’s strengths and its distinctive, high quality education, while expanding its research enterprise and cultivating translation and entrepreneurial growth having both regional and global impact.

Rensselaer is building upon an almost 200-year history of world-changing innovation, continuing to educate the most inventive young people on Earth, well into its third century.

Accreditation

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

Rensselaer at Hartford (RaW) is accredited by the Middle States Commission on Higher Education, the Office of Financial and Academic Affairs for Higher Education of the State of Connecticut, the New York State Department of Education, and the Association to Advance Collegiate Schools of Business.

Management

The President of Rensselaer is appointed by the Board of Trustees and as the Chief Executive Officer	<u>Position:</u>
Martin Schmidt, Ph.D.	President
Rebecca Doerge	Provost
Ernie Katzwinkel	Vice President for Administration
Eileen McLoughlin	Vice President for Finance & Chief Financial Officer
Louis Padula	Acting Vice President for Human Resources
Matthew Ter Molen	Vice President for Institute Advancement
Robert Hull	Vice President for Research
Peter Konwerski	Vice President for Student Life
Pamela Smith	Acting Vice President for Strategic Communications and External Relations
Craig A. Cook	Secretary of the Institute and General Counsel
John Kolb	Vice President for Information Services and Technology, CIO
Jonathan D. Wexler	Vice President for Enrollment

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

Faculty and Staff

Rensselaer has a permanent faculty and staff of approximately 522 and 1,253 members respectively, at its combined Troy, New York and Rensselaer at Work (RaW) campuses. Rensselaer’s faculty and staff are not represented by any organized labor groups and, therefore, there are no collective bargaining agreements for either faculty or staff.

The faculty at Rensselaer includes National Academy members, society fellows, and recipients of various other awards and distinctions. Academy membership recognizes those who have made important contributions to engineering theory and practice, and those who have demonstrated unusual accomplishment in the pioneering of new and developing fields of technology.

Operating Information

Enrollment and Admissions

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

Entering Fall	Undergraduate Students	Full-Time Graduate Students	Part-Time Graduate Students	Others*	Total
2019	6,203	1,185	181	573	8,142
2020	6,265	1,139	185	342	7,931
2021	5,579	1,140	124	560	7,403
2022	5,853	1,030	134	475	7,492
2023	5,909	1,033	182	344	7,468

* “Others” includes matriculated undergraduate students participating in off-campus educational programs, non-matriculated, and distance learning students.

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

Entering Fall	Applications	Acceptances	Acceptance Rate	New Enrollment	Yield	Mean SAT
2019	18,635	8,835	47.4%	1,665	18.8%	1410
2020	16,661	9,062	54.4%	1,464	16.2%	1393
2021	17,497	9,274	53.0%	1,322	14.3%	1429
2022	16,865	10,880	64.5%	2,011	18.5%	1432
2023	15,950	9,330	58.5%	1,552	16.6%	1429

At Rensselaer’s Troy campus, the student body is comprised of students from 48 states, and 51 foreign countries. A breakdown of major geographic concentration for the Troy campus undergraduate and graduate student body as of Fall 2023 is as follows:

New York	34%
New England	19%
N.J./Pennsylvania	12%
Other U.S.	19%
International	16%
Total	<u>100%</u>

Rensselaer fields 23 NCAA intercollegiate teams, including NCAA Division I men’s and women’s hockey teams. The Institute has an active ROTC program and 33 fraternities and sororities. The Rensselaer Union, the home for student government and one of the few student run unions in the Northeast, was formed in 1890. An elected student president, who appoints a thirty member executive board, oversees it. This board manages a \$4.8 million annual budget that co-funds the intra-mural recreational programs, as well as over 200 arts, multi-cultural, service, media, entertainment and special interest clubs and organizations.

Tuition and Fees

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

	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
Tuition	54,000	55,600	57,100	58,600	60,360
Room & Board	15,580	15,954	16,379	16,980	17,530
Fees	<u>1,378</u>	<u>1,412</u>	<u>1,426</u>	<u>1,474</u>	<u>1,524</u>
Total	70,958	72,966	74,895	77,054	79,414

Financial Aid

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

Future state and federal aid depends upon the annual appropriations by the New York State Legislature and the United States Congress, respectively, and the ability of the state and the federal governments to pay the amounts appropriated. No assurance can be given that the various federal and state programs will be continued.

