Rensselaer Polytechnic Institute

Consolidated Financial Statements

For the Years Ended
June 30, 2013 and 2012

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Contents

Independent Auditor's Report

To The Board of Trustees
Rensselaer Polytechnic Institute:

We have audited the accompanying consolidated financial statements of Rensselaer Polytechnic Institute ("Rensselaer"), which comprise of the consolidated statement of financial position as of June 30, 2013 and June 30, 2012 and the related statements of activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute at June 30, 2013 and June 30, 2012 and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 25, 2013

PricewaterhouseCoopers LLP, 677 Broadway, Albany, NY 12207
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Rensselaer Polytechnic Institute
Consolidated Statements of Financial Position
At June 30, 2013 and June 30, 2012
(in thousands of dollars)

Assets	6/30/2013	6/30/2012
Cash and Cash Equivalents	$ 10,359	$ 10,224
Accounts receivable, net		
Student related and other	3,192	5,460
Research, training, and other agreements	14,499	22,186
Contributions receivable, net	22,075	16,220
Contributions from external remainder trusts	8,670	8,099
Inventories	1,877	1,813
Prepaid expenses and other assets	9,315	13,305
Student loans receivable, net	26,851	27,339
Investments, at market - endowment, annuity & life income funds	616,363	587,692
Land, buildings and equipment, net	719,250	732,989
Total Assets	$ 1,432,451	$ 1,425,326

Liabilities		
Accounts payable and accrued expenses	$ 39,378	$ 41,940
Short-term borrowings	35,900	38,700
Split interest agreement obligations	6,933	7,091
Deferred revenue	24,342	20,709
Other liabilities	13,179	16,968
Pension liability	91,069	117,795
Accrued postretirement benefits	14,658	15,864
Refundable government loan funds	28,808	28,219
Capital leases payable	19,053	19,296
Long-term debt	732,309	740,699
Total Liabilities	1,005,629	1,047,280

Net Assets		
Unrestricted	(77,746)	(92,936)
Temporarily Restricted	165,503	160,021
Permanently Restricted	339,065	310,961
Total Net Assets	426,822	378,046
Total liabilities and Net Assets	$ 1,432,451	$ 1,425,326

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
For The Year Ended June 30, 2013, with summarized comparative June 30, 2012
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2013	Total June 30,2012
Operating Revenue:					
Student related revenue:					
Student tuition and fees, net					
Undergraduate	$ 134,035	$ -	$ -	$ 134,035	$ 127,806
Graduate	45,180	-	-	45,180	41,703
Education for working professionals	5,728	-	-	5,728	6,450
Fees	1,467	-	-	1,467	1,653
Auxiliary services	55,911	-	-	55,911	54,912
Student related revenue	242,321	-	-	242,321	232,524
Gifts	19,448	4,244	-	23,692	22,539
Grants and contracts:					
Direct:					
Federal	63,095	-	-	63,095	65,077
State	10,831	-	-	10,831	7,525
Private	5,496	-	-	5,496	6,812
Indirect	19,046	-	-	19,046	18,917
Grants and contracts	98,468	-	-	98,468	98,331
Investment return:					
Dividends and interest	1,917	1,874	1,565	5,356	4,951
Realized accumulated gains used to meet spending policy	11,661	12,278	-	23,939	25,779
Endowment spending for Rensselaer Plan Initiatives	9,500	-	-	9,500	23,300
Interest on student loans	55	-	-	55	74
Investment return designated for operations	23,133	14,152	1,565	38,850	54,104
Rensselaer Technology Park	4,255	(2)	-	4,253	4,001
Other	497	50	-	547	3,459
Net assets released from restrictions	28,190	(26,326)	(1,864)	-	-
Total operating revenue	416,312	(7,882)	(299)	408,131	414,958
Operating Expense:					
Instruction	147,385	-	-	147,385	147,819
Research:					
Sponsored	108,645	-	-	108,645	110,363
Unsponsored	18,094	-	-	18,094	19,771
Student services	13,047	-	-	13,047	13,185
Institutional and academic support	82,307	-		82,307	84,916
Externally funded scholarships and fellowships	11,301	-	-	11,301	11,595
Auxiliary services	31,891	-	-	31,891	30,573
Rensselaer Technology Park	3,649	-	-	3,649	3,575
Defined benefit pension and postretirement	21,761	-	-	21,761	12,788
Total operating expenses	438,080	-	-	438,080	434,585
Change in net assets from operating activities	(21,768)	(7,882)	(299)	(29,949)	(19,627)
Non-operating:					
Realized and unrealized gains (losses), net of spending policy and initiatives	751	12,082	3,692	16,525	(57,295)
Adjustment for pension and postretirement benefits liability	36,038	-	-	36,038	(63,983)
Life income and endowment gifts	-	-	24,201	24,201	2,540
Change in value of life income contracts	-	1,298	892	2,190	826
(Loss) Gain on disposal of fixed assets	(229)	-	-	(229)	(396)
Other reclassifications & transfers	398	(16)	(382)	-	-
Change in net assets from non-operating activities	36,958	13,364	28,403	78,725	(118,308)
Increase (Decrease) in net assets	15,190	5,482	28,104	48,776	(137,935)
Net assets at beginning of year	(92,936)	160,021	310,961	378,046	515,981
Net assets at end of year	$ (77,746)	$ 165,503	$ 339,065	$ 426,822	$ 378,046

