



Rensselaer

2018 ANNUAL REPORT

November 1, 2018

Rensselaer Polytechnic Institute

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Rensselaer Polytechnic Institute 2018 Annual Report

Dated: November 1, 2018

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General Information

Introduction

This Annual Report is dated November 1, 2018, 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, 2018 and 2017, along with a report of the Institute’s independent auditors.

Overview

Rensselaer Polytechnic Institute, a New York education corporation, enrolls approximately 6,600 undergraduates and 1,300 graduate students in residential programs at its Troy, New York campus, while enrolling approximately 130 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 serves working professionals and employers with graduate level education in engineering and science programs.

As a research university, Rensselaer attracts a faculty whose research programs range from microelectronics to computational modeling and simulation, data science, nanotechnology, biomedical engineering, information technology, advanced materials, environmental studies, lighting, electronic arts, games and simulation arts. Rensselaer focuses on inter-disciplinary research and has made research investments supported by strong industry partnerships 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. The 2018 ranking was 49th among national universities. The Institute's undergraduate engineering program was ranked 30th in the country. *DesignIntelligence*, the primary organization that issues yearly rankings of architecture schools throughout the U.S., ranked Rensselaer’s School of Architecture 14th in the nation. The Institute’s Games and Simulation Arts and Sciences program is ranked 9th nationally on the *Animation Career Review* list of top game design programs in the United States.

History

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

The Rensselaer Plan

On May 12, 2000, the Rensselaer Board of Trustees unanimously approved The Rensselaer Plan (the “Plan”), a strategic plan that articulated a vision for Rensselaer’s future, as well as the means to achieve it. The Plan sought 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 was 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. 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 student’s lives, innovative pedagogy and the global impact of our research. Part of the 2024 Plan is the concept of “The New Polytechnic”. This is a new paradigm for teaching, learning and research that will enable collaborations between talented people across disciplines, sectors and global regions, in order to address the complex problems the world faces.

In accordance with the original Plan, Rensselaer has made over \$846 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 18 years, Rensselaer has solidified its place among the important technological universities of the 21st century by investing in world-class faculty, broad-based programs, state-of-the-art research platforms, and strategic partnerships. Over the course of *The Rensselaer Plan* 368 new faculty members have been hired. There have been 49 named chairs appointed. The hiring of outstanding junior people has revitalized the faculty. From the plan’s inception, 73 faculty members have been honored with the prestigious National Science Foundation Career Award.

In addition, Rensselaer’s Troy based annual research revenues, comprised of grants, contracts, corporate support, industry memberships, and foundation support, have increased 74% to \$78 million in fiscal year 2018. 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.

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. Rensselaer recently announced a multi-year collaboration with IBM designed to pioneer new frontiers in the scientific field of immersive cognitive systems. The research will be housed in the newly established Cognitive and Immersive Systems Lab (CISL) on Rensselaer’s campus. CISL’s mission is to explore and advance natural, collaborative problem-solving among groups of humans and machines and CISL has begun to link cognitive computing with physically immersive environments that drive multi-individual decision making in complex situations ranging from a cognitive boardroom to a cognitive classroom.

In September 2015, Rensselaer announced an exciting new academic initiative – The ARCH Program. This is a new plan of study that will allow rising juniors to attend a full summer semester at Rensselaer between their sophomore and junior years, followed by either a fall or spring away semester during their junior year. This will allow these students to take advantage of the numerous co-curricular and experiential activities off campus, including international experiences, internships and co-ops.

On October 13, 2017, Rensselaer officially launched its \$1 billion Transformative: Campaign for Global Change. This campaign will lead Rensselaer to the 200th anniversary of its founding and will position Rensselaer for its third century of leadership in education and research. The Institute has raised more than \$426 million toward this goal through the support of alumni/ae, friends, corporations, and foundations during the quiet phase of the campaign.

