

# **Rochester Institute of Technology**

**Consolidated Financial Statements  
June 30, 2010 and 2009**

**Rochester Institute of Technology**  
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**June 30, 2010 and 2009**

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**Report of Independent Auditors**

To the Board of Trustees  
Rochester Institute of Technology

In our opinion, the accompanying consolidated balance sheets and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Rochester Institute of Technology (University) at June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

November 12, 2010

**Rochester Institute of Technology**  
**Consolidated Balance Sheets**  
**June 30, 2010 and 2009**  
*(in thousands)*

	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 41,132	\$ 6,770
Cash and cash equivalents, held with trustees	13,403	11,145
Student accounts receivable, net of allowance of \$1,982 and \$1,748, respectively	13,309	14,185
Inventories and other assets	8,196	7,545
Contributions receivable, net	15,769	17,730
Collateral held under securities lending	1,185	10,940
Investments, at fair value	672,062	699,142
Notes and other accounts receivable, net of allowance of \$2,602 and \$2,294, respectively	60,700	51,687
Property, plant and equipment, net	515,080	472,498
<b>Total assets</b>	<b>\$ 1,340,836</b>	<b>\$ 1,291,642</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 55,779	\$ 42,530
Deferred revenues and other liabilities	51,455	50,695
Payable under securities lending	1,200	11,392
Accrued postretirement benefits	125,397	99,584
Federal Perkins Loan Program advances	21,668	21,659
Long-term debt, net	205,220	210,922
Total liabilities	460,719	436,782
<b>Net assets</b>		
Expendable resources	362,563	390,175
Net investment in plant	309,860	261,576
Unrestricted	672,423	651,751
Temporarily restricted	83,410	85,049
Permanently restricted	124,284	118,060
Total net assets	880,117	854,860
<b>Total liabilities and net assets</b>	<b>\$ 1,340,836</b>	<b>\$ 1,291,642</b>

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

**Rochester Institute of Technology**  
**Consolidated Statements of Activities**  
**For the fiscal years ended June 30, 2010 and June 30, 2009**  
*(in thousands)*

				2010	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenues</b>					
Tuition and fees, net of scholarships of \$117,959 and \$106,093, respectively	\$ 231,096	\$ -	\$ -	\$ 231,096	\$ 223,764
Sales and services of auxiliaries	60,373	-	-	60,373	58,497
Government grants and contracts	100,108	-	-	100,108	96,199
Private grants and contracts	10,268	-	-	10,268	11,027
Private contributions	2,695	5,149	-	7,844	7,203
Investment return	16,032	9,497	-	25,529	29,061
Other sources	17,211	-	-	17,211	15,599
Net assets released from restrictions	14,272	(14,272)	-	-	-
<b>Total operating revenues</b>	<b>452,055</b>	<b>374</b>	<b>-</b>	<b>452,429</b>	<b>441,350</b>
<b>Operating expenses</b>					
Salaries and wages	231,093	-	-	231,093	222,287
Benefits	67,322	-	-	67,322	63,099
Postretirement benefits	3,144	-	-	3,144	2,582
Purchased services	29,470	-	-	29,470	28,767
Materials and supplies	37,656	-	-	37,656	37,758
Depreciation	29,864	-	-	29,864	27,513
Interest	8,650	-	-	8,650	7,310
Utilities, taxes and insurance	14,110	-	-	14,110	13,674
Travel for scholarship, professional development and recruitment	10,612	-	-	10,612	10,478
Other	8,201	-	-	8,201	9,509
<b>Total operating expenses</b>	<b>440,122</b>	<b>-</b>	<b>-</b>	<b>440,122</b>	<b>422,977</b>
<b>Net operating activities</b>	<b>11,933</b>	<b>374</b>	<b>-</b>	<b>12,307</b>	<b>18,373</b>
<b>Nonoperating activities</b>					
Investment return	\$ 17,742	\$ 8,045	\$ 877	\$ 26,664	\$ (156,592)
Net assets released from restrictions	9,187	(9,187)	-	-	-
Contributions for long-term assets	1,692	(717)	5,244	6,219	8,665
Government grants and contracts for long-term assets	6,515	-	784	7,299	2,253
Postretirement benefits	(4,640)	-	-	(4,640)	(2,787)
Beneficiary payments and change in value of deferred giving arrangements	-	(154)	(333)	(487)	(1,309)
Change in value of interest rate swap agreement	166	-	-	166	(709)
Other	(21,923)	-	(348)	(22,271)	(597)
<b>Net nonoperating activities</b>	<b>8,739</b>	<b>(2,013)</b>	<b>6,224</b>	<b>12,950</b>	<b>(151,076)</b>
<b>Increase (decrease) in net assets</b>	<b>20,672</b>	<b>(1,639)</b>	<b>6,224</b>	<b>25,257</b>	<b>(132,703)</b>
<b>Net assets at beginning of year</b>	<b>651,751</b>	<b>85,049</b>	<b>118,060</b>	<b>854,860</b>	<b>987,563</b>
<b>Net assets at end of year</b>	<b>\$ 672,423</b>	<b>\$ 83,410</b>	<b>\$ 124,284</b>	<b>\$ 880,117</b>	<b>\$ 854,860</b>