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

	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Unrestricted Financial Aid	157,868	158,451	163,591	161,946	190,036

Gifts and Bequests

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

	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>
Without Donor Restriction	17,752	15,338	20,279	18,527	15,729
With Donor Restriction	31,212	14,770	15,711	19,099	27,425
Total	48,964	30,108	35,990	37,626	43,154

Endowment

The market value for endowment and funds functioning as endowment as of the end of fiscal years ending June 30, 2019 through 2023 is shown below (in thousands of dollars). Approximately, 75% of these funds are restricted in perpetuity.

<u>Fiscal Year</u>	<u>Market Value as of June 30</u>	<u>Spending Allocation</u>
2019	739,600	30,900
2020	743,200	30,800
2021	1,069,740	32,300
2022	864,123	32,200
2023	924,291	40,700

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

The June 30, 2023 market value of all endowment and funds functioning as endowment was invested as follows (in thousands of dollars):

	Market Value	Percentage
US Equity	361,474	39.1
Non-US Equity	167,967	18.2
Private Equity	75,861	8.2
Real Assets	24,371	2.6
Marketable Alternatives	80,341	8.7
Fixed Income	105,619	11.4
Cash	30,429	3.3
Outside Trusts	78,230	8.5
Total	924,291	100.0

The Board of Trustees has overall responsibility regarding all decisions that affect the investment of all funds of the Institute. The Board fulfills its fiduciary obligation by delegating operating and supervisory responsibility to the Investment Committee to oversee the investments of Rensselaer.

Contracts and Grants

During the fiscal year ended June 30, 2023 the Institute received, through contracts and grants, total revenues of \$80.3 million. This accounted for approximately 18% of the Institute's total operating revenues of \$447.4 million. The Institute received \$17.1 million and \$16.6 million in indirect costs in fiscal years 2023 and 2022, respectively. Indirect costs on government grants and contracts represent the allocation of overhead costs (library, institutional support, departmental administration, operation and maintenance of plant, and building and equipment depreciation) to the projects funded by such grants.

Rensselaer has been awarded approximately \$81.8 million of grants and contracts, which have not been advanced or expended as of June 30, 2023, and accordingly, not recorded in the attached financial statements.

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

Revenues received from contracts and grants for fiscal years ending in 2019 through 2023 are shown below (in thousands of dollars):

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Federal Government	43,740	47,161	50,722	55,704	48,395
State Government	8,556	5,192	2,868	4,154	3,935
Private	15,201	41,613	17,444	13,427	10,870
Indirect Costs	16,894	17,386	16,956	16,636	17,143
Total	84,391	111,352	87,990	89,921	80,343

Physical Plant

Rensselaer's 200 academic, residential, and administrative buildings are located on approximately 260 acres in Troy, New York. The Hartford campus is the currently the physical space for the online platform. In addition, Rensselaer has a wholly owned technology park on 1,250 acres in North Greenbush, Rensselaer County, New York. At present, over 71 companies with over 2,225 employees occupy the technology park.

The following tabulation shows the assets included in physical plant as of the previous five fiscal years ended June 30 (in thousands of dollars):

<u>Fiscal Year</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Accumulated Depreciation</u>	<u>Totals</u>
2019	38,030	949,376	235,124	21,853	(580,501)	663,882
2020	38,787	966,156	248,014	19,005	(587,262)	684,700
2021	39,876	973,537	207,312	12,977	(573,371)	657,331
2022	39,950	982,161	208,415	7,163	(605,499)	632,190
2023	39,982	991,802	202,248	15,027	(627,510)	621,549

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

The Institute currently insures its buildings and contents, exclusive of land, under blanket insurance policies in the total amount of \$1.8 billion. Such insurance provides for 100% of the replacement value of the buildings and contents.

Financial Operations

The Institute has a performance-based operating and comprehensive capital budgeting and reporting process that links directly to the performance plans and allows meaningful assessment of progress against the strategic plan. The academic schools and administrative divisions create and implement performance plans designed to focus on the strategic plan's goal of enabling Rensselaer as a top-tier, world class technological research university. The Finance Committee of the Board of Trustees monitors the budget process and financial implications, with the full Board approving the annual operating and capital budgets. The Rensselaer Forward Plan will be a directional guide for the ten years following Rensselaer's bicentennial in 2024.

Financial Update

Rensselaer's financial results for fiscal year 2023 reflect strong and continued successful fiscal management. Full time undergraduate and graduate program enrollment remains strong. Education for working professionals is focused on select disciplines where Rensselaer has a strong reputation. Grant and contract revenue reflect diversification in funding sources.

Net operating results were strong in fiscal year 2023. Student related revenues were 2% lower than 2022, decreasing by \$6.1 million due primarily to lower than expected upper class retention and lower than anticipated transfer enrollment. Grant and contract activity decreased by 11% from the prior year, however grants awarded but not yet disbursed increased by \$23.9 million. Gifts increased substantially reflecting support for the new president and the Quantum computing strategy.

