

**Rensselaer Polytechnic Institute**

**Combined Financial Statements**

**For the Years Ended  
June 30, 2007 and 2006**

# **Rensselaer Polytechnic Institute**

## **Combined Financial Statements**

**For the Years Ended  
June 30, 2007 and 2006**

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**Report of Independent Auditors**

To The Board of Trustees  
Rensselaer Polytechnic Institute

In our opinion, the accompanying combined statements of financial position and the related combined statements of activities and cash flows present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute and its affiliates ("Rensselaer") at June 30, 2007 and 2006, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Rensselaer's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note N and L to the combined financial statements, Rensselaer changed the manner in which it accounts for conditional asset retirement obligations in 2006 and the manner in which it accounts for defined benefit pension and other postretirement plans in 2007.

*PricewaterhouseCoopers LLP*

August 31, 2007

**Rensselaer Polytechnic Institute**  
**Combined Statements of Financial Position**  
**At June 30, 2007 and June 30, 2006**  
(in thousands of dollars)

<i>Assets</i>	<i>2007</i>	<i>2006</i>
Cash and cash equivalents (Note B)	\$ 7,610	\$ 10,492
Accounts receivable, net (Note B)		
Student related and other	5,778	5,123
Research, training and other agreements (Note F)	22,465	20,441
Contributions receivable, net (Note E)	33,549	30,611
Contributions from external remainder trusts	6,092	4,137
Inventories (Note B)	2,465	2,603
Prepaid expenses and other assets	614	1,305
Deposits with bond trustees (Note K)	21,930	56,941
Student loans receivable, net (Note B)	27,355	27,044
Investments, at market (Note I)	835,383	702,717
Land, buildings and equipment, net (Note J)	577,024	513,013
<b>Total assets</b>	<b>\$ 1,540,265</b>	<b>\$ 1,374,427</b>
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 50,609	\$ 32,319
Deferred revenue	14,040	10,802
Short-term portion of long-term debt (Note K)	7,735	5,203
Liability on interest rate swap agreements (Note B)	11,932	11,743
Split interest agreement obligations (Note G)	12,743	10,449
Other liabilities	8,037	7,618
Pension liability (Note L)	45,098	58,109
Accrued postretirement benefits (Note L)	13,690	13,383
Refundable government loan funds	25,686	25,282
Long-term debt (Note K)	420,374	411,599
<b>Total liabilities</b>	<b>\$ 609,944</b>	<b>\$ 586,507</b>
<i>Net Assets (Note C)</i>		
Unrestricted	579,157	493,282
Temporarily restricted	114,536	78,682
Permanently restricted	236,628	215,956
<b>Total net assets</b>	<b>930,321</b>	<b>787,920</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,540,265</b>	<b>\$ 1,374,427</b>

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

**Rensselaer Polytechnic Institute**  
**Combined Statement of Activities**  
**For the year ended June 30, 2007, with comparative June 30, 2006 totals**  
(in thousands of dollars)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total June 30, 2007</i>	<i>Total June 30, 2006</i>
<i>Operating Revenue:</i>					
Student related revenue:					
Student tuition and fees, net (Note D)					
Undergraduate	\$ 86,170	\$ -	\$ -	\$ 86,170	\$ 78,819
Graduate	41,394			41,394	36,995
Education for working professionals	8,206			8,206	8,935
Fees	1,147			1,147	898
Auxiliary services	40,855			40,855	38,227
Student related revenue	<u>177,772</u>	<u>-</u>	<u>-</u>	<u>177,772</u>	<u>163,874</u>
Gifts (Note B and E)	25,012	29,415		54,427	27,719
Grants and contracts: (Note F)					
Direct:					
Federal	48,578			48,578	45,199
State	15,273			15,273	10,889
Private	5,076	15		5,091	4,457
Indirect (Note F)	15,460			15,460	13,576
Grants and contracts	<u>84,387</u>	<u>15</u>	<u>-</u>	<u>84,402</u>	<u>74,121</u>
Investment return: (Note I)					
Dividends and interest	12,948	1,245		14,193	11,954
Realized accumulated gains used to meet spending policy	14,627	1,554		16,181	17,493
Endowment spending for Rensselaer Plan initiatives	35,484			35,484	34,000
Interest on student loans	74			74	137
Investment return	<u>63,133</u>	<u>2,799</u>	<u>-</u>	<u>65,932</u>	<u>63,584</u>
Rensselaer Technology Park	4,657			4,657	5,183
Other	7,276	30		7,306	7,666
Net assets released from restrictions (Note B)	6,936	(6,936)		-	-
Total operating revenue	<u>369,173</u>	<u>25,323</u>	<u>-</u>	<u>394,496</u>	<u>342,147</u>
<i>Operating Expenses (Note H):</i>					
Instruction	133,255			133,255	127,720
Research:					
Sponsored	72,503			72,503	68,735
Un-sponsored	12,620			12,620	12,041
Student Services	9,900			9,900	9,719
Institutional and academic support	82,897			82,897	81,239
Externally funded scholarships and fellowships	11,700			11,700	11,493
Auxiliary services	26,286			26,286	24,973
Rensselaer Technology Park	3,710			3,710	3,245
Defined benefit pension and postretirement	14,088			14,088	10,291
Debt remarketing costs	-			-	3,234
Total operating expenses	<u>366,959</u>	<u>-</u>	<u>-</u>	<u>366,959</u>	<u>352,690</u>
Change in net assets from operating activities	<u>2,214</u>	<u>25,323</u>	<u>-</u>	<u>27,537</u>	<u>(10,543)</u>
<i>Non-operating (Note B):</i>					
Realized and unrealized gains (losses), net of spending policy (Note I)	66,625	9,391	798	76,814	9,702
Realized and unrealized gains (losses), interest rate swaps (Note B)	(1,209)			(1,209)	15,245
Adjustment for pension liability (Note L)	25,848			25,848	10,153
Life income and endowment gifts		752	19,459	20,211	8,808
Change in value of life income contracts (Note G)		388	415	803	630
Gain (loss) on disposal of fixed assets	169			169	(3,058)
Change in net assets from non-operating activities	<u>91,433</u>	<u>10,531</u>	<u>20,672</u>	<u>122,636</u>	<u>41,480</u>
Increase in net assets before effect of a change in accounting principle	93,647	35,854	20,672	150,173	30,937
Cumulative effect of a change in accounting principle (Note L and N)	(7,772)	-	-	(7,772)	(6,541)
Increase in net assets after cumulative effect of a change in accounting principle	<u>85,875</u>	<u>35,854</u>	<u>20,672</u>	<u>142,401</u>	<u>24,396</u>
Net assets at beginning of year	493,282	78,682	215,956	787,920	763,524
Net assets at end of year	<u>\$ 579,157</u>	<u>\$ 114,536</u>	<u>\$ 236,628</u>	<u>\$ 930,321</u>	<u>\$ 787,920</u>

