



2013 ANNUAL REPORT

November 1, 2013

Rensselaer Polytechnic Institute

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Rensselaer Polytechnic Institute

2013 Annual Report

Dated: November 1, 2013

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THE INSTITUTE

General Information

Introduction

This Annual Report is dated November 1, 2013, and contains information through that date. This report constitutes the official disclosure information regarding the financial condition of Rensselaer Polytechnic Institute ("Rensselaer" or the "Institute"). It includes a discussion of recent trends in the areas of enrollment and admissions, tuition and fees, financial aid, gifts and endowment, physical plant, financial operations, government contracts and grants, and outstanding indebtedness. It is also appended with Rensselaer's audited financial statements for the fiscal years ending June 30, 2013 and 2012, along with a report of the Institute's independent auditors.

Overview

Rensselaer Polytechnic Institute, a New York education corporation, enrolls 5,400 undergraduates and 1,300 graduate students in residential programs at its Troy, New York campus, while enrolling 280 graduate students at its Hartford, Connecticut campus. The main Troy campus is comprised of five schools: Architecture; Engineering; Humanities, Arts and Social Sciences; Lally School of Management and Science. More than 145 degree programs in nearly 60 fields and over 1,000 courses lead to bachelors, masters, and doctoral degrees in all five schools. Rensselaer's campus in Hartford, Connecticut focuses on graduate and continuing education, including a professional development program.

As a research university, Rensselaer attracts a faculty whose research programs range from microelectronics to computational modeling and simulation, nanotechnology, biomedical engineering, information technology, advanced materials, environmental studies, lighting, and electronic arts. Rensselaer focuses on inter-disciplinary research and has made research investments supported by strong industry partnerships in microelectronics, automation, and scientific computation.

Rensselaer is consistently ranked by *U.S. News & World Report* as one of the top 50 national universities in the United States, its 2013 ranking was 41st among national universities. The Institute's undergraduate engineering program was ranked 26th in the country.

History

Rensselaer was founded in 1824 in Troy, New York. It is the nation's oldest English speaking technological research university. The Institute was created with a mission to provide educational opportunities for those "who may choose to apply themselves in the application of science to the common purposes of life." Rensselaer's founders believed in "learning by doing, not by telling," and pioneered the use of the laboratory method of teaching science.

The Rensselaer Plan

On May 12, 2000, the Rensselaer Board of Trustees unanimously approved The Rensselaer Plan (the "Plan"), a strategic plan that articulates a vision for Rensselaer's future, as well as the means to achieve it. The Plan seeks to build on Rensselaer's strengths and its distinctive, high quality education, while expanding its research enterprise and cultivating entrepreneurial growth. The overarching goal of the Plan is to enable Rensselaer to achieve greater prominence in the 21st century as a world-class technological research university with global reach and global impact. A refresh of the Rensselaer Plan, Rensselaer 2024, was approved by the Board of Trustees in December 2012. This updated plan will serve as a "strategic roadmap" for Rensselaer in the future.

In accordance with the original Plan, Rensselaer has made over \$725 million in capital investment to provide, enhance, enable, animate and secure the platforms, facilities, and Institute physical infrastructure for student, faculty and staff benefit. Over the past 10 years, Rensselaer has solidified its place among the important technological universities of the 21st century by investing in world-class researchers, broad-based

programs, state-of-the-art research platforms, and strategic partnerships. Over the course of *The Rensselaer Plan 279* new faculty members have been hired. There have been 36 named chairs appointed, including 12 Constellation Professors, and the hiring of outstanding junior people has revitalized the faculty. Over a decade, 56 faculty have been honored with the prestigious National Science Foundation Career Award.

In addition, over the past twelve years Rensselaer's annual research expenditures, comprised of grants, contracts, corporate support, industry memberships, and foundation support, have increased from \$37 million to \$98 million in fiscal year 2013. We have invested in five signature research thrusts – Biotechnology and the Life Sciences; Computational Science and Engineering; Media Arts, Science, and Technology; Energy, Environment, and Smart Systems; and Nanotechnology and Advanced Materials – areas which intersect decisively with existing Rensselaer research excellence. Rensselaer's newest initiative – The Rensselaer Institute for Data Exploration and Applications (IDEA) was launched in June 2013. This initiative is designed to bring together and fortify the wealth of data science, high performance computing, predictive analytics, data visualization and cognitive computing research at Rensselaer.