Total operating expenses increased 7 percent over the prior year, reflecting a return to more normal operating expense levels and inflation.

Market performance for the endowment was positive by 10.7 percent for the fiscal year. Total institutional assets stood at \$1.702 billion at June 30, 2023. Rensselaer's investments stood at \$936 million. Total debt outstanding of \$630 million decreased by \$24 million reflecting continued principal repayments.

On July 1, 2018, the Institute adopted the new accounting standard related to *Revenue from Contracts with Customers*. This standard requires that exchange transactions with customers that are bound by contracts or similar arrangements take a performance obligation approach to revenue recognition. As a result of the adoption of this standard, certain student related revenues have been reclassified to conform to the required presentation. The change can be seen in the Statement of Activities for all years presented.

In 2019, the Institute also adopted a new accounting standard related to the *Presentation of Financial Statements of Not-for-Profit Entities*. The standard requires the Institute to restate its net assets into two categories: net assets without donor restrictions (previously unrestricted net assets) and net assets with donor restrictions (previously temporarily and permanently restricted net assets), among other requirements. The change can be seen in the Statement of Position for all years presented.

In 2020, the Institute adopted a new accounting standard related to the *Leases*. The core principal of the standard is that leases should recognize assets and liabilities associated with lease arrangements, whereas previously 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. The change was retrospective to July 1, 2018.

The financial statements of the Institute are prepared in accordance with the provisions of the *American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations*. The financial statements as of June 30, 2023 and 2022 and for the years then ended, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RENSSELAER POLYTECHNIC INSTITUTE
Combined Statements of Financial Position at June 30, 2023
(In thousands of dollars)

<i>Assets</i>	2019 (*)	2020 (^)	2021	2022	2023
Cash and cash equivalents	17,585	23,760	50,939	62,723	22,150
Accounts receivable, net					
Student related and other	6,923	8,554	10,565	7,247	7,514
Research and other agreements	17,824	45,447	34,150	23,612	19,746
Contributions receivable	31,709	26,060	18,878	23,335	21,531
Contr. from external remainder trusts	24,005	19,437	22,619	16,063	13,637
Prepaid expenses and other assets	7,212	7,581	4,592	5,432	20,102
Student loans receivable, net	23,950	18,538	13,007	9,197	5,560
Investments, at market	742,169	743,960	1,085,022	874,278	936,196
Right of use asset	27,096	25,818	22,154	18,289	34,056
Land, buildings and equipment, net	663,882	684,700	657,331	632,190	621,549
Total assets	1,562,355	1,603,855	1,919,257	1,672,366	1,702,041
Accounts payable and accrued expenses	33,466	32,374	38,599	37,588	39,326
Split Interest Agreement obligations	7,003	6,650	7,045	5,899	5,845
Deferred revenue	52,505	56,853	52,570	47,124	39,095
Short-term portion of long-term debt	11,665	26,117	34,809	24,469	19,655
Deposits	17,967	42,352	46,348	38,918	42,420
Minimum pension liability	104,139	132,846	68,719	67,163	27,275
Accrued postretirement benefits	17,634	21,352	20,016	15,719	17,151
Refundable government loan funds	32,318	25,863	21,062	16,362	6,157
Right of use liability	27,096	25,903	22,315	18,475	34,867
Finance leases payable	17,378	17,308	16,672	16,080	15,389
Long-term debt	692,961	688,918	653,235	629,779	610,114
Total liabilities	1,014,132	1,076,536	981,390	917,576	857,304
Without donor restrictions	(105,767)	(129,573)	65,483	13,742	54,395
With donor restrictions					
Restricted by time and purpose	184,079	171,943	351,922	227,691	261,943
Restricted in perpetuity	469,911	484,949	520,462	513,357	528,399
With donor restrictions	653,990	656,892	872,384	741,048	790,342
Total net assets	548,223	527,319	937,867	754,790	844,737
Total liabilities and net assets	1,562,355	1,603,855	1,919,257	1,672,366	1,702,041

(*) ON JULY 1, 2018, THE INSTITUTE ADOPTED ACCOUNTING STANDARD 2016-14, PRESENTATION OF FINANCIAL STATEMENTS FOR NOT-FOR-PROFIT ENTITIES. FINANCIAL INFORMATION FOR ALL YEARS PRESENTED HAS BEEN RESTATED TO CONFORM WITH THE NEW STANDARD.