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

**Rensselaer Polytechnic Institute**  
**Combined Statement of Activities**  
**For the year ended June 30, 2006**  
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2006
<i>Operating Revenue:</i>				
Student related revenue:				
Student tuition and fees, net (Note D)				
Undergraduate	\$ 78,819	\$ -	\$ -	\$ 78,819
Graduate	36,995			36,995
Education for working professionals	8,935			8,935
Fees	898			898
Auxiliary services	38,227			38,227
Student related revenue	<u>163,874</u>	-	-	<u>163,874</u>
Gifts (Note B and E)	25,956	1,763		27,719
Grants and contracts: (Note F)				
Direct:				
Federal	45,199			45,199
State	10,889			10,889
Private	4,457			4,457
Indirect (Note F)	13,576			13,576
Grants and contracts	<u>74,121</u>	-	-	<u>74,121</u>
Investment return: (Note I)				
Dividends and interest	11,049	905		11,954
Realized accumulated gains used to meet spending policy	16,011	1,482		17,493
Endowment spending for Rensselaer Plan initiatives	34,000			34,000
Interest on student loans	137			137
Investment return	<u>61,197</u>	<u>2,387</u>	-	<u>63,584</u>
Rensselaer Technology Park	5,183			5,183
Other	7,655	11		7,666
Net assets released from restrictions (Note B)	6,294	(6,294)		-
Total operating revenue	<u>344,280</u>	<u>(2,133)</u>	-	<u>342,147</u>
<i>Operating Expenses (Note H):</i>				
Instruction	127,720			127,720
Research:				
Sponsored	68,735			68,735
Un-sponsored	12,041			12,041
Student Services	9,719			9,719
Institutional and academic support	81,239			81,239
Externally funded scholarships and fellowships	11,493			11,493
Auxiliary services	24,973			24,973
Rensselaer Technology Park	3,245			3,245
Defined benefit pension and postretirement	10,291			10,291
Debt remarketing costs	3,234			3,234
Total operating expenses	<u>352,690</u>	-	-	<u>352,690</u>
Change in net assets from operating activities	<u>(8,410)</u>	<u>(2,133)</u>	-	<u>(10,543)</u>
<i>Non-operating (Note B):</i>				
Realized and unrealized gains (losses), net of spending policy (Note I)	5,206	4,062	434	9,702
Realized and unrealized gains (losses), interest rate swaps (Note B)	15,245			15,245
Adjustment for minimum pension liability (Note L)	10,153			10,153
Life income and endowment gifts		183	8,625	8,808
Change in value of life income contracts (Note G)		280	350	630
Loss on disposal of fixed assets	(3,058)			(3,058)
Other	(76)	260	(184)	-
Change in net assets from non-operating activities	<u>27,470</u>	<u>4,785</u>	<u>9,225</u>	<u>41,480</u>
Increase in net assets before effect of a change in accounting principle	19,060	2,652	9,225	30,937
Cumulative effect of a change in accounting principle (Note N)	(6,541)	-	-	(6,541)
Increase in net assets after cumulative effect of a change in accounting principle	<u>12,519</u>	<u>2,652</u>	<u>9,225</u>	<u>24,396</u>
Net assets at beginning of year	480,763	76,030	206,731	763,524
Net assets at end of year	<u>\$ 493,282</u>	<u>\$ 78,682</u>	<u>\$ 215,956</u>	<u>\$ 787,920</u>

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

**Rensselaer Polytechnic Institute**  
**Combined Statements of Cash Flows**  
**For the years ended June 30, 2007 and 2006**  
(in thousands of dollars)