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

**Rochester Institute of Technology**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2009**  
*(in thousands)*

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues</b>				
Tuition and fees, net of scholarships of \$106,093	\$ 223,764	\$ -	\$ -	\$ 223,764
Sales and services of auxiliaries	58,497	-	-	58,497
Government grants and contracts	96,199	-	-	96,199
Private grants and contracts	11,027	-	-	11,027
Private contributions	3,080	4,123	-	7,203
Investment return	18,976	10,085	-	29,061
Other sources	15,599	-	-	15,599
Net assets released from restrictions	14,548	(14,548)	-	-
<b>Total operating revenues</b>	<b>441,690</b>	<b>(340)</b>	<b>-</b>	<b>441,350</b>
<b>Operating expenses</b>				
Salaries and wages	222,287	-	-	222,287
Benefits	63,099	-	-	63,099
Postretirement benefits	2,582	-	-	2,582
Purchased services	28,767	-	-	28,767
Materials and supplies	37,758	-	-	37,758
Depreciation	27,513	-	-	27,513
Interest	7,310	-	-	7,310
Utilities, taxes and insurance	13,674	-	-	13,674
Travel for scholarship, professional development and recruitment	10,478	-	-	10,478
Other	9,509	-	-	9,509
<b>Total operating expenses</b>	<b>422,977</b>	<b>-</b>	<b>-</b>	<b>422,977</b>
<b>Net operating activities</b>	<b>18,713</b>	<b>(340)</b>	<b>-</b>	<b>18,373</b>
<b>Nonoperating activities</b>				
Investment return	\$ (135,571)	\$ (19,840)	\$ (1,181)	\$ (156,592)
Net assets released from restrictions	2,438	(2,438)	-	-
Contributions for long-term assets	542	3,628	4,495	8,665
Government grants and contracts for long-term assets	1,053	-	1,200	2,253
Postretirement benefits	(2,787)	-	-	(2,787)
Beneficiary payments and change in value of deferred giving arrangements	-	(486)	(823)	(1,309)
Change in value of interest rate swap agreement	(709)	-	-	(709)
Other	(687)	-	90	(597)
<b>Net nonoperating activities</b>	<b>(135,721)</b>	<b>(19,136)</b>	<b>3,781</b>	<b>(151,076)</b>
<b>Increase (decrease) in net assets</b>	<b>(117,008)</b>	<b>(19,476)</b>	<b>3,781</b>	<b>(132,703)</b>
<b>Net assets at beginning of year</b>	<b>768,759</b>	<b>104,525</b>	<b>114,279</b>	<b>987,563</b>
<b>Net assets at end of year</b>	<b>\$ 651,751</b>	<b>\$ 85,049</b>	<b>\$ 118,060</b>	<b>\$ 854,860</b>

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

**Rochester Institute of Technology**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2010 and 2009**  
*(in thousands)*