Research platforms have been built in biotechnology (CBIS), computation (CCI), and media and the arts (EMPAC) to enable Rensselaer researchers to think broadly and be intellectual leaders. These platforms have helped to enable Rensselaer to win highly competitive center grants, such as the NSF-funded Nanoscale Science and Engineering Center and the Smart Lighting Engineering Research Center; the U.S. Army-funded Social and Cognitive Networks Academic Research Center; the NIH- and industry-funded Bioengineering Heparin Consortium; the focus on sustainable built environments through the Center for Architecture Science and Ecology; and the New York State-supported New York Center for Astrobiology, the Center for Automation Technologies and Systems, and the Center for Future Energy Systems. In October 2013 Rensselaer unveiled a new petascale supercomputing system, the Advanced Multiprocessing Optimized System, or AMOS. AMOS is the most powerful university based supercomputer in New York state, and among the most powerful in the world.

During 2013 Rensselaer unveiled The Rensselaer Plan 2024 that will continue the transformation of the institute. The revised Plan is evergreen, prepared to grow and evolve, as the Institute grows and evolves. The Rensselaer Plan 2024 moves from transforming Rensselaer to Rensselaer being transformative in the areas of our students lives, innovative pedagogy and the global impact of our research.

Accreditation

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

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

Governance

The President of Rensselaer is appointed by the Board of Trustees, and as the Chief Executive Officer, is charged with principal responsibility for administration of the Institute. On July 1, 1999, Dr. Shirley Ann Jackson, previously the Chairman of the United States Nuclear Regulatory Commission, became Rensselaer's 18th President. The Institute's executive officers include:

<u>Name:</u>	<u>Position:</u>
Shirley Ann Jackson, Ph.D.	President
Prabhat Hajela	Provost
Claude D. Rounds	Vice President for Administration
Virginia C. Gregg	Vice President for Finance & Chief Financial Officer
Curtis N. Powell	Vice President for Human Resources
Vacant	Vice President for Institute Advancement
Jonathan Dordick	Vice President for Research
Timothy Sams	Vice President for Student Life
William Walker	Vice President for Strategic Communications and External Relations
Charles F. Carletta	Secretary of the Institute and General Counsel
John Kolb	Vice President for Information Services and Technology, CIO
Paul Marthers	Vice President for Enrollment

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

Faculty and Staff

Rensselaer has a permanent faculty and staff of approximately 440 and 1400 members, at its Troy, New York campus and Hartford, Connecticut campus. Rensselaer's faculty and staff are not represented by any organized labor groups and, therefore, there are no collective bargaining agreements for either faculty or staff.

The faculty at Rensselaer includes National Academy members, society fellows, and recipients of various other awards and distinctions. One of Rensselaer's faculty is a member of the National Academy of Science (NAS). Three of Rensselaer's faculty are members of the National Academy of Engineering (NAE), one of the highest honors accorded an engineer. Academy membership recognizes those who have made important contributions to engineering theory and practice, and those who have demonstrated unusual accomplishment in the pioneering of new and developing fields of technology.

The student to faculty ratio is currently 15 to 1.

Operating Information

Enrollment and Admissions

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

Entering Fall	Undergraduate Students	Full-Time Graduate Students	Part-Time Graduate Students	Others*	Total
2009	5,539	1,055	833	229	7,656
2010	5,348	1,091	583	122	7,144
2011	5,240	1,094	457	123	6,914
2012	5,300	1,161	400	138	6,999
2013	5,379	1,138	372	106	6,995

* "Others" includes non-matriculated and distance learning students.

The Institute's objective during the Plan is to maintain undergraduate enrollment at approximately 5,000 students and to reduce part-time graduate and other enrollment. In addition, a component of the Plan (complementing the goal of significant growth in research) is to double the number of graduating Ph.D. students within 10 years. As part of this, a major reorientation in graduate program pricing and support strategy occurred in fiscal year 2003, resulting in an expected temporary decline in full-time graduate enrollments and a permanent decline in part-time enrollments. However, while the number of full-time graduate students has declined since 2001, the average number of credit hours carried by each graduate student has increased nearly 60%. This action was planned and the financial implications were expected.