	2007	2006
<i>Cash flow from operating activities</i>		
Total change in net assets	\$ 142,401	\$ 24,396
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	23,798	25,801
Accretion expense	383	-
(Gain) loss on disposal of fixed assets	(169)	3,058
Provision for uncollectible accounts and loans	(1,223)	(1,194)
Cumulative effect of accounting change	7,772	6,541
Realized and unrealized gains on investments	(128,479)	(61,195)
Change in pension liability	(21,481)	(9,547)
Unrealized loss (gain), interest rate swap	189	(17,929)
Contributions of equipment and other capital items	(26,315)	(1,859)
Contributions restricted for long term investment	(20,211)	(8,808)
Contributions from external trusts, net of change in value	(1,955)	1,189
Changes in operating assets and liabilities:		
Accounts receivable	(1,416)	(1,428)
Contributions receivable	(2,938)	4,715
Inventories	139	(572)
Prepaid expense and other assets	691	11
Accounts payable and accrued expenses	10,246	(5,274)
Present value of split interest agreements, net of terminations	2,294	856
Deferred revenue and other liabilities	3,657	72
Accrued postretirement benefits	1,004	772
Net cash used in operating activities	(11,613)	(40,395)
<i>Cash flow from investing activities</i>		
Proceeds from sale of investments	234,933	217,182
Purchase of investments	(239,120)	(210,697)
Additional student loans granted	(7,568)	(6,625)
Student loans paid	7,217	8,244
Deposit with bond trustees	35,011	(11,531)
Proceeds from sale of land, building, and equipment	5,874	519
Purchase of land, building and equipment	(59,803)	(61,634)
Net cash used in investing activities	(23,456)	(64,542)
<i>Cash flow from financing activities</i>		
Contributions restricted for endowments	20,211	8,808
Payment of annuity obligations	(1,384)	(1,358)
Proceeds from issuance of bonds	-	62,380
Proceeds from loans/line of credit	55,199	103,250
Repayment of debt/line of credit	(42,243)	(64,689)
Government loan funds	404	298
Net cash provided by financing activities	32,187	108,689
Net (decrease) increase in cash and cash equivalents	(2,882)	3,752
Cash and cash equivalents at beginning of the year	10,492	6,740
Cash and cash equivalents at end of the year	\$ 7,610	\$ 10,492
<i>Non cash investing activities</i>		
Gifts of equipment and other capital items	\$ 26,315	\$ 1,859
Cumulative effect of accounting change-plant and equipment	-	394
Purchases of capital assets included in accounts payable	7,396	3,967
<i>Supplemental disclosures of cash flow information</i>		
Cash paid during the year for interest	\$ 18,968	\$ 12,837

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

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note A- Organization**

Rensselaer Polytechnic Institute (Rensselaer) is a nonsectarian, coeducational institution composed of five schools: Architecture, Engineering, Humanities and Social Sciences, Lally School of Management and Technology, and Science. More than 130 programs and 700 courses lead to bachelor's, master's, and doctoral degrees in all five schools.

**Note B- Summary of Significant Accounting Policies**

*Basis of Consolidation*

The accompanying combined financial statements of Rensselaer have been prepared on the accrual basis and include Rensselaer Hartford Graduate Center, Inc. (Center). All significant inter-organizational accounts have been eliminated.

*Net Asset Classification*

Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions other than those which only obligate Rensselaer to utilize funds to further its educational mission.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by Rensselaer which fulfill the restrictions.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as "net assets released from restrictions".

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

*Reclassifications*

It is the Institute's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation. For fiscal year 2006, included in the combined statement of activities, research expenses were reclassified from sponsored to unsponsored.

*Tax Exempt Status*

Rensselaer is a tax exempt 501(c)(3) Corporation under the Internal Revenue Service Code.

*Contributions*

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Expenses are generally reported as decreases in unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Rensselaer does not record gifts of the use of a long lived asset if the assets are used for academic or educational research only. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.



**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note B- Summary of Significant Accounting Policies, (continued)**

*Recently Adopted Accounting Pronouncements*

In September 2006, the FASB issued the Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158). FAS 158 requires employers that sponsor defined benefit plans to recognize the funded status of a benefit plan, recognize the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, measure defined benefit plan assets and obligations as of the date of the employer's fiscal year end statement of financial position, and disclose in notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year.

Rensselaer adopted the recognition provisions of FAS 158 for its fiscal year ending June 30, 2007. Rensselaer also elected to adopt early the measurement date provisions of FAS 158 and changed the measurement date for its defined benefit pension plan from March 31 to June 30 for its 2007 financial statements. Rensselaer elected the alternative transition method for the change in measurement date. See Note L for the effect of the adoption.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Based on the guidance in FIN 47, management of Rensselaer determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition, a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted. See Note N for the effect of the adoption for Rensselaer.

*Non-Operating Activities*

Rensselaer considers the change in net assets from operating activities on the combined statement of activities to be its operating indicator. Non-operating activities include realized and unrealized gains or losses on investments not used to support operations, realized and unrealized gains or losses on interest rate swap agreements, changes in the value of split interest agreements, loss on defeasance of debt, adjustment for minimum pension liability, life income and endowment gifts and loss on disposal of fixed assets.

*Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less when purchased.

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note B- Summary of Significant Accounting Policies, (continued)**

*Accounts and Notes Receivable*

Accounts and notes receivable arising from tuition fees, Rensselaer Technology Park activity and amounts owed on research contracts are carried net of an allowance for doubtful accounts as follows (in thousands):

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Student-related receivables	\$730	\$1,036
Loans to students	1,779	1,739
Hartford Campus	61	67
Other	14	14
Rensselaer Technology Park	36	36
Research, training and other agreements	<u>195</u>	<u>1,146</u>
Total allowances for doubtful accounts	<u>\$2,815</u>	<u>\$4,038</u>

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition.

*Inventories*

Inventories consist mainly of bookstore and computer store goods and maintenance supplies and are stated at the lower of cost or current market value, based upon the first-in, first-out method.

*Investments*

Investments are recorded in the following manner:

Short term investments consisting principally of money market funds and short term notes as well as long term investments consisting principally of equity securities, bonds and notes with readily determinable fair value are recorded at their quoted market prices.

Private equities and certain non-marketable securities (including real assets and certain short term investments) are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds.

Marketable alternatives are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments.

As noted above, the values of certain investments as recorded are based upon estimates regarding their fair value. These values do not necessarily represent the amounts that Rensselaer would realize upon liquidation of these investments.

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.

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note B- Summary of Significant Accounting Policies, (continued)**

*Land, Buildings and Equipment*

Land, buildings and equipment are carried at cost or at the fair market value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (50 years) and equipment (3-20 years). All gifts of land, buildings and equipment are recorded as unrestricted operating activity unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the donor restrictions are reported as being released when the donated or acquired long-lived assets are placed in service. Gifts of land, buildings and equipment with explicit donor stipulations specifying how the assets must be used or how long the assets must be maintained are recorded as temporarily restricted operating activity and reported as being released over the period of time required and be maintained as the assets are used for its specified purpose.