Rensselaer is building upon an almost 200-year history of world-changing innovation and nearly two decades of transformative success, preparing Rensselaer to continue educating the most inventive young people on Earth, well into its third century. The campaign will focus in the three following areas:

1. Bridging the Gap: Increasing student financial aid to close the gap between student financial need and current aid.
2. Faculty 500: Creating endowed professorships to attract and retain top faculty talent, and expanding our tenured and tenure-track faculty to 500 in crucial areas of research and education
3. Building Our Third-Century Campus: Expanding, modernizing, and equipping the campus for its third century.

Accreditation

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

Rensselaer at Hartford 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	Position:
Shirley Ann Jackson, Ph.D.	President
Prabhat Hajela	Provost
Claude D. Rounds	Vice President for Administration
Barbara J. Hough	Vice President for Finance & Chief Financial Officer
Curtis N. Powell	Vice President for Human Resources
Graig R. Eastin	Vice President for Institute Advancement
Vacant	Vice President for Research
LeNorman Strong	Interim Vice President for Student Life
Richie C. Hunter	Vice President for Strategic Communications and External Relations
Craig A. Cook	Secretary of the Institute and General Counsel
John Kolb	Vice President for Information Services and Technology, CIO
Jonathan D. Wexler	Vice President for Enrollment

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

Faculty and Staff

Rensselaer has a permanent faculty and staff of approximately 468 and 1,355 members respectively, at its combined Troy, New York and Hartford, Connecticut campuses. Rensselaer’s faculty and staff are not

represented by any organized labor groups and, therefore, there are no collective bargaining agreements for either faculty or staff.

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

The student to faculty ratio is currently 13 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
2014	5,557	1,079	310	82	7,028
2015	5,781	1,020	218	94	7,113
2016	6,200	1,018	150	74	7,442
2017	6,314	1,120	134	65	7,633
2018	6,590	1,188	141	43	7,962

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

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

Entering Fall	Applications	Acceptances	Acceptance Rate	New Enrollment	Yield	Mean SAT
2014	18,602	6,976	37.5%	1,332	19.1%	1381
2015	17,752	7,432	41.8%	1,379	18.6%	1377
2016	18,524	8,215	44.3%	1,691	20.6%	1370
2017	19,504	8,420	43.2%	1,663	19.8%	1400
2018	20,403	8,770	43.9%	1,778	20.2%	1409

Rensselaer's undergraduate enrollment and yield trends reflect the current focus on enhancing the quality and diversity of its student body. Additionally, over the course of the past 5-6 years Rensselaer has modified its recruiting strategy to broaden its market and to gain introduction to student/parent consideration earlier in the selection process. These strategies have been effective as demonstrated by the increase in

applications received by the Institute and in the increased geographic and demographic diversity. Applications for the incoming fall 2018 freshman class of 20,403, represented a 5% increase over 2017 and a 15% increase since 2015.

At Rensselaer’s Troy campus, the student body is comprised of students from 49 states, and 62 foreign countries. In the past five years Rensselaer’s geographic concentration has broadened significantly with our reliance on New York State declining from 31% in 2012 to 29% in 2018 while the percentage of students from “Other US” and “International” has increased from 35% to 40% of the student body. A breakdown of major geographic concentration for the Troy campus undergraduate and graduate student body is as follows:

New York	29%
New England	18%
N.J./Pennsylvania	13%
Other U.S.	20%
International	20%
Total	<u>100%</u>

Rensselaer fields 23 NCAA intercollegiate teams, including NCAA Division I men’s and women’s hockey teams. The Institute has an active ROTC program and 30 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 twenty member executive board, oversees it. This board manages a \$4.4 million annual budget that co-funds the intra-mural recreational programs, as well as over 200 arts, multi-cultural, service, media, entertainment and special interest clubs and organizations.