	2010	2009
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 25,257	\$ (132,703)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation, amortization and accretion expense	30,588	28,188
Loss on disposal of property, plant and equipment	2,432	465
Realized and unrealized net (gains) loss on investments	(44,495)	139,388
Unrealized (gain) loss on collateral held for securities lending	(437)	452
Noncash contributions and government grants restricted for long-term purposes	(17,108)	(20,920)
Asset retirement obligation liquidation and adjustment	(915)	389
Changes in assets and liabilities:		
Students accounts receivable	876	(2,772)
Inventories, prepaids and deferred charges	(907)	135
Contributions receivable	1,961	7,322
Other assets	(5,236)	(2,422)
Accounts payable and accrued expenses	13,248	1,842
Deferred revenues and other liabilities	1,121	4,335
Accrued postretirement benefits	25,813	711
Net cash provided by operating activities	32,198	24,410
<b>Cash flows from (used in) investing activities</b>		
Purchases of investments	(162,325)	(215,663)
Proceeds from the sales and maturities of investments	235,113	175,710
Loans made to students	(7,088)	(4,560)
Payments received on student loans	3,311	2,773
Increase in cash and cash equivalents held with bond trustees	(2,258)	(3,476)
Acquisition of property, plant and equipment	(73,508)	(70,210)
Net cash used in investing activities	(6,755)	(115,426)
<b>Cash flows from (used in) financing activities</b>		
Contributions and government grants restricted for long-term purposes	14,401	16,537
Principal repayments of debt	(5,491)	(14,007)
Proceeds from the issuance of debt	-	84,352
Bond issuance costs	-	(1,364)
Increase in refundable government grants for student loans	9	270
Net cash provided by financing activities	8,919	85,788
<b>Increase (decrease) in cash and cash equivalents</b>	<b>34,362</b>	<b>(5,228)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>6,770</b>	<b>11,998</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 41,132</b>	<b>\$ 6,770</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid (including capitalized interest of \$2,183 and \$2,176 in 2010 and 2009, respectively)	\$ 10,991	\$ 7,099
Contributions of long-term assets	1,494	319
Contributions of marketable securities	1,213	4,065
Increase (decrease) in construction-related payables	4,416	(2,791)
Acquisition of assets under capital leases	-	57

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

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2010 and 2009**  
*(in thousands)*

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**1. Summary of Significant Accounting Policies**

***a. Organization***

Rochester Institute of Technology (University) is a privately endowed, co-educational university comprised of eight colleges: Applied Science and Technology, Business, Computing and Information Sciences, Engineering, Imaging Arts and Sciences, Liberal Arts, National Technical Institute for the Deaf (NTID) and Science.

The University, which occupies 1,300 acres in Rochester, New York, has approximately 16,800 full and part-time graduate and undergraduate students and 3,200 employees.

***b. University Affiliates***

The following affiliates are consolidated into the financial statements of the University:

- The 5257 West Henrietta Road, LLC (Inn), doing business as the RIT Inn & Conference Center, is a not-for-profit single member limited liability company with the University as its sole member. The Inn is a dual-use 305-room full service hotel; approximately 170 rooms are dedicated to student housing during the academic year.
- RIT Campus Club, Inc. (Campus Club) is a not-for-profit subsidiary of the University. Campus Club was established to support certain aspects of the University's dining operations.
- RIT Global Delivery Corporation, Inc. (GDC) is a wholly owned not-for-profit subsidiary of the University. GDC was established to develop and deliver global instruction. American College of Management and Technology (ACMT), a subsidiary of GDC, is a not-for-profit entity that delivers instructional services in Croatia. GDC also operates RIT Dubai in conjunction with the Dubai Silicon Oasis Authority to deliver instructional services in the United Arab Emirates.
- RIT High Technology Incubator, Inc. (HTI), doing business as Venture Creations, is a wholly-owned not-for-profit subsidiary of the University. HTI was established to promote an environment for new and technologically-innovative businesses through the use of research created by the University, its faculty, staff and students.
- Liban, Inc. (Liban), a C corporation incorporated in October 2008, was established by the University to commercially market vehicle health management systems based on technology developed by the University. The software monitors vehicle health and predicts future failures within the major vehicle subsystems. At June 30, 2010 the University is the majority shareholder in the entity.

***c. Basis of Accounting***

The Consolidated Financial Statements of the University are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America. All significant intercompany transactions and accounts have been eliminated.

***d. Classifications of Net Assets***

The University reports its net assets and changes therein according to three classifications: unrestricted, temporarily restricted and permanently restricted based upon the existence or absence of donor-imposed restrictions.

***Unrestricted Net Assets***

Unrestricted net assets represent resources that are generally available for support of the University's activities. Uses of certain unrestricted net assets are committed through contractual agreements. Such amounts consist primarily of matching funds under student loan programs of the federal government and required trustee balances under long-term debt agreements. In addition, grants and contracts received for the performance of certain services or functions are reported in unrestricted net assets. The Board of Trustees, through voluntary resolutions, has set aside portions of the University's unrestricted net assets for long-term investment purposes, acquisition of property, plant and equipment, and ongoing maintenance of plant facilities. Net investment in plant includes net property, plant and equipment less corresponding net long-term debt.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets represent contributions of cash and other assets received with donor restrictions, including certain deferred giving trusts that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated or implicit time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Consolidated Statements of Activities as net assets released from restrictions.