*Interest Rate Swap Agreements*

Rensselaer has entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate, thereby economically hedging against changes in the cash flow requirements of Rensselaer's variable rate debt obligations. Rensselaer has also entered into an interest rate swap to convert fixed rate debt to variable rate, thereby economically hedging against changes in the fair value of the debt. Accordingly, the interest rate swap contracts are reflected at fair value in Rensselaer's combined statements of financial position and the related portions of variable fixed-rate debt being hedged are reflected at an amount equal to their carrying value.

Net payments or receipts under the swap agreements along with the change in fair value of the swaps are recorded in non-operating activities as realized and unrealized gains or losses on interest rate swap agreements.

**Note C- Combined Net Assets**

Combined net assets of Rensselaer are comprised of the following (in thousands):

<u>Detail of Net Assets</u>	<u>2007</u>	<u>2006</u>
Operating	\$ 23,047	\$ 28,983
Funding for facilities	193,785	172,954
Unexpended	3,394	7,213
Funding for student loans	4,809	6,349
Annuity and life income	26,328	24,427
Realized & unrealized losses, interest rate swaps	(11,932)	(11,743)
Adjustment for pension liability	(45,098)	(58,109)
Endowment and other net assets functioning as endowment	<u>735,988</u>	<u>617,846</u>
Total net assets	<u>\$930,321</u>	<u>\$787,920</u>

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note D- Tuition Revenue**

The undergraduate student discount rate was 45.8% and 44.9% for the years ended June 30, 2007 and 2006, respectively.

Student tuition by segment and location is as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Undergraduate tuition:		
Troy Campus	\$158,975	\$143,197
Less institutional aid	<u>(72,805)</u>	<u>(64,378)</u>
Total undergraduate tuition	<u>\$86,170</u>	<u>\$ 78,819</u>
Graduate tuition:		
Troy Campus	\$30,783	\$28,651
Hartford Campus	<u>10,611</u>	<u>8,344</u>
Total graduate tuition	<u>\$41,394</u>	<u>\$36,995</u>
Education for working professionals:		
Troy Campus	\$7,333	\$8,085
Hartford Campus	<u>873</u>	<u>850</u>
Total education for working professionals	<u>\$8,206</u>	<u>\$8,935</u>

**Note E- Contributions Receivable**

Contributions receivable are expected to be collected as follows at June 30 (in thousands):

	<u>2007</u>	<u>2006</u>
In one year or less	\$1,179	\$ 866
Between one year and three years	13,640	13,215
Greater than three years	<u>27,402</u>	<u>24,663</u>
Less:		
Present value discount (2.27 – 6.43%)	(8,125)	(7,735)
Allowance for uncollectible pledges	<u>(547)</u>	<u>(398)</u>
Total contributions receivable	<u>\$33,549</u>	<u>\$30,611</u>

Conditional pledges, which are not accrued, approximate \$10,953,000 at June 30, 2007, of which \$527,000 was unrestricted as to purpose. The remaining conditional pledges are restricted to purpose as follows: \$4,011,000 current programs; \$6,324,000 endowment; and \$91,000 plant. It is anticipated that the conditional pledges will be collected over an average life of three years. Bequest expectancies totaling \$76,672,000 have been excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to the \$360,000,000 transformational gift, income is being recognized as cash payments are received.

**Note F- Research Grants and Contracts**

Rensselaer has been awarded approximately \$83,926,000 and \$81,535,000 of grants and contracts which have not been advanced or expended as of June 30, 2007 and 2006, respectively, and accordingly, are not recorded in the financial statements.

**Rensselaer Polytechnic Institute**  
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**Note G- Split Interest Agreements**

Split interest gift agreements consist primarily of irrevocable charitable remainder trusts, pooled income funds and charitable gift annuities for which Rensselaer 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, 2007 and 2006 were \$32,974,000 and \$30,739,000, 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 3.8% to 10.6%. The liability for the present value of deferred gifts of \$12,743,000 and \$10,449,000 at June 30, 2007 and 2006, 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 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. Changes in fair value of the trusts are recorded as non-operating gains or losses in temporarily or permanently restricted net assets.

**Note H- Natural Expense Classification**

The following table compares expenses by type for the years ended June 30, 2007 and 2006, respectively (in thousands):

	<u>2007</u>	<u>2006</u>
Salaries and wages	\$144,000	\$139,042
Employee benefits excluding retirement	26,619	27,448
Retirement plan expense	<u>19,640</u>	<u>14,796</u>
Subtotal employee benefits	<u>46,259</u>	<u>42,244</u>
Total compensation	<u>\$190,259</u>	<u>\$181,286</u>
Supplies & services	65,663	65,451
Utilities	12,065	12,541
Employee travel	5,867	6,037
Taxes & insurance	7,253	5,217
Telecommunications	391	455
Library materials	2,057	2,025
Interest on debt	20,246	12,945
Depreciation and amortization	23,798	25,801
Student aid and fellowships	35,733	33,814
Operating lease agreements	3,250	3,173
Provision for uncollectible accounts	128	516
Other	<u>249</u>	<u>3,429</u>
Total non salary	<u>176,700</u>	<u>171,404</u>
Total expenses	<u>\$366,959</u>	<u>\$352,690</u>

**Rensselaer Polytechnic Institute**  
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**Note I- Investments**

The carrying value and cost of investments at June 30 is as follows (in thousands):

	<u>2007</u>		<u>2006</u>	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	\$ 27,713	\$ 27,709	\$ 44,804	\$ 41,955
Bonds and notes	109,823	102,939	90,853	89,692
Domestic equity securities	184,267	145,237	165,249	143,257
Foreign equity securities	156,174	97,375	144,816	111,672
Real estate	70,010	65,078	30,096	28,095
Marketable alternatives	166,203	131,437	126,617	110,575
Private equity partnerships	<u>121,193</u>	<u>128,115</u>	<u>100,282</u>	<u>148,421</u>
Total investments	<u>\$835,383</u>	<u>\$697,890</u>	<u>\$702,717</u>	<u>\$673,667</u>

Approximately \$156,174,000 of the investment portfolio at June 30, 2007 is invested in international securities that are subject to the additional risk of currency fluctuation.