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

Entering Fall	Applications	Acceptances	Acceptance Rate	New Enrollment	Yield	Mean SAT
2009	12,350	5,291	43.0%	1,337	25.0%	1354
2010	13,465	5,381	40.0%	1,154	21.0%	1359
2011	14,584	5,779	39.6%	1,184	20.5%	1366
2012	15,222	6,634	43.6%	1,326	20.2%	1366
2013	16,150	6,654	41.2%	1,411	21.2%	1376

Rensselaer's undergraduate enrollment and yield trends reflect the current focus on enhancing the quality and diversity of its student body. Rensselaer also in the last 5-6 years changed its recruiting strategy to broaden its market and to gain introduction to student/parent consideration earlier in the selection process. The results have been positive, with total applications for the incoming fall 2013 at 16,150, a 44% increase over 2008.

At Rensselaer's Troy campus, the student body is comprised of students from 49 states, and 63 foreign countries. In the past seven years Rensselaer's geographic concentration has shifted significantly with our reliance on New York State reducing from 48% in 2003 to 31% in 2013 while the percentage of students

from "Other US" and "International" has increased from 22% to 36% of the student body. A breakdown of major geographic concentration for the Troy campus undergraduate and graduate student body is as follows:

New York	31%
New England	21%
N.J./Pennsylvania	12%
Other U.S.	21%
International	15%
Total	100%

Rensselaer fields 23 NCAA intercollegiate teams, including NCAA Division I men's and women's hockey teams. The Institute has an active ROTC program and 33 fraternities and sororities. The Rensselaer Union, the home for student government and one of the few student run unions in the Northeast, was formed in 1890. An elected student president, who appoints a twelve member executive board, oversees it. This board manages an \$8.6 million annual budget that co-funds all the athletic programs, as well as 205 athletic, arts, multi-cultural, service, media, religious, entertainment and special interest clubs and organizations.

Tuition and Fees

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

	2009-10	2010-11	2011-12	2012-13	2013-2014
Tuition	\$38,100	\$39,600	\$41,600	\$43,350	\$45,100
Room & Board	\$11,145	\$11,465	\$11,975	\$12,450	\$12,960
Fees	\$1,065	\$1,080	\$1,104	\$1,125	\$1,169
Total	\$50,310	\$52,145	\$54,679	\$56,925	\$59,229

Financial Aid

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

Future state and federal aid depends upon the annual appropriations by the New York State Legislature and the United States Congress, respectively, and the ability of the state and the federal governments to pay the amounts appropriated. No assurance can be given that the various federal and state programs will be continued. The reduction or elimination of these programs could have a detrimental effect on the Institute.

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Unrestricted Financial Aid	\$83,047	\$85,211	\$81,960	\$82,160	\$87,211

Gifts and Bequests

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Unrestricted	\$22,160	\$22,171	\$26,075	\$20,807	\$19,448
Temporarily Restricted	2,576	4,615	1,070	\$1,729	4,244
Permanently Restricted	9,197	4,910	6,940	\$4,808	24,201
Total	\$33,933	\$31,696	\$34,085	\$27,344	47,893

Endowment

The market value for endowment and funds functioning as endowment as of the end of fiscal years ending June 30, 2009 through 2013 is shown below (in millions). Approximately 53% of these funds are permanently restricted.

<u>Fiscal Year</u>	<u>Market Value as of June 30</u>	<u>Spending Allocation</u>
2009	612.8	58.6
2010	629.7	51.7
2011	621.9	48.9
2012	583.3	39.1
2013	616.8	37.7

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

The June 30, 2013 market value of all endowment and funds functioning as endowment was invested as follows (in millions):

	Market Value	Percentage
US Equity	\$56,432	9.2
Non-US Equity	\$52,504	8.5
Private Equity	\$96,702	15.7
Real Assets	\$110,462	17.9
Marketable Alternatives	\$82,250	13.3
Fixed Income	\$98,680	16.0
Cash	\$63,466	10.3
Perpetual Trusts	\$55,867	9.1
Total	\$616,363	100.0%

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

Contracts and Grants

During the fiscal year ended June 30, 2013, the Institute received, through contracts and grants, total revenues of \$98.5 million. This accounted for approximately 24% of the Institute's total operating revenues of \$408.1 million for that fiscal year. The Institute received \$18.9 million in indirect costs in fiscal year 2012 and \$ 19.0 million in fiscal year 2013. Indirect costs on government grants and contracts represent the allocation of overhead costs (library, institutional support, departmental administration, operation and maintenance of plant, and building and equipment depreciation) to the projects funded by such grants.