Rensselaer Polytechnic Institute
Consolidated Statement of Activities
For The Year Ended June 30, 2012
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2012
Operating Revenue:				
Student related revenue:				
Student tuition and fees, net				
Undergraduate	$ 127,806	$ -	$ -	$ 127,806
Graduate	41,703	-	-	41,703
Education for working professionals	6,450	-	-	6,450
Fees	1,653	-	-	1,653
Auxiliary services	54,912	-	-	54,912
Student related revenue	232,524	-	-	232,524
Gifts	20,807	1,729	3	22,539
Grants and contracts:				
Direct:				
Federal	65,077	-	-	65,077
State	7,525	-	-	7,525
Private	6,812	-	-	6,812
Indirect	18,917	-	-	18,917
Grants and contracts	98,331	-	-	98,331
Investment return:				
Dividends and interest	2,143	2,807	1	4,951
Realized accumulated gains used to meet spending policy	13,457	12,322	-	25,779
Endowment spending for Rensselaer Plan initatitives	23,300	-	-	23,300
Interest on student loans	74	-	-	74
Investment return designated for operations	38,974	15,129	1	54,104
Rensselaer Technology Park	4,001	-	-	4,001
Other	3,405	54	-	3,459
Net assets released from restrictions	20,198	(20,198)	-	-
Total operating revenue	418,240	(3,286)	4	414,958
Operating Expense:				
Instruction	147,819			147,819
Research:				
Sponsored	110,363			110,363
Unsponsored	19,771			19,771
Student services	13,185			13,185
Institutional and academic support	84,655		261	84,916
Externally funded scholarships and fellowships	11,595			11,595
Auxiliary services	30,573			30,573
Rensselaer Technology Park	3,575			3,575
Defined benefit pension and postretirement	12,788			12,788
Total operating expenses	434,324	-	261	434,585
Change in net assets from operating activities	(16,084)	(3,286)	(257)	(19,627)
Non-operating:				
Realized and unrealized gains (losses), net of spending policy	(48,240)	(5,946)	(3,109)	(57,295)
Adjustment for pension and postretirement benefits liability	(63,983)	-	-	(63,983)
Life income and endowment gifts	-	(2,268)	4,808	2,540
Change in value of life income contracts		281	545	826
Loss on disposal of fixed assets	(396)	-	-	(396)
Other reclassifications and transfers	(48)	(34)	82	-
Change in net assets from non-operating activities	(112,667)	(7,967)	2,326	(118,308)
Increase (Decrease) in net assets	(128,751)	(11,253)	2,069	(137,935)
Net assets at beginning of year	35,815	171,274	308,892	515,981
Net assets at end of year	$ (92,936)	$ 160,021	$ 310,961	$ 378,046

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

Rensselaer Polytechnic Institute
Consolidated Statements of Cash Flows
For the years ended June 30, 2013 and 2012
(in thousands of dollars)

	June 2013	June 2012
Cash flow from operating activities		
Total change in net assets	$ 48,776	$ (137,935)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	31,745	35,205
Accretion expense	402	382
(Gain) loss on disposal of fixed assets	229	396
Uncollectible contributions writeoff	837	1,119
Benefit (provision) for uncollectible accounts and loans	(316)	576
Realized and unrealized losses (gains) on investments	(51,577)	8,215
Amortization of Bond Premiums & Discounts	360	315
Contributions of equipment and other capital items	(293)	(582)
Receipt of contributed securities	(1,410)	(1,479)
Contributions restricted for long term investment	(18,345)	1,050
Contributions from external trusts, net of change in value	(574)	274
Changes in operating assets and liabilities:		
Accounts receivable	9,392	13,935
Contributions receivable	(5,855)	1,269
Inventories	(64)	391
Prepaid expense and other assets	3,674	(724)
Accounts payable and accrued expenses	(2,964)	(5,479)
Pension Liability	(26,726)	35,814
Present value of split interest agreements, net of terminations	650	(1,987)
Deferred revenue and other liabilities	(156)	382
Accrued postretirement benefits	(1,206)	1,782
Net cash provided (used) in operating activities	(13,421)	(47,081)
Cash flow from investing activities		
Proceeds from sale of investments	150,262	117,030
Purchase of investments	(125,945)	(83,984)
Additional student loans granted	(3,948)	(2,829)
Student loans paid	4,478	4,645
Proceeds from sale of land, building, and equipment	33	800
Purchase of land, building and equipment	(17,976)	(17,048)
Net cash provided (used) in investing activities	6,904	18,614
Cash flow from financing activities		
Contributions restricted for endowments	18,157	(1,050)
Contributions to Life Income & Annuities	191	
Payment of annuity obligations	(808)	4
Proceeds from issuance of bonds	-	39,748
Proceeds from loans	244,866	185,895
Repayment of debt	(256,343)	(195,537)
Government loan funds	589	617
Net cash provided (used) by financing activities	6,652	29,677
Net increase in cash and cash equivalents	135	1,210
Cash and cash equivalents at beginning of the year	10,224	9,014
Cash and cash equivalents at end of year	$ 10,359	$ 10,224
Non cash investing activities		
Gifts of Equipment and other capital items	$ 293	$ 582
Contributed Securities	1,410	1,479
Seller Financed Debt	-	-
Increase (Decrease) in Capital assets included in accounts payable	-	911
Supplemental Disclosure		
Cash paid during year for interest	$ 39,577	$ 39,133

(1) ORGANIZATION

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Tax Status

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

The accompanying financial statements include the Rensselaer Hartford Graduate Center, Inc., a branch of the Institute focused on education for working professionals, which is a separate entity consolidated in the financial statements. Rensselaer and the Center are collectively referred to herein as the Institute. All significant inter-organizational accounts have been eliminated in consolidation.

The Institute is a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code, and is generally exempt from income taxes pursuant to the Code. In accordance with accounting standards, the Institute evaluates its income tax status each year.

b) Net Asset Classification

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

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

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

- *Unrestricted net assets* are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

(dollars in thousands)

c) *Statement of Activities*

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

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

Revenues are derived from various sources as follows:

- *Student related revenue* includes tuition revenue from undergraduate, graduate, and working professionals, as well as, student fees and auxiliary services. The undergraduate student discount rate was 39.8% and 39.6% for the years ended June 30, 2013 and 2012, respectively.