At June 30, 2007, Rensselaer has committed to investing an additional \$187.9 million in various equity and real asset partnerships.

Rensselaer has reviewed unrealized losses on its investments and has concluded that none represent other than temporary losses from market activities.

*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. During fiscal year 2007, certain restricted endowment funds did not have sufficient accumulated unspent income or gains to fund their spending allocation or market deficiencies and Rensselaer has borrowed funds from unrestricted endowment to offset the spending allocation.

*Dividends, Interest and Realized and Unrealized Gains and Losses*

Total dividends, interest and realized and unrealized gains (reflected as both operating and non-operating activity) are as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Dividends and interest available for spending	\$ 14,193	\$11,954
Realized gains	20,161	55,415
Unrealized gains	<u>108,318</u>	<u>5,780</u>
Total return	<u>142,672</u>	<u>73,149</u>
Less: amounts allocated for spending	<u>(28,574)</u>	<u>(28,458)</u>
Net return	<u>\$114,098</u>	<u>\$44,691</u>

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**Note I- Investments, (continued)**

Investment management fees were \$2,350,000 and \$2,347,000 in 2007 and 2006, respectively, and are netted against realized and unrealized gains.

In May 2000 Rensselaer’s Board of Trustees approved the Rensselaer Plan, a strategic roadmap to achieving greater prominence in the 21<sup>st</sup> century as a top-tier world-class technological research university with global reach and global impact. The Board also committed to endowment withdrawals in excess of Rensselaer’s spending formula, as necessary, to fund investment in Plan initiatives. To date, \$182 million has been spent or committed for such initiatives, exclusive of capital expenditures. In fiscal year 2005, an initial withdrawal from quasi-endowment of \$20 million was recognized and displayed in the Statement of Activities as “endowment spending for Rensselaer Plan initiatives.” For fiscal year 2006 and fiscal year 2007, the amount reflected as “endowment spending for Rensselaer Plan initiatives” equals \$34 million and \$35.5 million, respectively. These amounts reflect Board approved commitments against the endowment with the residual of \$182 million investment being funded from operations.

*Derivative Financial Instruments*

Investments include derivative financial instruments that have been acquired to reduce overall portfolio risk by hedging exposure to certain assets held in the portfolio. At June 30, 2007, there were approximately \$3,059,000 of open or unsettled forward exchange contracts to sell foreign currency and \$3,054,000 of open or unsettled forward exchange contracts to purchase foreign currency. These contracts are denominated in eleven North American, European, Asian and Australian currencies and will settle at various dates through July, 2007. The impact on the combined statement of activities is not significant.

Forward contracts are marked to market monthly. The market and credit risks related to these derivative investments are not materially different from the risks associated with similar underlying assets in the portfolio. These derivative financial instruments are recorded at estimated fair value in investments.

**Note J- Land, Buildings, and Equipment**

Land, buildings, and equipment consist of the following at June 30 (in thousands):

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 20,790	\$ 20,601
Buildings	488,418	487,809
Equipment	211,097	180,076
Construction in progress	<u>155,529</u>	<u>105,088</u>
Total land, buildings & equipment	875,834	793,574
Less accumulated depreciation	<u>(298,810)</u>	<u>(280,561)</u>
	<u>\$577,024</u>	<u>\$513,013</u>

As of June 30, 2007, Rensselaer had \$14,617,000 of open commitments to contractors for construction on work being performed.

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**Note K- Debt Outstanding**

The following table and footnotes illustrate Rensselaer's various debt obligations, all of which are repaid from the general operations of Rensselaer and the Center, as appropriate.

Outstanding bonds and notes payable of Rensselaer are comprised of the following (in thousands):

*Debt:*

	Year of Final <u>Maturity</u>	Weighted Average <u>Annual Interest Rate</u>	June 30	
			<u>2007</u>	<u>2006</u>
U.S. Department of Education Dormitory Bonds and 1988 Mortgage Loan	2018	3.0%	\$ 1,794	\$ 1,923
Rensselaer County IDA – Industrial Development Facility Issue:				
Series 1997A (1)	2022	4.34%	9,334	9,666
Series 1999A and B (2)	2030	5.11%	36,608	37,788
Series 2006 (10)	2036	4.84%	62,480	62,523
Troy Industrial Development Authority Civic Facility Issue:				
Series 2002A (3)	2015	5.43%	16,410	16,496
Series 2002B-E (3)	2042	Variable	197,535	197,572
2004 Bank of America Term Loan (5)	2019	4.57%	27,938	29,587
2006 Bank of America Term Loan (8)	2011	5.57%	35,000	35,000
2006 Bank of America Term Loan (9)	2011	5.57%	13,000	10,000
2007 Bank of America Term Loan (11)	2027	5.55%	14,250	-
<i>Student Loan Program Debt</i>				
DASNY 1992 CUEL	2009	6.78%	1,601	2,276
New York State Urban Development Corporation (UDC) CII mortgage loan (4)	2026	11.1% (imputed)	3,660	3,784
<i>Rensselaer Technology Park Debt:</i>				
2005 Bank of America Term Loan (7)	2013	5.82%	8,322	9,426
State of Connecticut Health and Educational Facilities Authority – 1985 Mortgage Agreement (6)	2006	4.5%	-	525
Capital Lease Agreements	2007	Various	<u>177</u>	<u>236</u>
			<u>\$428,109</u>	<u>\$416,802</u>

Debt principal outstanding is reflected net of bond discount and/or capitalized issuance cost where applicable in the amount of \$6,038,000 and \$5,955,000 at June 30, 2007 and 2006, respectively. Such costs are being amortized on the straight-line method over the term of the related indebtedness.