Rensselaer has been awarded approximately \$92.5 million and \$107.8 million of grants and contracts which have not been advanced or expended as of June 30, 2013 and 2012, respectively, and accordingly, not recorded in the attached financial statements.

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

Revenues received from contracts and grants for fiscal years ending in 2009 through 2013 are shown below (in thousands):

	2008-9	2009-10	2010-11	2011-12	2012-13
Federal	\$49,919	\$55,630	\$60,728	\$65,077	\$63,095
State	17,053	7,597	5,256	7,525	10,831
Private	7,089	5,616	8,379	6,812	5,496
Indirect Costs	17,312	17,576	18,424	18,817	19,046
Total	\$91,373	\$86,419	\$92,787	\$98,331	\$98,468

Physical Plant

Rensselaer's 200 academic, residential, and administrative buildings are located on approximately 260 acres in Troy, New York. The Hartford campus consists of a nine story building and adjacent parking garage located on 14 acres in downtown Hartford, Connecticut. In addition, Rensselaer has a wholly owned high technology industrial park on 1,250 acres in North Greenbush, Rensselaer County, New York. At present, over 50 companies with over 1,700 employees occupy the technology park.

Rensselaer's investment in physical plant has grown significantly over the past several years, with net plant assets increasing by over \$224 million since 2006. The following tabulation shows the assets included in physical plant as of each of the previous five fiscal years ended June 30 (in thousands of dollars):

Fiscal Year	Land	Buildings	Equipment	Construction in Progress	Accumulated Depreciation	Totals
2009	27,404	752,888	223,346	87,115	(347,397)	743,356
2010	29,213	861,429	222,207	13,847	(375,040)	751,656
2011	30,748	893,960	230,020	4,731	(408,609)	750,850
2012	31,514	904,059	236,948	2,211	(441,743)	732,989
2013	31,628	909,525	231,797	4,062	(457,762)	719,250

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

The Institute currently insures its buildings and contents, exclusive of land, under blanket insurance policies in the total amount of \$1.4 billion. Such insurance provides for 100% of the replacement value of the buildings and contents.

Financial Operations

As stated previously, the Rensselaer Board of Trustees unanimously approved The Rensselaer Plan (the “Plan”) on May 12, 2000. The Plan is long-term in its scope and approach, with the necessary flexibility to adapt to changing conditions and factors. It also guides Institute decisions and provides the framework for school and divisional “performance plans” that serve as the basis for each year’s operating plan and budget.

With the creation of the Plan and initiation of performance planning, the Institute established a new performance-based operating and comprehensive capital budgeting and reporting process that links directly to the performance plans and allows meaningful assessment of progress against the Plan. For each of the past twelve fiscal years, the academic schools and administrative divisions have created and implemented performance plans designed to focus on the Plan’s goal of establishing Rensselaer as a top-tier, world class technological research university with global reach and global impact. The Finance Committee of the Board of Trustees monitors the budget process and financial implications, with the full Board approving the annual operating and capital budgets. Rensselaer Plan 2024 will continue this transformation, not only of Rensselaer but also of Rensselaer’s influence upon the National and International community.

Financial Update

Fiscal years 2005 through 2009 were peak years of operating investment in Rensselaer Plan activities while the Institute continues to build the foundation for the long-term strategic revenue growth that is intended to sustain a more robust Rensselaer. In order to make these investments while also protecting the core Institute operations, the Board of Trustees authorized funding draws from quasi-endowment in excess of the spending formula. Categories of spending that have been and may potentially be funded by such draws in the future include:

- Investment in new faculty, including start-up packages focused on the research constellations;
- Capital construction and renewal, with emphasis on academic, research and student life facilities;
- Administrative and technical ramp-up for fund-raising; and
- Technological and operational investment to operate over 400,000 square feet in new research and academic space.