Tuition and Fees

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

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Tuition	\$46,700	\$48,100	\$49,520	51,000	52,550
Room & Board	\$13,620	\$14,095	\$14,630	14,960	15,260
Fees	<u>\$1,208</u>	<u>\$1,241</u>	<u>\$1,277</u>	<u>1,305</u>	<u>1,330</u>
Total	\$61,528	\$63,436	\$65,427	67,265	69,140

Financial Aid

Rensselaer administers a substantial student aid program by which approximately 95% of the undergraduate student body receives need-based or merit-based scholarships and/or loans from the Institute or outside sources. The Institute participates in various federal and state programs providing aid to individual

students. The federal programs include 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):

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Unrestricted Financial Aid	94,258	103,384	115,076	134,051	140,160

Gifts and Bequests

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

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Unrestricted	\$20,119	21,212	16,382	15,893	21,246
Temporarily Restricted	4,849	4,306	5,846	7,365	13,243
Permanently Restricted	<u>14,466</u>	<u>32,187</u>	<u>21,611</u>	<u>17,211</u>	<u>7,999</u>
Total	\$39,434	57,705	43,839	40,469	42,488

Endowment

The market value for endowment and funds functioning as endowment as of the end of fiscal years ending June 30, 2014 through 2018 is shown below (in millions). Approximately, 58% of these funds are permanently restricted.

<u>Fiscal Year</u>	<u>Market Value as of June 30</u>	<u>Spending Allocation</u>
2014	659.0	50.8
2015	676.5	35.8
2016	634.9	34.4
2017	677.2	38.1
2018	718.2	38.5

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

The June 30, 2018 market value of all endowment and funds functioning as endowment was invested as follows (in thousands):

	<u>Market Value</u>	<u>Percentage</u>
US Equity	142,391	19.8
Non-US Equity	169,366	23.6
Private Equity	160,655	22.4
Real Assets	14,036	1.9
Marketable Alternatives	58,742	8.2
Fixed Income	78,253	10.9
Cash	27,530	3.8
Outside Trusts	67,226	9.4
Total	718,199	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, 2018 the Institute received, through contracts and grants, total revenues of \$78 million. This accounted for approximately 17% of the Institute's total operating revenues of

\$447.7 million. The Institute received \$17.1 million and \$16.9 million in indirect costs in fiscal years 2018 and 2017, respectively. Indirect costs on government grants and contracts represent the allocation of overhead costs (library, institutional support, departmental administration, operation and maintenance of plant, and building and equipment depreciation) to the projects funded by such grants.

Rensselaer has been awarded approximately \$97.8 million and \$94.4 million of grants and contracts which have not been advanced or expended as of June 30, 2018 and 2017, 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.

The decrease in grants from fiscal 2015 to fiscal 2016 is attributed to the end of a fiscal agent relationship with the State Education Resource Center (SERC) in Connecticut. In the prior fiscal year the institute had approximately \$10M in grant related revenue for SERC.

Revenues received from contracts and grants for fiscal years ending in 2014 through 2018 are shown below (in thousands):

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Federal Government	\$58,826	\$59,493	\$47,862	\$43,580	\$43,481
State Government	6,619	9,055	6,926	6,086	6,965
Private	5,313	7,574	6,847	8,108	10,496
Indirect Costs	18,720	18,624	16,187	16,877	17,071
Total	\$89,478	\$94,746	\$77,822	\$74,651	\$78,013

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 technology industrial park on 1,250 acres in North Greenbush, Rensselaer County, New York. At present, over 75 companies with over 2,700 employees occupy the technology park.

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):

<u>Fiscal Year</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Accumulated Depreciation</u>	<u>Totals</u>
2014	32,633	918,670	224,724	4,456	(471,202)	709,281
2015	33,389	925,602	228,390	4,482	(496,067)	695,796
2016	34,168	928,737	228,461	6,654	(518,361)	679,659
2017	36,544	930,277	227,054	16,508	(537,429)	672,954

2018	37,812	940,263	226,491	13,308	(554,230)	663,644
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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 original Rensselaer Plan (the “Plan”) on May 12, 2000, a refreshed version, Rensselaer 2024, was approved in December 2012. 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.