**Rensselaer Polytechnic Institute**  
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**Note K- Debt Outstanding, (continued)**

Long-term debt and notes payable are collateralized by certain physical properties with a carrying value of \$71,447,000 and by pledges of specified portions of tuition, fees and revenues from various facilities.

At June 30, 2007, Rensselaer had \$21,930,000 of assets held by trustees for construction, student loans, debt service and other project-related expenses. Certain of the long term debt and notes payable contain restrictive covenants including the maintenance of specified deposits with trustees.

*Notes to Debt Outstanding*

1. On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of \$13,240,000 in revenue bonds for the purpose of financing the renovation of three of Rensselaer's buildings and the acquisition of a new student record system. The bonds bear a variable interest rate that resets weekly, but in no event may exceed 12% per annum.
2. On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of \$41,110,000 in revenue bonds. Proceeds from the issue in the amount of \$24,196,000 were used for the construction and/or renovation of three buildings, issuance costs, and to legally defease Dormitory Authority Series 1991 Bonds.
3. On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of \$218,875,000 in Series 2002 A-E revenue bonds, including \$202,975,000 in variable rate mode. The transaction also generated a \$1,125,000 premium on the Series 2002A bonds. Proceeds from the issue in the amount of \$203,150,771 were utilized for the construction costs of two buildings, related campus-wide infrastructure improvements, issuance costs and to legally defease Dormitory Authority Series 1993 Bonds. In fiscal year 2002, Rensselaer entered into an interest rate swap agreement, with a term of 35 years, on \$150,000,000 (notional) of the Series 2002 B-D bonds issued, in order to convert variable rate borrowings to a fixed rate liability. This swap effectively locks in a fixed rate liability of 5.0325%. In February 2006, Rensselaer entered into an amendment with the counterparty which, in effect, altered the fixed rate liability to 4.30% until June 2011, at which point it converts to 4.593%. In addition, on May 11, 2006 the Series 2002E bonds were remarketed and converted from variable to a 5-year put option, with interest during the period ending September 1, 2011 set at 4.05%. The impact on the combined statement of activities as it relates to the fair market value of the interest rate swap was \$56,000.
4. The NYS Urban Development Corporation (UDC) mortgage loan has a face amount of \$33,500,000, without interest, and resulted from the provision of assistance by New York State, through the UDC, toward the construction of the George M. Low Center for Industrial Innovation (CII). Approximately \$28,654,000, the difference between the total of all payments and the net present value of the liability discounted at a rate of 11.12%, has been recorded as an addition to unrestricted net assets. The facility is leased to the State of New York and, in turn, subleased to Rensselaer. Current annual payments amount to \$900,000 with increasing annual amounts through maturity. As of June 30, 2007, the discount associated with the UDC mortgage loan is approximately \$14,240,000.

**Rensselaer Polytechnic Institute**  
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**Note K- Debt Outstanding, (continued)**

5. On March 4, 2004, Rensselaer entered into an agreement with Bank of America for a \$30,000,000 15-year term loan for the purpose of financing a portion of its pension obligations and to fund the costs of certain capital improvements. The note bears an interest rate of 4.57% for eight years, at which point it will convert to a floating rate based on the one month LIBOR plus 40 basis points. The loan agreement requires compliance with certain financial ratio covenants.
6. On October 28, 1985, the Hartford Graduate Center entered into an agreement with the State of Connecticut Health and Educational Facilities Authority for a \$5,700,000 mortgage loan for the purpose of constructing a parking garage on the Rensselaer at Hartford campus. The loan bears a floating interest rate set on December 15<sup>th</sup> and June 15<sup>th</sup> of each year at 75% of the prime rate, and matured on July 1, 2006. The debt was a general obligation of the Center. This loan was paid off in the current year.
7. On December 31, 2005, Rensselaer entered into an agreement with Bank of America for a \$9,834,734 term loan for purposes of refinancing of Rensselaer Technology Park 1995 and 1998 term loans with Bank of America, as successor to Fleet Bank. The fully amortizing loan matures on December 31, 2013. The note bears interest at LIBOR plus one quarter of one percent. In conjunction with this refinancing, on July 19, 2005 Rensselaer entered into a forward starting interest rate swap of \$9,835,000 (notional) with Bank of America beginning January 1, 2006, effectively paying a fixed rate of 5.82% for term of the swap, which is contiguous with the loan's term. The loan agreement requires compliance with certain financial ratio covenants.
8. On April 14, 2006, Rensselaer entered into an agreement with Bank of America for a \$35,000,000 term loan, which matures on July 1, 2011. The note bears interest at LIBOR plus .48 of one percent. In conjunction with this transaction, on March 20, 2006, Rensselaer entered into a forward starting interest rate swap of \$35,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements'. The loan agreement requires compliance with certain financial loan covenants.
9. On May 15, 2006, Rensselaer entered into an agreement with Bank of America for a \$10,000,000 term loan, which matures on July 1, 2011. The loan has a revolving feature which permits additional draws up to a total of \$13,000,000 if completed prior to July 1, 2010. The note bears interest at LIBOR plus .48 of one percent. On June 15, 2006, Rensselaer completed a \$10,000,000 advance on this revolving loan. In conjunction with this transaction, on March 20, 2006 Rensselaer entered into a forward starting interest rate swap of \$10,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements'. The loan agreement requires compliance with certain financial loan covenants. On April 13, 2007 Rensselaer advanced the remaining \$3,000,000 under this agreement bringing the total principal amount outstanding to \$13,000,000.