  Student tuition by segment and location is as follows:

		2013		2012
Undergraduate tuition:				
Troy Campus tuition revenue	$	218,995	$	207,216
Institutional aid		(87,211)		(81,985)
Total undergraduate academic tuition revenue		131,784		125,231
Summer tution revenue		2,251		2,750
Summer aid		-		(175)
Total Undergraduate tuition	$	134,035	$	127,806
Graduate tuition:				
Troy Campus tuition revenue	$	46,828	$	42,940
Institutional aid		(2,004)		(1,611)
Total graduate academic tuition revenue		44,824		41,329
Summer tution revenue		356		374
Total Graduate tuition	$	45,180	$	41,703
Education for working professionals:				
Troy Campus	$	817	$	824
Hartford Campus		4,911		5,626
Total Education for working professionals tuition	$	5,728	$	6,450

- *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 recorded at present value based on an appropriate market rate. Restricted contributions are released to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Additional information can be found in Note 3b.

- *Government grants and contracts* – The Institute has been awarded approximately $92,470 and $107,856 of grants and contracts which have not been advanced or expended as of June 30, 2013 and 2012, respectively, and accordingly, are not recorded in the financial statements.

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

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

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

f) *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.

g) *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.

h) *Land, Buildings and Equipment*
Land, buildings and equipment are carried at cost or at the fair value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (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.

i) *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.

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

(dollars in thousands)

(3) RECEIVABLES

(a) Accounts Receivable

The Institute's receivables are comprised of student related, research, training and other agreements and are reviewed and monitored for aging and collectability on a regular basis. There is also a corresponding allowance for uncollectable accounts at June 30, 2013 and 2012. Accounts receivable from the following sources were outstanding as of June 30:

	2013	2012
Student related receivables	$ 2,802	$ 3,684
Research, training and other agreements	14,841	22,866
Rensselaer Technology Park	699	554
Other	325	1,856
Gross account receivable	18,667	28,960
Less: allowance for doubtful accounts	(976)	(1,314)
Net accounts receivable	$ 17,691	$ 27,646

(b) Contributions receivable

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

	2013	2012
Less than one year	$ 11,363	$ 1,152
Between one and five years	12,236	12,892
More than five years	465	4,841
Gross contributions receivable	24,064	18,885
Less: unamortized discount	(1,320)	(2,060)
Less: allowance for uncollectible amounts	(669)	(605)
Net contributions receivable	$ 22,075	$ 16,220

Conditional pledges, which are not accrued, approximate $612 at June 30, 2013, of which $6 was unrestricted as to purpose. The remaining conditional pledges are restricted to purpose as follows: $530 current programs; $76 endowment; and $0 plant. Bequest expectancies totaling $103,572 have been also excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to a $360,000 transformational gift, revenue is being recognized as periodic cash payments are received. Revenue of $10,000 related to the transformational gift was recognized in 2013 and 2012, respectively.

(c) Student Loans receivable

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

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.

(dollars in thousands)

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

	2013			2012		
	Receivable	Allowance	Net receivable	Receivable	Allowance	Net receivable
Institutional loans	1,425	(756)	669	1,642	(759)	883
Federal loans	27,284	(1,102)	26,182	27,598	(1,142)	26,456
Total loan receivable	28,709	(1,858)	26,851	29,240	(1,901)	27,339

	Institutional	Federal	Total allowance
Allowance at beginning of year	(759)	(1,142)	(1,901)
Current year provisions	3	40	43
Current year write-offs	-	-	-
Current year recoveries	-	-	-
Allowance at end of year	(756)	(1,102)	(1,858)

(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, 2013 and 2012 were $17,490 and $17,465, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Discount rates range from 1.2% to 10.6%. The liability for the present value of deferred gifts of $6,933 and $7,091 at June 30, 2013 and 2012, 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, 2013 and 2012 was $55,867 and $52,910 respectively, and included in the investment balance. The present values of the estimated future cash receipts from the trusts are recognized as contributions from external trusts and contribution revenue at the date Rensselaer is notified of the establishment of the trust. Distributions from the trusts are recorded as investment income in the period they are received and the fair value of the institutions investment of those distributions are disclosed in Note 5. Changes in fair value of the trusts are recorded as gain or loss in permanently restricted net assets.

(5) INVESTMENTS

The Institute's investments are overseen by the Investment Committee of the Board of Trustees. In May 2000, Rensselaer's Board of Trustees approved the Rensselaer Plan, a strategic roadmap to achieving greater prominence in the 21st century as a top-tier world-class technological research university with global reach and global impact. At that time, the Board committed to endowment withdrawals in excess of Rensselaer's spending formula, as necessary, to fund investment in Plan initiatives. To date, approximately $566.7 million has been spent or committed for such initiatives, exclusive of capital expenditures.

(dollars in thousands)

The fair value and cost of investments at June 30 is as follows:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 63,466	$ 63,466	$ 105,831	$ 105,831
Fixed income	98,680	88,844	67,650	61,308
Domestic equity	56,432	45,086	54,219	45,383
Foreign equity	52,504	44,240	40,323	28,852
Real assets	110,462	136,715	102,789	130,618
Marketable alternatives	82,250	65,496	75,996	70,475
Private equity	96,702	86,166	87,974	89,584
Subtotal	560,496	530,013	534,782	532,051
Perpetual Trusts held by others	55,867	50,877	52,910	49,990
Total investments	$ 616,363	$ 580,890	$ 587,692	$ 582,041

- At June 30, 2013, Rensselaer has committed to investing approximately an additional $31 million in various equity and real asset partnerships.