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 eighteen 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 its influence upon the National and International community.

Financial Update

Rensselaer’s financial results for fiscal year 2018 reflect strong and continued successful fiscal management. For the nineteenth year in a row, the internal operating budget was balanced. Full time undergraduate and graduate program enrollment remain strong. Education for working professionals is focused on select engineering and science disciplines where Rensselaer has a strong reputation. Grant and contract revenue reflect diversification in funding sources.

Net operating results were strong in fiscal year 2018. Student related revenues increased five percent, reflecting continued robust demand for full time undergraduate and graduate programs, tempered by a continued decline in education for working professional program enrollment on Rensselaer’s Hartford campus, which is now focused on a fewer number of higher impact engineering and science master’s degree programs. Grant and contract activity increased four percent from the prior year, primarily due to higher private sponsor grant revenues.

Total operating expenses increased two percent over the prior year, primarily due to increased instructional costs which are a result of increased enrollment in both undergraduate and graduate programs.

Market performance was positive by 8.8 percent for the fiscal year, in line with preliminary median performance estimates for other colleges and universities. Total institutional assets stood at \$ 1.507 billion at June 30, 2018. Rensselaer’s endowment stood at \$718 million. Net assets were positively impacted by the return on the endowment. Changes in actuarial assumptions, including an increase in discount rates, and better than anticipated investment returns resulted in a \$35 million decrease to the defined benefit pension liability, and a comparable positive impact on non-operating activity. Total borrowing (lines of credit and long-term debt) decreased by \$13.2 million.

On July 1, 2016, the Institute early adopted new accounting standard related to *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires service costs be reported as an employee cost within operating income. The other components are reported separately outside of operations. The change can be seen in the included non-operating section of the Statement of Activities for all years presented.

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, 2018 and 2017 and for the years then ended, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RENSELAER POLYTECHNIC INSTITUTE
Combined Statements of Financial Position at June 30, 2018
(In thousands)

<u>Assets</u>	2014	2015 (*)	2016	2017	2018
Cash and cash equivalents	3,311	15,670	6,131	1,476	1,495
Accounts receivable, net					
Student related and other	3,973	4,375	2,726	2,539	4,603
Research and other agreements	14,594	15,686	17,529	13,617	16,199
Contributions receivable	7,734	28,946	38,441	34,077	35,515
Contr. from external remainder trusts	14,702	14,562	14,757	24,087	23,565
Prepaid expenses and other assets	12,783	7,049	7,084	7,685	9,793
Student loans receivable, net	27,915	28,584	29,655	29,625	29,310
Investments, at market	665,171	681,332	639,567	684,311	723,360
Land, buildings and equipment, net	709,281	695,796	679,659	672,954	663,644
Total assets	1,459,464	1,492,000	1,435,549	1,470,371	1,507,484
Accounts payable and accrued expenses	39,163	37,336	34,913	33,920	34,380
Split Interest Agreement obligations	6,633	6,389	6,736	8,408	7,882
Deferred revenue	21,569	27,248	24,954	26,882	29,412
Short-term portion of long-term debt	8,944	9,607	9,074	9,479	9,372
Deposits	15,062	15,970	17,409	18,785	20,123
Minimum pension liability	73,840	117,112	153,954	125,322	90,299
Accrued postretirement benefits	14,475	15,932	15,340	17,218	16,872
Refundable government loan funds	29,389	29,993	30,535	31,083	31,684
Capital Leases	20,930	20,567	20,165	19,819	17,871
Long-term debt	758,326	768,118	749,092	728,342	715,242
Total liabilities	988,331	1,049,194	1,062,172	1,019,258	973,137
Endowment, Plant and Other Operations	197,143	193,432	167,578	181,832	211,581
Defined Benefit Pension Plan	(275,169)	(328,941)	(373,083)	(348,551)	(329,228)
Total Unrestricted	(78,026)	(135,509)	(205,505)	(166,719)	(117,647)
Temporarily restricted	185,516	184,091	166,992	187,692	207,207
Permanently restricted	363,643	395,146	411,890	430,140	444,787
Total net assets	471,133	443,728	373,377	451,113	534,347
Total liabilities and net assets	1,459,464	1,492,000	1,435,549	1,470,371	1,507,484