**Rensselaer Polytechnic Institute**  
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**Note K- Debt Outstanding, (continued)**

10. On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of \$62,380,000 in Series 2006 fixed rate revenue bonds. The transaction generated a \$1,616,000 premium. Proceeds from the issue in the amount of \$63,996,000 will be utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs.
  
11. On May 23, 2007, Rensselaer entered into an agreement with Bank of America for a \$41,400,000 term loan, which matures on May 22, 2012. The note bears interest at LIBOR plus .43 of one percent. In conjunction with this transaction, on April 24, 2007, Rensselaer entered into a forward starting interest rate swap of \$41,400,000 (notional) with the Bank of America beginning April 1, 2008, effectively paying a fixed rate of 5.55% on the term loan. The maturity date of the swap is June 1, 2022. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements.' The loan agreement requires compliance with certain financial loan covenants.

As of June 30, 2007, Rensselaer had a standby letter of credit with Bank of America totaling \$1,509,000 for workers compensation insurance security purposes. In addition, Rensselaer had standby letters of credit with Bank of America totaling \$1,440,000 and \$250,000 for general liability insurance and professional liability insurance security purposes, respectively, related to current construction projects on the Troy, New York campus. There were no draws against these letters of credit during the fiscal year. Rensselaer also has a mortgage loan guarantee in place for one loan made by HSBC Bank USA in 1996 to finance construction and renovation costs for an on-campus fraternity residential facility. The balance of the mortgage loan, which totaled \$600,000 at inception, was \$360,000 on June 30, 2007.

The Institute has an unsecured line of credit with Bank of America valued at \$30,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus .30%. There was no outstanding balance on the line of credit at June 30, 2007.

Principal and interest payments due on all long-term debt as of June 30, 2007 for each of the next five fiscal years are (in thousands):

<u>Year</u>	<u>Amount</u>
2008	\$31,067
2009	33,327
2010	31,391
2011	34,380
2012	42,320
Thereafter	\$691,420

The fair value of Rensselaer's fixed rate financial debt instruments based on the borrowing rates currently available for loans with similar terms and average maturities was estimated at \$254,471,000 as of June 30, 2007.

**Rensselaer Polytechnic Institute**  
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**Note L- 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, 2007 and 2006. The defined benefit plan calculations were based upon data as of or projected to June 30, 2007 and April 1, 2006. Postretirement benefit plan calculations were based upon data as of July 1, 2006 and 2005. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

Change in projected benefit obligation (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Benefit obligation at beginning of year	(\$262,670)	(\$255,709)	(\$13,068)	(\$14,096)
Service cost	(4,713)	(4,631)	(668)	(584)
Interest cost	(15,332)	(14,307)	(817)	(664)
Changes in discount rate	6,367	6,054	-	-
Plan participants' contributions	(319)	(273)	(1,175)	(1,656)
Amendments/curtailments/special termination	-	-	1,375	-
Actuarial (loss)/gain	(4,099)	(8,008)	(925)	1,855
Expenses paid	1,586	760	-	-
Benefits paid	18,295	13,444	1,588	2,077
Adjustment due to change in measurement date	<u>( 5,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Benefit obligation at end of year	<u>(\$265,896)</u>	<u>(\$262,670)</u>	<u>(\$13,690)</u>	<u>(\$13,068)</u>

The accumulated benefit obligation for the defined benefit pension plan was \$260,974,000 and \$256,754,000 as of June 30, 2007 and 2006, respectively.

Change in plan assets (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Fair value of plan assets at beginning of year	\$198,645	\$180,960	\$-	\$-
Actual expense	(1,586)	(760)	-	-
Actual return on plan assets	30,114	23,416	-	-
Employer contribution	7,709	8,200	413	421
Plan participant's contribution	319	273	1,175	1,656
Benefits paid	(18,295)	(13,444)	(1,588)	(2,077)
Adjustment due to change in measurement date (three months expected return)	<u>3,892</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year	<u>\$220,798</u>	<u>\$198,645</u>	<u>\$-</u>	<u>\$-</u>

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
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**Note L- Retirement Plans, (continued)**

Funded status and amount recognized (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Funded status plan assets at beginning of year	(\$45,098)	(\$64,024)	(\$13,690)	(\$13,068)
Unrecognized net actuarial (gain)/loss	-	100,100	-	(306)
Transition assets	-	-	-	-
Unrecognized prior service cost	-	<u>594</u>	-	<u>(9)</u>
Prepaid/(accrued) benefit cost	(45,098)	36,670	(13,690)	(13,383)
Minimum pension liability	-	<u>(94,779)</u>	-	-
Total liability	<u>(\$45,098)</u>	<u>(\$58,109)</u>	<u>(\$13,690)</u>	<u>(\$13,383)</u>

Amounts recognized in the statement of financial position consist of (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Prepaid benefit cost				
Accrued benefit liability	N/A	\$(58,109)	N/A	\$(13,383)
Intangible asset	N/A	594	N/A	N/A
Cumulative reduction in unrestricted assets	<u>N/A</u>	<u>94,185</u>	<u>N/A</u>	<u>N/A</u>
Net amount recognized	<u>N/A</u>	<u>\$36,670</u>	<u>N/A</u>	<u>\$(13,383)</u>

Amounts recognized in the statement of financial position consist of (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current liability	-	-	\$(750)	N/A
Non-current liability	\$(45,098)	N/A	(12,940)	N/A

Amounts recognized in unrestricted net assets (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net transition obligation/(asset)				
Net prior service cost/(credit)	\$359	N/A	\$1,318	N/A
Net actuarial (gain)/loss	73,260	N/A	(620)	N/A

In recognizing the effects of the change in measurement date, Rensselaer's actuary prepared a 15-month projection of net periodic pension cost for April 1, 2006, to June 30, 2007. Rensselaer allocated the net periodic cost proportionately between amounts to be recognized in unrestricted net assets (\$3,189,000) and net periodic pension cost (\$12,670,000) for 2007, as illustrated below in the following two tables. The latter is reported within the defined benefit pension and postretirement line item on the combined statement of activities.