(a) Investment classification descriptions

Fixed Income
This category contains investments in public and private fixed income securities in the U.S. and foreign markets including, but not limited to, convertible bonds, corporate bonds, foreign sovereign bonds, government sponsored agencies, high yield bonds, and U.S. Securities. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. Directly held fixed income securities typically provide liquidity to the Institute in three days, while indirect investments, excluding limited partnerships, are subject to a variety of liquidity restrictions that normally range from three days to three months. The limited partnership investments do not have any redemption rights, other than certain limited provisions.

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. Directly held domestic equity securities typically provide liquidity to the Institute in three days, while indirectly held investments are subject to a variety of liquidity restrictions that normally range from three days to three months.

Foreign Equity
This category includes investments in non-U.S. developed market and emerging market equities. These investments may be held directly by the Institute, or indirectly through outside managers that the Institute has hired for specific mandates. Directly held domestic equity securities typically provide liquidity to the Institute in three days while indirectly held investments are subject to a variety of liquidity restrictions that normally range from three days to three months.

Real Assets
This category includes investments in a variety of partnerships and similar entities focused primarily on real estate, infrastructure, and commodity investments in the U.S and foreign markets. The capital commitments made by the Institute is 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.

(dollars in thousands)

Marketable Alternatives
This category includes investments in a variety of partnerships and similar entities focused on primarily marketable investments in the U.S and foreign markets. The primary strategies utilized by the individual managers include, but not limited to, distressed, event-driven, long/short, relative value, global macro, and sector specific. Most of these investments have an initial lockup and offer liquidity, thereafter, ranging from thirty days to one year.

Private Equity
This category includes investments in a variety of partnerships and similar entities focused primarily on venture capital investments, buyouts, and growth equity in the U.S and foreign markets. The capital commitments made by the Institute are drawn down over time by the manager. As investments mature and/or are realized, distributions are made by the manager to the Institute during the life of the partnership, typically 10 years. The Institute does not have any redemption rights in these investments.

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

(b) *Spending from Endowment Funds*
Rensselaer has adopted a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the market value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average market value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

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

		2013		2012
Dividends and interest available for spending	$	5,356	$	4,951
Realized gains (loss)		21,548		14,878
Unrealized gains (loss)		30,030		(21,393)
Investment return	$	56,934	$	(1,564)
Investment Management Fees		1,614		1,701
Net Investment Return	$	55,320	$	(3,265)

(d) *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, 2013, there were no open or unsettled forward exchange contracts.

(e) *Fair Value*
The Institute is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported 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 equity, real assets and marketable alternatives are fair valued based on the most current NAV.

The Institute performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The Institute has assessed factors including, but not limited to, managers' compliance with *Fair Value Measurement* standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The three levels are fair value hierarchies 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.

Investments which can be redeemed at NAV by the Institute on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

(dollars in thousands)

The following table presents the financial instruments carried at fair value as of June 30, 2013 and 2012, by caption on the consolidated statement of financial position, based on the valuation hierarchy defined above:

	2013			
	Quoted prices in active markets Level 1	Significant other observable Level 2	Significant unobservable Level 3	Total Fair Value
Cash and cash equivalents	$ 63,466	$ -	$ -	$ 63,466
Fixed income	25,140	56,096	17,444	98,680
Domestic equity	41,762	14,611	59	56,432
Foreign equity	36,025	16,241	238	52,504
Real assets	2,100	-	108,362	110,462
Marketable alternatives	-	81,776	474	82,250
Private equity	-	-	96,702	96,702
Subtotal	168,493	168,724	223,279	560,496
Perpetual Trusts held by others	-	-	55,867	55,867
Total investments	$ 168,493	$ 168,724	$ 279,146	$ 616,363

	2012			
	Quoted prices in active markets Level 1	Significant other observable Level 2	Significant unobservable Level 3	Total Fair Value
Cash and cash equivalents	$ 105,831	$ -	$ -	$ 105,831
Fixed income	24,494	14,938	28,218	67,650
Domestic equity	48,331	5,784	104	54,219
Foreign equity	10,605	28,738	980	40,323
Real assets	2,219	-	100,570	102,789
Marketable alternatives	-	75,203	793	75,996
Private equity	-	-	87,974	87,974
Subtotal	191,480	124,663	218,639	534,782
Perpetual Trusts held by others	-	-	52,910	52,910
Total investments	$ 191,480	$ 124,663	$ 271,549	$ 587,692

Investments included in Level 3 primarily consist of Rensselaer's ownership in alternative investments (principally limited partnership interests in marketable alternatives, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership and consists of securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The Institute regularly reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

(dollars in thousands)

The following table is a rollforward of the consolidated statement of financial position amounts at June 30, 2013 and 2012 for financial instruments classified by Rensselaer within Level 3 of the fair value hierarchy defined above:

	2013							
Level 3 Investments	Fixed income	Domestic equity	Foreign equity	Real assets	Marketable alternatives	Private equity	Perpetual Trusts	Total
Fair value, beginning of year	$ 28,218	$ 104	$ 980	$ 100,570	$ 793	$ 87,974	$ 52,910	$ 271,549
Realized gains (loss)	1,115	-	-	1,775	(3,213)	6,211	748	6,636
Unrealized gains (loss)	749	(45)	88	1,506	3,564	11,827	3,229	20,918
Purchases	795	-	-	11,983	-	5,781	8,143	26,702
Sales	(13,433)	-	(837)	(7,472)	(761)	(15,680)	(9,163)	(47,346)
Transfers in/out			7		91	589		687
Fair value, end of year	$ 17,444	$ 59	$ 238	$ 108,362	$ 474	$ 96,702	$ 55,867	$ 279,146