Rensselaer’s financial results for fiscal year 2013 reflect strong and continued successful fiscal management. As in previous years, Rensselaer saw continued strength in full time undergraduate and graduate program enrollment, while simultaneously continuing to tightly monitor hiring and spending. While the United States economy continues a slow recovery, at least in terms of a substantial reduction in unemployment and GDP growth, domestic equity markets saw robust growth during fiscal year 2013. Rensselaer’s endowment investments returned +9.8 percent for the fiscal year, a much stronger rate of return than has been experienced since the onset of the fiscal crisis in 2008. The continued low interest rate environment resulted in an operating expense increase for the Rensselaer legacy defined benefit plan, which has been closed to new employees since 1993. However, the related pension plan liability decreased from the prior year as a result of positive plan investment performance of +8.2 percent for the year.

Operating revenues, exclusive of investment in Rensselaer Plan initiatives, increased 1.8 percent over the prior year. Student related revenues increased 4 percent, reflecting continued robust demand for full time undergraduate and graduate programs. Grant and contract activity was flat year to year. Federal budget realities and the impact of sequestration have had a dampening effect on research proposals, awards and spending for the fiscal year, the impact of which, combined with the current Federal government shutdown, is likely to have a negative carryover effect in fiscal year 2014 and beyond. Operating expenses increased a

modest 1 percent, reflecting Rensselaer's commitment and ability to tightly control operating spending in order to mitigate tuition rate increases.

The financial statements of the Institute are prepared in accordance with the provisions of the *American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations*. The financial statements as of June 30, 2013 and 2012 and for the years then ended, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RENSSELAER POLYTECHNIC INSTITUTE
Combined Statements of Financial Position at June 30, 2009-2013
(In thousands)

<u>Assets</u>	2009	2010 (as restated)	2011 (as restated)	2012	2013
Cash and cash equivalents	2,720	8,163	\$9,014	10,224	10,359
Accounts receivable, net					
Student related and other	8,635	7,293	8,061	5,460	3,192
Research and other agreements	27,886	25,945	28,129	22,186	14,499
Contributions receivable	37,859	31,095	24,364	16,220	22,075
Contr. from external remainder trusts	7,783	7,948	8,373	8,099	8,670
Inventories	2,050	1,889	2,204	1,813	1,877
Prepaid expenses and other assets	7,443	11,729	12,609	13,305	9,315
Deposits with bond trustees	2,138	185	10		
Student loans receivable, net	33,246	31,165	29,366	27,339	26,851
Collateral Received for Securities Loaned	17,081	14,815			
Investments, at market	616,552	636,877	627,474	587,692	616,363
Land, buildings and equipment, net	743,356	751,656	750,850	732,989	719,250
Total assets	1,506,749	1,528,760	\$1,500,454	1,425,326	1,432,451
Accounts payable and accrued expenses	47,745	44,238	46,504	41,940	39,378
Liability on interest rate swaps	50,684				
Split Interest Agreement obligations	7,599	9,237	9,078	7,091	6,933
Deferred revenue	20,752	21,362	21,083	20,709	24,342
Short-term portion of long-term debt	8,635	6,455	8,355	8,434	8,799
Deposits	8,890	14,921	15,831	16,968	13,179
Payable for Collateral on Securities Loaned	17,081	14,815			
Minimum pension liability	89,069	101,087	81,981	117,795	91,069
Accrued postretirement benefits	13,555	12,164	14,082	15,864	14,658
Refundable government loan funds	26,427	26,977	27,602	28,219	28,808
Capital Leases	19,946	19,746	19,533	19,296	19,053
Long-term debt	661,332	735,832	740,424	770,965	759,410
Total liabilities	971,715	1,006,834	\$984,473	1,047,280	1,005,629
Unrestricted	187,664	142,710	35,815	(92,936)	(77,746)
Temporarily restricted	90,694	85,304	171,274	160,021	165,503
Permanently restricted	256,676	293,912	308,892	310,961	339,065
Total net assets	535,034	521,926	515,981	378,046	426,822
Total liabilities and net assets	1,506,749	1,528,760	\$1,500,454	1,425,326	1,432,451