(*) ON JULY 1, 2015 THE INSTITUTE ADOPTED A NEW ACCOUNTING STANDARD RELATED TO "SIMPLIFYING THE PRESENTATION OF DEBT ISSUANCE COSTS"

RENSELAER POLYTECHNIC INSTITUTE
Condensed Statements of Activities for the year ended June 30, 2018
(In thousands)

<i>Operating Revenue</i>	2014	2015	2016	2017	2018
Student related revenue, net	252,283	258,315	263,310	280,091	293,706
Gifts	24,968	25,518	22,228	23,258	34,489
Grants and contracts	89,478	94,746	77,822	74,651	78,013
Investment return	30,356	28,935	29,452	30,188	30,628
Rensselaer Technology Park	4,227	4,276	4,155	4,259	4,370
Other	3,111	1,846	7,713	1,624	6,501
Total operating revenue	404,423	413,636	404,680	414,071	447,707
<i>Operating Expenses</i>					
Instruction	139,784	139,388	133,252	139,807	147,046
Research	129,684	122,694	109,462	107,469	108,049
Student services	28,276	28,670	30,182	30,606	31,921
Institutional and academic support	76,202	76,735	74,499	77,440	75,140
Externally funded scholarships and Fellowships	13,012	12,244	13,404	13,655	12,542
Auxiliary services	36,192	36,872	35,835	40,603	43,183
Rensselaer Technology Park	6,272	6,475	6,190	6,430	6,300
Total operating expenses	429,422	423,078	402,824	416,010	424,181
Change in net assets from operating activities	(24,999)	(9,442)	1,856	(1,939)	23,526
<i>Non-operating</i>					
Realized and unrealized gains, (losses), net	53,077	2,254	(45,001)	32,708	25,057
Other components of net periodic benefit cost	(2,176)	(238)	(6,625)	(7,922)	(7,754)
Adjustment for retirement liabilities	(5,343)	(53,022)	(37,214)	30,677	27,074
Life income and endowment gifts	14,905	32,187	21,611	17,211	7,999
Change in value of life income contracts	9,330	(637)	(4,872)	7,098	7,644
Loss on disposal of fixed assets	(483)	1,493	(106)	(97)	(312)
Change in net assets from non-operating activities	69,310	(17,963)	(72,207)	79,675	59,708
Total change in net assets	44,311	(27,405)	(70,351)	77,736	83,234
Net assets at beginning of year	426,822	471,133	443,728	373,377	451,113
Net assets at end of year	471,133	443,728	373,377	451,113	534,347

Outstanding Indebtedness

As of June 30, 2018, Rensselaer had total outstanding indebtedness in the aggregate principal amount of \$723,502,000, net of bond premium and capitalized issuance costs of \$1.1 million. See the attached *Combined Financial Statements for the Years Ended June 30, 2018 and 2017* – Note 8-Bonds and Notes Payable for a more detailed discussion of outstanding indebtedness as of June 30, 2018.

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, 2018:

<u>Borrowing</u>	<u>Security Interest</u>
Department of Education Mortgage Loan	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 participate in one of two plans. A Defined Benefit Plan covers employees hired prior to July 1, 1993 and who made an election effective June 30, 1993 to remain in this plan (this plan is no longer open to new participants). The Institute amended the plan effective June 30, 2014 to freeze all future benefit accruals for future service of all plan participants.

All eligible employees hired after June 30, 1993 may participate in a Defined Contribution Plan, which was established as of July 1, 1993. Eligible employees of the Rensselaer Hartford Graduate Center may also participate in the Defined Contribution Plan. See the attached *Combined Financial Statements for the Years Ended June 30, 2018 and 2017*– 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.