	2012							
Level 3 Investments	Fixed income	Domestic equity	Foreign equity	Real assets	Marketable alternatives	Private equity	Perpetual Trusts	Total
Fair value, beginning of year	$ 30,278	$ 102	$ 1,843	$ 93,537	$ 984	$ 95,774	$ 55,945	$ 278,463
Realized gains (loss)	1,217	-	-	1,507	-	15,442	-	18,166
Unrealized gains (loss)	(1,035)	2	(396)	(7,960)	(174)	(6,463)	(3,035)	(19,061)
Purchases	1,257	-	-	23,478	-	9,785	-	34,520
Sales	(3,499)	-	(467)	(9,992)	(17)	(26,564)	-	(40,539)
Fair value, end of year	$ 28,218	$ 104	$ 980	$ 100,570	$ 793	$ 87,974	$ 52,910	$ 271,549

Contributions from external remainder trusts are also classified within Level 3 of the fair value hierarchy defined above. The following table rolls forward the values as of June 30:

Level 3 Contributions from external remainder trusts	**2013**	**2012**
Fair value, beginning of year	$ 8,099	$ 8,373
Realized gains (loss)	-	-
Unrealized gains (loss)	1,009	164
Purchases	-	-
Sales	(438)	(438)
Fair value, end of year	$ 8,670	$ 8,099

In accordance with currently effective standards updates for estimating fair value of investments, the Institution conducted a review of valuation changes between hierarchies Level 1 and Level 2 occurring during fiscal year 2013 and noted no material valuation changes.

(6) ENDOWMENT

Rensselaer's endowment consists of approximately 656 individual donor restricted endowment funds and 83 board-designated endowment funds for a variety of purposes plus assets that have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment and similar funds are invested under direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the statement of financial position as long-term investments, including cash balances held by external investment managers. The fair value of endowment investments (separately invested and pooled) was $594,877 and $566,431 as of June 30, 2013 and June 30, 2012, respectively.

(dollars in thousands)

Endowment net assets consist of the following at June 30:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
True Endowment funds	$ 62,742	$ 103,407	$ 329,080	$ 495,229
Board-designated endowment funds	119,647	-	-	119,647
Total endowment net assets	$ 182,389	$ 103,407	$ 329,080	$ 614,876

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
True Endowment funds	$ 58,590	$ 100,259	$ 301,245	$ 460,094
Board-designated endowment funds	113,044	-	-	113,044
Total endowment net assets	$ 171,634	$ 100,259	$ 301,245	$ 573,138

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.

(dollars in thousands)

Changes in endowment net assets as of June 30:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 171,634	$ 100,259	$ 301,245	$ 573,138
Net gifts	1	14	24,199	24,214
Yield (dividends and interest)	-	3,773	1,565	5,338
Investment gains(losses), realized and unrealized	21,526	26,129	4,000	51,655
Reclassification of underwater endowments	916	(916)	-	-
Reclassifications and other changes	1,873	12	(1,179)	706
Endowment Additions	24,316	29,012	28,585	81,913
Amounts appropriated for expenditure	13,561	24,060	471	38,092
Investment management fees and other expenditures		1,804	279	2,083
Endowment Deductions	13,561	25,864	750	40,175
Endowment net assets, end of year	$ 182,389	$ 103,407	$ 329,080	$ 614,876

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 216,753	$ 106,393	$ 297,518	$ 620,664
Net gifts	2	264	2,391	2,657
Yield (dividends and interest)	2,509	2,429	1	4,939
Investment gains(losses), realized and unrealized	(3,252)	(3,151)	(327)	(6,730)
Reclassification of underwater endowments	(9,417)	9,417	-	-
Reclassifications and other changes	554	2,030	1,966	4,550
Endowment Additions	(9,604)	10,989	4,031	5,416
Amounts appropriated for expenditure	35,515	15,059	1	50,575
Investment management fees and other expenditures	-	2,064	303	2,367
Endowment Deductions	35,515	17,123	304	52,942
Endowment net assets, end of year	$ 171,634	$ 100,259	$ 301,245	$ 573,138

(dollars in thousands)

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

	2013	
Restricted for	Temporarily Restricted	Permanently Restricted
Scholarship support	$ 33,816	$ 75,833
Fellowship support	7,348	12,661
Faculty support	39,368	64,492
Program support	20,823	74,344
Awards and prizes	2,052	3,363
Institutional support	-	98,387
Permanent and Temporary net asset purpose	$ 103,407	$ 329,080

	2012	
Restricted for	Temporarily Restricted	Permanently Restricted
Scholarship support	$ 34,542	$ 71,667
Fellowship support	6,503	13,325
Faculty support	37,956	64,001
Program support	19,381	53,873
Awards and prizes	1,877	2,967
Institutional support	-	95,412
Permanent and Temporary net asset purpose	$ 100,259	$ 301,245

(a) Interpretation of Relevant Law

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

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

(dollars in thousands)

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

(b) *Endowment Funds with Deficits*
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $15,955 and $17,938 as of June 30, 2013 and 2012, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

(c) *Return Objectives and Risk Parameters*
Rensselaer has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. Rensselaer expects its endowment funds over time, to provide an average rate of return of approximately 7.1 percent annually. Actual returns in any given year may vary from this amount.

(d) *Strategies Employed for Achieving Investment Objectives*
To achieve its long-term rate of return objectives, Rensselaer relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Rensselaer targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(e) *Endowment Spending Policy*
The Board of Trustees of Rensselaer determines the method to be used to appropriate endowment funds for expenditure. Calculations are performed for individual endowment funds at a rate of 5.0 percent of the rolling 20 quarter average market value on a unitized basis one year subsequent to the calculation. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns for individual endowment funds. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(7) LAND, BUILDING, AND EQUIPMENT

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

	2013	2012
Land and land improvements	$ 31,628	$ 31,514
Buildings	909,525	904,059
Equipment	231,797	236,948
Construction in Progress	4,062	2,211
Gross land, building and equipment	1,177,012	1,174,732
Less: accumulated depreciation	(457,762)	(441,743)
Net land, building and equipment	$ 719,250	$ 732,989

As of June 30, 2013, Rensselaer had $1,617 of open commitments to contractors for construction on work being performed.