RENSSELAER POLYTECHNIC INSTITUTE
Condensed Statements of Activities for the year ended June 30, 2009-2013
(In thousands)

<u>Operating Revenue</u>	2009	2010	2011	2012	2013
Student related revenue, net	207,295	216,584	220,354	232,524	242,321
Gifts	24,741	25,471	26,204	22,539	23,692
Grants and contracts	91,373	86,419	92,787	98,331	98,468
Investment return	61,334	51,707	49,727	54,104	38,850
Rensselaer Technology Park	4,698	4,621	3,924	4,001	4,253
Other	8,977	7,118	7,088	3,459	547
Total operating revenue	398,418	391,920	\$400,084	414,958	408,131
<u>Operating Expenses</u>					
Instruction	135,565	134,847	147,796	147,819	147,385
Research	106,795	115,233	123,249	130,134	126,739
Student services	13,032	11,933	13,429	13,185	13,047
Institutional and academic support	101,903	93,102	95,465	97,704	104,068
Externally funded scholarships and Fellowships	15,526	14,595	13,450	11,595	11,301
Auxiliary services	27,935	30,685	30,578	30,573	31,891
Rensselaer Technology Park	3,623	3,720	3,829	3,575	3,649
Total operating expenses	404,379	404,115	\$427,796	434,585	438,080
Change in net assets from operating activities	(5,961)	(12,195)	(27,712)	(19,627)	(29,949)
<u>Non-operating</u>					
Realized and unrealized gains, (losses), net	(220,894)	15,402	(2,700)	(57,295)	16,525
Realized and unrealized losses, Int rate swaps	(25,788)	(5,218)			
Adjustment for minimum pension liability	(51,109)	(11,689)	14,156	(63,983)	36,038
Life income and endowment gifts	9,192	6,225	7,885	2,540	24,201
Change in value of life income contracts	(2,927)	980	2,527	826	2,190
Loss on disposal of fixed assets	(1,130)	(1,420)	(101)	(396)	(229)
Loss on debt extinguishment	-	(4,793)			
Change in net assets from non-operating activities	(292,656)	(913)	21,767	(118,308)	78,725
Cumulative effect of a change in Accounting principle					
Total change in net assets	(298,617)	(13,108)	(5,945)	(137,935)	48,776
Net assets at beginning of year	833,651	535,034	521,926	515,981	378,046
Net assets at end of year	\$535,034	\$521,926	\$515,981	378,046	426,822

(1) The Condensed Statement of Activities represents the aggregate total of unrestricted, temporarily restricted, and permanently restricted activity

Outstanding Indebtedness

As of June 30, 2013, Rensselaer had total outstanding indebtedness in the aggregate principal amount of \$766,853,000 net of bond discount or capitalized issuance costs of \$1.4 million, where applicable. See the attached *Combined Financial Statements For the Years Ended June 30, 2013 and 2012*—Note 8-Bonds and Notes Payable for a more detailed discussion of outstanding indebtedness as of June 30, 2013.

As additional security for certain of its borrowings, Rensselaer has granted a lien on certain real property. Additionally, Rensselaer complies with various covenants as outlined in its borrowing documents. The following summarizes Rensselaer's liens on tangible property related to existing debt as of June 30, 2013:

Borrowing

Department of Education Mortgage Loan

Security Interest

Dormitory project

The Institute estimates total combined liens on tangible property aggregate less than 5% of its total assets.

Pension Plans

Rensselaer employees who meet eligibility requirements may participate in one of two plans. A Defined Benefit Plan is available for employees hired prior to July 1, 1993 and who made an election effective June 30, 1993 to remain in this plan (this plan is no longer open to new participants). All eligible employees hired after June 30, 1993 may participate in a Defined Contribution Plan, which was established as of July 1, 1993. Eligible employees of the Rensselaer Hartford Graduate Center may also participate in the Defined Contribution Plan. See the attached *Combined Financial Statements For the Years Ended June 30, 2013 and 2012*—Note 9 -Retirement Plans for detailed information about Rensselaer's retirement plans.

Litigation

There is no litigation pending, or to the knowledge of the Institute threatened, in any court, agency, or other administrative body which would have a material adverse effect on Rensselaer or its operations, properties or financial condition.