(^) ON JULY 1, 2019, THE INSTITUTE ADOPTED ACCOUNTING STANDARD 2016-02, LEASES. FINANCIAL INFORMATION FOR FISCAL YEAR 2019 HAS BEEN RESTATED TO CONFORM WITH THE NEW STANDARD. OTHER YEARS PRESENTED HAVE NOT BEEN ADJUSTED.

RENSSELAER POLYTECHNIC INSTITUTE
Condensed Statements of Activities for the year ended June 30, 2023
(In thousands of dollars)

<i>Operating Revenue</i>	2019 (*)	2020	2021	2022	2023
Student related revenue, net	316,706	317,416	279,855	287,857	281,724
Gifts	25,857	21,108	24,099	22,445	36,141
Grants and contracts	84,391	111,352	87,990	89,921	80,343
Investment return	31,322	31,318	35,189	32,590	42,884
Other	7,007	7,648	7,752	5,552	6,337
Total operating revenue	465,283	488,842	434,885	438,365	447,429
<i>Operating Expenses</i>					
Salaries and wages	176,731	179,968	161,360	162,363	173,763
Employee benefits	38,447	42,242	37,257	38,019	42,198
Supplier, services and other	79,438	95,038	68,124	77,166	92,940
Occupancy, taxes and insurance	25,601	24,837	20,866	23,407	27,131
Interest on debt	36,558	32,989	25,588	24,687	24,184
Depreciation and amortization	28,054	30,031	31,115	31,280	31,328
Student aid and fellowships	47,726	51,584	50,428	52,042	46,605
Total operating expenses	432,555	456,689	394,738	408,964	438,149
Change in net assets from operating activities	32,728	32,153	40,147	29,401	9,280
<i>Non-operating</i>					
Realized and unrealized gains, (losses), net	(8,852)	(19,588)	288,356	(201,440)	44,288
Other components of net periodic benefit cost	(8,922)	(9,032)	(8,663)	(11,028)	(11,496)
Adjustment for retirement liabilities	(18,253)	(27,762)	55,793	5,855	32,454
Life income and endowment gifts	23,107	9,000	11,891	15,181	7,013
Change in value of life income contracts	3,444	5,192	23,827	(21,046)	7,913
Other, reclassifications and transfers	(9,376)	(10,867)	(803)		495
Change in net assets from non-operating activities	(18,852)	(53,057)	370,401	(212,478)	80,667
Total change in net assets	13,876	(20,904)	410,548	(183,077)	89,947
Net assets at beginning of year	534,347	548,223	527,319	937,867	754,790
Net assets at end of year	548,223	527,319	937,867	754,790	844,737

(*) IN 2019, THE INSTITUTE ADOPTED ACCOUNTING STANDARD 2014-09, REVENUE FROM CONTRACTS WITH CUSTOMERS. FINANCIAL INFORMATION FOR ALL YEARS PRESENTED HAS BEEN RESTATED TO CONFORM WITH THE NEW STANDARD.

Outstanding Indebtedness

As of June 30, 2023, Rensselaer had total outstanding indebtedness in the aggregate principal amount of \$629.8 million, net of bond premium and capitalized issuance costs of \$40.2 million. See the attached *Combined Financial Statements for the Years Ended June 30, 2023 and 2022* – Note 9-Bonds and Notes Payable for a more detailed discussion of outstanding indebtedness as of June 30, 2023.

Pension Plans

Rensselaer employees who meet eligibility requirements participate in one of two plans. A Defined Benefit Plan covers employees hired prior to July 1, 1993 and who made an election effective June 30, 1993 to remain in this plan. The Institute amended the plan effective June 30, 2014 to freeze all future benefit accruals for future service of all plan participants.

All eligible employees hired after June 30, 1993 may participate in a Defined Contribution Plan, which was established as of July 1, 1993. Eligible employees of the Rensselaer Hartford Graduate Center may also participate in the Defined Contribution Plan. See the attached *Combined Financial Statements for the Years Ended June 30, 2023 and 2022*– Note 10 -Retirement Plans for detailed information about Rensselaer’s retirement plans.

Litigation

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 – later consolidated into one lawsuit -- filed by students who sought refunds of a portion of tuition and certain other fees after Rensselaer was forced to move to online instruction in March 2020 because of the COVID-19 pandemic. A preliminary settlement of that case has been reached which will not have a material adverse effect on the Institute’s financial position. Although there can be no assurance as to the eventual outcome of other claims and litigation in which Rensselaer has been named, in our opinion, such claims and litigation will not, in the aggregate, have a material adverse effect on Rensselaer’s financial position.