(dollars in thousands)

(8) BONDS AND NOTES PAYABLE

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

			Outstanding	
	Year of final maturity	Average annual interest rate	**2013**	**2012**
U.S. Department of Education Dormitory Bonds and 1988 Mortgage Loan	2018	3.00%	935	1,089
Rensselaer County IDA - Industrial Development Facility Issue:				
Series 1997A (note a) - VRD	2022	4.34%	7,027	7,449
Series 1999A and B (note b) - Fixed	2030	5.17%	24,339	24,416
Series 2006 (note d) - Fixed	2036	4.88%	59,221	60,652
Troy Industrial Development Authority Civic Facility Issue:				
Series 2002A (note c) - Fixed	2015	5.32%	6,534	8,921
Series 2002E (note c) - Fixed	2037	4.99%	25,000	25,000
Series 2010 Rensselaer Taxable Bonds (note g) - Fixed	2021	5.60%	204,757	204,727
City of Troy Capital Resource Corporate Series 2010A&B (note f) Fixed	2040	5.08%	356,246	357,195
Senior Note:				
Series 2011A (note h) - Fixed	2026	4.35%	40,000	40,000
2009 Whiting Turner Agreement (note e) - Fixed	2015	5.25%	8,250	11,250
Total bonds and notes payable			732,309	740,699

Debt principal outstanding is reflected net of bond discount where applicable in the amount of $1,356 and $1,400 at June 30, 2013 and 2012, respectively. Such costs are being amortized on the straight-line method over the term of the related indebtedness.

Long-term debt is collateralized by certain physical properties with a carrying value of $495 and $468 at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, Rensselaer did not have assets held by trustees for construction, debt service and other project-related expenses.

Notes to Debt Outstanding

(a) On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of $13.24 million in variable rate demand (VRD) revenue bonds for the purpose of financing the renovation of three of Rensselaer's buildings and the acquisition of a new student record system. The bonds are subject to a remarketing agreement and bear a variable interest rate that resets weekly, but in no event may exceed 12% per annum. In the event that Rensselaer receives notice of any option tender on its variable-rate-bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, Rensselaer will have a general obligation to purchase the bonds tendered pending reissuance under its multimodal provisions.

(b) On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $41.11 million in revenue bonds. Proceeds from the issue in the amount of $24.2

million were used for the construction and/or renovation of three buildings, issuance costs, and to legally defease Dormitory Authority Series 1991 Bonds. Interest rates on the bonds range from 4.125% to 5.00%.

(c) On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of $218.875million in Series 2002 A-E revenue bonds, including $202.975 million in variable rate mode. The transaction also generated a $1.125 million premium on the Series 2002A bonds. Proceeds from the issue in the amount of $203.15 million were utilized for the construction costs of two buildings, related campus-wide infrastructure improvements, issuance costs and to legally defease Dormitory Authority Series 1993 Bonds. On May 11, 2006 the Series 2002E bonds in the amount of $25 million 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%. On April 20, 2010 Series 2002 B, C and D bonds totaling $177.975 million were refinanced with Series 2010 A Tax Exempt bonds. On September 1, 2011 Rensselaer remarketed its Series 2002E bonds for $25 million to convert them from variable rate to fixed rate bonds. Maturities on the bonds range from 2026 to 2037 with a final maturity on April 1, 2037. Interest rates on the bond range from 4.625% to 5.2% and payments are due March 1 and September 1, commencing on March 1, 2012.

(d) On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $62.38 million in Series 2006 fixed rate revenue bonds. The interest rate on the bonds is 4.88%. The transaction generated a $1.6 million premium. Proceeds from the issue in the amount of $63.996 million were utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs.

(e) On April 24, 2009 Rensselaer entered into an agreement with The Whiting-Turner Contracting Company for a loan not to exceed $15 million, amortization of which commences January 1, 2011 with a final maturity of December 31, 2015. The note bears interest at Prime plus 2.00% adjusted monthly until April 1, 2011, after which the interest rate became fixed at current Prime plus 2.00% rate until the note matures. The loan is an unsecured obligation of the Institute.

(f) On April 20, 2010, Rensselaer entered into an agreement with the City of Troy Capital Resource Corporation which provided for the issuance of $358.810 million in fixed rate revenue bonds, Series 2010A for $311.63 million and Series 2010B for $47.18 million. Proceeds from the issuance were used to refinance Series 2002 B, C and D, Series 2007 and Series 2008 A and B bonds as well as paying 2010 termination expenses on several interest rate swap agreements. Interest rates on the bonds range from 5.00% to 5.125%. Maturities on the bonds range from 2012 to 2030 with a final maturity of September 1, 2040. Interest payments are due March 1 and September 1, commencing on September 1, 2010.

(g) On April 20, 2010, Rensselaer issued Series 2010 Taxable bonds for $205 million. Proceeds from this issuance were used to pay off various term loans and to pay termination expenses on several interest rate swap agreements. The interest rate on the bonds is 5.60%. Maturity date on the bonds is September 1, 2020. The bonds are an unsecured general obligation of the Institute. Interest payments are due March 1 and September 1, commencing on September 1, 2010.

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

(i) Lines of Credit

As of June 30, 2013, Rensselaer had a standby letter of credit with Bank of America totaling $1,509 for workers compensation insurance security purposes. In addition, Rensselaer had standby letters of credit with Bank of America totaling $1,440 and $250 for general liability insurance and professional liability insurance security purposes, respectively, related to current construction projects on the Troy, New York campus. There were no draws against these letters of credit during the fiscal year. Rensselaer also has a mortgage loan guarantee in place for one loan made by HSBC Bank USA in 1996 to finance construction and renovation costs for an on-campus fraternity residential facility. The balance of the mortgage loan, which totaled $600 at inception, was $120 and $178 on June 30, 2013 and 2012, respectively.