**Rensselaer Polytechnic Institute**  
**Notes to the Combined Financial Statements**  
**For the Years Ended June 30, 2007 and June 30, 2006**

**Note L- Retirement Plans, (continued)**

Other changes in plan assets and benefit obligations recognized in unrestricted net assets (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Change in additional minimum liability under FAS 87	\$(25,848)	\$(10,153)	N/A	N/A
Change in measurement date under FAS 158	3,189	N/A	N/A	N/A
FAS 158 change in accounting principle	5,281	N/A	\$(698)	N/A
New prior service cost/(credit)	N/A	N/A	N/A	N/A
New actuarial loss/(gain)	N/A	N/A	N/A	N/A
Amortization of:				
Transition obligation/(asset)	N/A	N/A	N/A	N/A
Prior service cost/(credit)	N/A	N/A	N/A	N/A
Actuarial loss/(gain)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total recognized in non-operating (income)/expense	<u>\$(17,378)</u>	<u>\$(10,153)</u>	<u>\$(698)</u>	<u>N/A</u>

Net periodic benefit cost is included in the following components (in thousands):

	Defined Benefit		Postretirement	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service cost	\$4,714	\$4,631	\$668	\$584
Interest cost	15,332	14,307	817	664
Expected return on plan assets	(15,567)	(15,155)	-	-
Amortization of gain/(loss) from earlier periods	8,020	7,727	(1)	-
Amortization of unrecognized net asset at transition	-	(2,705)	-	-
Amortization of prior service cost	<u>171</u>	<u>293</u>	<u>(66)</u>	<u>(55)</u>
Net periodic benefit cost	<u>\$12,670</u>	<u>\$9,098</u>	<u>\$1,418</u>	<u>\$1,193</u>

Weighted average asset allocation at June 30, 2007 and 2006, by asset category are as follows:

Asset Category	Defined Benefit	
	<u>2007</u>	<u>2006</u>
Domestic Equity	31.0%	39.2%
International Equity	16.9%	19.0%
Private Equity	0.2%	-
Marketable Alternatives	31.6%	27.4%
Real Assets	8.2%	2.9%
Fixed income	11.7%	9.6%
Cash	<u>0.4%</u>	<u>1.9%</u>
	<u>100.0%</u>	<u>100.0%</u>

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

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**Notes to the Combined Financial Statements**  
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**Note L- Retirement Plans, (continued)**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Fiscal Year Beginning July 1	Defined Benefit	Postretirement
2007	\$16,613	\$750
2008	\$17,535	\$816
2009	\$17,965	\$907
2010	\$18,466	\$962
2011	\$19,026	\$1,007
2012-2016	\$103,576	\$6,195

As of the measurement date, the weighted average rates forming the basis of net periodic benefit cost and amounts recognized in Rensselaer's statement of financial position were:

	Defined Benefit		Postretirement	
	June 30 Measurement	March 31 Measurement	June 30 Measurement	June 30 Measurement
<i>Benefit obligations</i>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.00%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-
<i>Net periodic benefit cost</i>				
Discount rate	6.00%	5.75%	6.25%	5.25%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-

For measurement purposes, a 10.0 percent, 9.0 percent and 13.0 percent annual rate of increase in the per capita cost of covered pre-65 medical, post-65 medical benefits and prescription drug benefits, respectively, was assumed for fiscal year 2007. These rates were assumed to decrease gradually to 5 percent for fiscal year 2016 and remain at that level thereafter. A plan amendment established a maximum of \$85 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the \$85 per month maximum, the health care cost trend rate will no longer have any effect except for grandfathered participants not subject to the cap and pre-65 coverage.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit. A one-percentage point change in the health care cost trend rates would have the following effects (in thousands):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	\$101	(\$87)
Effect on postretirement benefit obligation	\$652	(\$571)

Based upon service at retirement date, Rensselaer pays for a portion of health care benefits for retired employees. In addition, Rensselaer Hartford Graduate Center, Inc. pays for dental and life insurance benefits for employees who had retired prior to July 1, 1997.

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**Note L- Retirement Plans, (continued)**

*Defined Contribution Plan*

Rensselaer and the Center also have non-contributory Defined Contribution Plans open to full-time employees who have met minimum service requirements. Contributions to these plans (8% of employee salary) were \$6,693,000 and \$5,676,000 in fiscal 2007 and 2006, respectively.

In addition, the Center has its own pension plan in association with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a money purchase plan so there is no past service cost. The Center's contributions to this plan (8% of employee salary) were \$277,000 and \$292,000 in fiscal 2007 and 2006, respectively.

**Note M- Contingencies**

In the normal course of business, Rensselaer has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which Rensselaer has been named, in the opinion of management such litigation will not, in the aggregate, have a material adverse effect on Rensselaer's financial position.

**Note N- Asset Retirement Obligations**

Upon adoption of FIN 47 on June 30, 2006, Rensselaer recognized asset retirement obligations related to asbestos contamination in buildings, decommissioning expenses and tank disposals and recorded a non-cash transition impact of \$6,541,000 which is reported as a cumulative effect of a change in accounting principle in the statement of activities and changes in net assets, an asset of \$393,000 included in land, buildings and equipment, and a liability for conditional asset retirement obligations of \$6,935,000 included in other liabilities. In fiscal year 2007, \$383,000 of accretion expense and \$18,000 of depreciation expense was recorded.

The following table illustrates the effect on the change in net assets as if this interpretation had been applied for the year ended June 30 (in thousands):

	<u>2006</u>
Change in net assets, as reported	\$30,937
Less: Total depreciation and interest accretion costs	<u>(382)</u>
Proforma change in net assets	<u>\$30,555</u>