(dollars in thousands)

The Institute has an unsecured line of credit with Bank of America valued at $30 million, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus .95% or at Prime Rate minus 0.50%. There was an outstanding balance of $15.9 million and $18.7 million on the line of credit at June 30, 2013 and 2012, respectively. The Institute has an unsecured line of credit with TD Bank valued at $20 million, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus 2.00% or Prime Rate minus .50%. There was an outstanding balance of $20 million on the line of credit at June 30, 2013 and 2012, respectively. Both of these lines of credit are subject to an annual renewal at November 30th.

Principal payments due on all long-term debt as of June 30, 2013 for each of the next five fiscal years are:

Year		Amount
2014	$	8,799
2015		9,194
2016		9,859
2017		9,089
2018		9,539
Thereafter		685,829
Total bonds and notes payable	$	732,309

The fair value of Rensselaer's long-term debt is estimated based upon the amount of future cash flows, discounted using Rensselaer's current borrowing rates for similar debt instruments of comparable maturities. The fair value of long-term debt was approximately $732,265 and $740,758 at June 30, 2013 and 2012, respectively.

(9) RETIREMENT PLANS

Defined Benefit Plans

The following table sets forth Rensselaer's defined benefit and postretirement plans' change in projected benefit obligation, change in plan assets, funded status (the postretirement plans are unfunded) and amounts recognized in Rensselaer's balance sheet at June 30, 2013 and 2012. The defined benefit plan calculations were based upon data as of or projected to June 30, 2013 and 2012. Postretirement benefit plan calculations were based upon data as of July 1, 2012 and 2011. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

Change in benefit obligation:	*Defined Benefit*				*Post-retirement*			
		2013		**2012**		**2013**		**2012**
Benefit obligation, beginning of year	$	(348,661)	$	(299,570)	$	(15,864)	$	(14,082)
Service cost		(4,188)		(3,430)		(638)		(545)
Interest cost		(13,548)		(15,946)		(549)		(685)
Plan participant' contributions		(171)		(188)		(844)		(863)
Actuarial gain (loss)		10,450		(49,544)		1,791		(1,228)
Benefits paid		18,878		18,375		1,446		1,522
Administrative expense paid		1,855		1,642		-		17
Benefit obligation, end of year	$	(335,385)	$	(348,661)	$	(14,658)	$	(15,864)

The accumulated benefit obligation for the defined benefit pension plan was $332,722 and $345,017 as of June 30, 2013 and 2012, respectively.

(dollars in thousands)

	Defined Benefit		Post-retirement	
Change in plan assets:	2013	2012	2013	2012
Fair value plan assets, beginning of year	$ 230,867	$ 217,588	$ -	$ -
Actual return on plan assets	20,961	(5,393)		-
Employer contribution	13,050	38,500	602	660
Plan participant' contributions	171	188	844	863
Benefits paid	(18,878)	(18,375)	(1,446)	(1,523)
Administrative expense paid	(1,855)	(1,641)		-
Fair value plan assets, end of year	$ 244,316	$ 230,867	$ -	$ -
Funded status and amount recognized in the statement of financial position:				
Liability	$ (91,069)	$ (117,795)	$ (14,658)	$ (15,864)
Amounts recognized in unrestricted net assets:				
Net prior service cost (credit)	$ -	$ (45)	$ (997)	$ (1,140)
Net actuarial (gain) loss	(158,118)	(192,493)	(1,742)	20
Unrestricted net assets	$ (158,118)	$ (192,538)	$ (2,739)	$ (1,120)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:				
New net actuarial (gain) loss	$ (11,816)	$ 75,759	$ (1,791)	$ 1,228
Amortization of:				
Prior service (cost) credit	(45)	(60)	143	143
Actuarial gain (loss)	(22,559)	(13,172)	28	85
Total recognized in non-operating (income) expense	$ (34,420)	$ 62,527	$ (1,620)	$ 1,456
Net periodic benefit cost is included in the following components:				
Service cost	$ 4,188	$ 3,430	$ 638	$ 545
Interest cost	13,548	15,946	549	685
Expected return on plan assets	(19,595)	(20,822)		-
Amortization of:				
Prior service cost (credit)	45	60	(143)	(143)
Actuarial (gain) loss	22,559	13,172	(28)	(85)
Net periodic benefit cost (income)	$ 20,745	$ 11,786	$ 1,016	$ 1,002

The amounts in unrestricted net assets expected to be recognized as components of the net periodic benefit cost in fiscal year ending June 30, 2014 are $20,610 and ($175) for the defined pension plan and postretirement plan, respectively.

(dollars in thousands)

The following are expected future benefit payments:

Fiscal year ending:	Defined Benefit	Post-retirement
2014	$ 19,280	$ 1,116
2015	19,872	1,113
2016	20,196	1,082
2017	20,547	1,020
2018	20,917	1,041
2019-2022	110,079	5,527

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*	
Benefit obligations:	**2013**	**2012**	**2013**	**2012**
Discount Rate	4.50%	4.00%	4.23%	3.79%
Expected return on plan assets	7.75%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-
Net periodic benefit cost:				
Discount Rate	4.00%	5.50%	3.79%	5.50%
Expected return on plan assets	7.75%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-

For measurement purposes, an 8.0 percent annual rate of increase in the per capita cost of covered pre-65 medical, post-65 medical benefits and a 6.0 percent annual rate of increase in prescription drug benefits, respectively, was assumed for fiscal year 2013. These rates were assumed to decrease gradually to 5 percent for fiscal year 2022 and remain at that level thereafter. A plan amendment established a maximum of $85 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the $85 per month maximum, the health care cost trend rate will no longer have any effect except for grandfathered participants not subject to the cap and pre-65 coverage.

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

	1-Percentage point increase	1-Percentage point decrease
Effect on total of service and interest cost components	105	(89)
Effect on postretirement benefit obligation	839	(728)

Defined Benefit Plan

In the aggregate, Rensselaer's Defined Benefit Plan will be invested to ensure solvency of the plan over its remaining life and to meet pension obligations as required. A secondary goal is to earn the highest net rate of return within prudent risk limits to ensure the achievement of the primary goal.

Defined Contribution Plan

Rensselaer and the Center also have 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 $8,391 and $7,699 in fiscal 2013 and 2012, respectively.

(dollars in thousands)

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

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

	2013			
	Quoted prices in active markets Level 1	Significant other observable Level 2	Significant unobservable Level 3	Total Fair Value
Cash and cash equivalents	$ 21,024	$ 4,295	$ -	$ 25,319
Fixed income	24,744	52,401	19,833	96,978
Domestic equity	23,612	3,527	-	27,139
Foreign equity	14,327	8,074	-	22,401
Real assets	-	-	36,952	36,952
Marketable alternatives	-	15,366	3,644	19,010
Private equity	-	-	16,517	16,517
Total pension investments	$ 83,707	$ 83,663	$ 76,946	$ 244,316

	2012			
	Quoted prices in active markets Level 1	Significant other observable Level 2	Significant unobservable Level 3	Total Fair Value
Cash and cash equivalents	$ 31,896	$ 10,449	$ -	$ 42,345
Fixed income	20,357	17,730	33,916	72,003
Domestic equity	9,045	6,558	-	15,603
Foreign equity	7,523	14,715	-	22,238
Real assets	-	-	35,224	35,224
Marketable alternatives	-	25,364	439	25,803
Private equity	-	-	17,651	17,651
Total pension investments	$ 68,821	$ 74,816	$ 87,230	$ 230,867

(dollars in thousands)

The following table is a roll-forward of the pension plan assets at June 30 within Level 3:

2013

Level 3 Pension Investments	Fixed income	Real assets	Marketable alternatives	Private equity	Total
Fair value, beginning of year	$ 33,916	$ 35,224	$ 439	$ 17,651	$ 87,230
Realized gains (loss)	492	1,088	(1,568)	1,368	1,380
Unrealized gains (loss)	645	1,014	1,471	(134)	2,996
Purchases	695	4,685	-	369	5,749
Sales	(9,333)	(5,059)	(837)	(3,031)	(18,260)
Transfers in/out	(6,582)	-	4,139	294	(2,149)
Fair value, end of year	$ 19,833	$ 36,952	$ 3,644	$ 16,517	$ 76,946

2012

Level 3 Pension Investments	Fixed income	Real assets	Marketable alternatives	Private equity	Total
Fair value, beginning of year	$ 36,193	$ 35,444	$ 492	$ 18,400	$ 90,529
Realized gains (loss)	724	1,623	-	1,414	3,761
Unrealized gains (loss)	155	(1,310)	(102)	(2,592)	(3,849)
Purchases	3,147	5,498	-	3,571	12,216
Sales	(6,303)	(6,031)	(9)	(3,142)	(15,485)
Transfers in/out			58		58
Fair value, end of year	$ 33,916	$ 35,224	$ 439	$ 17,651	$ 87,230

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, 2014 are $10,800 and $1,116 to the defined pension plan and postretirement plan, respectively.

(10) NATURAL EXPENSE CLASSIFICATION

The following table compares expenses by type for the years ended June 30, 2013 and 2012, respectively:

	2013	2012
Salaries and wages	$ 162,325	$ 160,877
Employee benefits excluding retirement	27,577	27,782
Retirement plan expense	29,548	20,488
Employee benefits total	57,125	48,270
Total compensation	219,450	209,147
Supplies and services	70,264	73,003
Utilities	9,819	11,230
Employee travel	7,030	6,997
Taxes and insurance	5,917	5,265
Telecommunications	199	215
Library materials	2,440	2,349
Interest on debt	39,810	40,021
Depreciation and amortization	31,745	35,205
Student aid and fellowships	45,239	44,297
Operating lease agreements	5,066	5,120
Provision for uncollectible accounts	1,101	1,736
Total non-salary	218,630	225,438
Total expenses by functional category	$ 438,080	$ 434,585

(dollars in thousands)

(11) COMMITMENTS AND CONTINGENCIES

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

Guarantee
During 2012, the Institute entered into a guarantee agreement with an apartment complex, adjacent to campus, for 100% of the lease revenue for the nine year period ending June 2022. The guarantee was provided in consideration for exclusive RPI student leasing rights. The gross nine year rental value is $8,548.

Leases
At June 30, 2013, the minimum annual commitments under capital and operating leases for real property and equipment are as follows:

		Operating leases		Captial leases
2014	$	2,061	$	1,267
2015		2,174		1,403
2016		2,174		1,420
2017		1,922		1,441
2018		1,686		1,441
Thereafter		19,154		30,349
Total leases	$	29,171		37,321
Less: amount representing interest				(18,268)
Present value of minimum lease payments			$	19,053

(12) ASSET RETIREMENT OBLIGATIONS

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

Change in asset retirement obligation:		2013		2012
Asset retirement obligation, beginning of year	$	8,902	$	8,732
Accretion expense		402		382
Less: disposals		-		(212)
Asset retirement obligation, end of year	$	9,304	$	8,902

(13) SUBSEQUENT EVENTS

There were no subsequent events through October 25, 2013, the date on which the consolidated financial statements were available for issuance.