Contributions to acquire property, plant and equipment are recorded as temporarily restricted net assets and are released from restrictions at the time the asset is placed in service. As a result, \$10,707 and \$16,426 of assets contributed to acquire property, plant and equipment are recorded as temporarily restricted net assets as of June 30, 2010 and 2009, respectively.

***Permanently Restricted Net Assets***

Permanently restricted net assets represent gifts, deferred giving trusts and pledges in which donors stipulate that the principal be held in perpetuity. The University expends part or all of the income derived from its endowment investments in accordance with donor restrictions and the University's total return spending policy.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as nonoperating increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

***e. Operations***

Revenues earned and expenses incurred during the fiscal year are classified on the University's Consolidated Statements of Activities as either operating or nonoperating. Operating revenues and expenses consist primarily of those items attributable to the University's education and training programs, auxiliary services and research activities.

Nonoperating activities consist primarily of realized and unrealized gains and losses on investments and other revenue and expenses not directly associated with education and training programs, or research activities.

***f. Revenue Recognition***

Tuition revenue is recognized over the academic term to which it relates. Revenues from auxiliary enterprises are also generally recognized over the academic term, with the exception of dining debit card balances which are included in deferred revenue until spent by the cardholder.

Revenues from grants and contracts are generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts received in advance are reported as deferred revenues until expenditures are incurred.

***g. Classification of Operating Expenses***

Operating expenses are reported by natural classification on the Consolidated Statements of Activities, and by function in Note 13.

***h. Cash and Cash Equivalents***

Cash and cash equivalents are carried at fair value and include cash on deposit with financial institutions and money market funds with maturities of three months or less when purchased. Cash and cash equivalents on deposit with bond trustees include cash, money market funds and U.S. government securities with maturities of three months or less when purchased and are limited as to use for payments of debt principal and interest. Securities and cash and cash equivalents maintained by the University's investment managers as part of the intermediate and long-term investment portfolios are included in investments on the Consolidated Balance Sheets.

***i. Inventories***

The University's electronics store inventory is valued at cost using the first-in, first-out (FIFO) retail method. Other inventories are stated at the lower of cost, generally on a FIFO basis, or market value.

***j. Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a range from 2.7% to 5.1%, to their present value, based upon the fiscal year in which the contribution is to be received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for potentially uncollectible contributions receivable is provided based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

***k. Investments***

Investments are recorded at fair value based on quoted market prices, except for certain alternative investments, such as hedge funds and private placements for which quoted market prices may not be available. The estimated fair value of alternative investments is based on valuations provided by external investment managers. The valuations for these alternative investments necessarily involve estimates, appraisals, assumptions and methods which are reviewed by the University and external investment management.

The University does not engage directly in unhedged speculative investments; however, the Board of Trustees has authorized investments in derivatives to maintain asset class ranges, hedge non-U.S. dollar investments and currencies, and provide for defensive portfolio strategies. Derivative investments are recorded at fair value and valuation gains and losses are included in the Consolidated Statements of Activities.

To minimize the risk of loss, externally managed hedge fund investments are diversified by strategy, manager and number of positions. The risk of any derivative exposure associated with an externally managed hedge fund is limited to the amount invested with each manager. Investment managers record derivative investments at fair value. Valuation gains and losses are included on the Consolidated Statements of Activities.

***l. Property, Plant and Equipment***

Land, buildings, capital improvements, equipment, capitalized software, special collections and construction-in-progress are stated at cost at the time of acquisition or fair value (if contributed). Asset retirement costs are initially recorded at fair value.

Special collections include works of art, literary works, historical treasures and artifacts that are maintained in the University's libraries and public areas of the campus. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service.

Contributed property, plant and equipment, including special collections, is recognized as revenue in the period in which the items are acquired. Property, plant and equipment acquired through federal appropriations, grants and contracts where the federal government retains a reversionary interest is also capitalized and depreciated. Interest on borrowings to finance facilities is capitalized during construction.

Depreciation is recognized using the straight-line method with useful lives of 30 to 50 years for buildings, 10 to 30 years for site improvements, 5 to 20 years for furniture, fixtures and equipment, and 4 to 10 years for software. Land, special collections and construction-in-progress are not depreciated. The cost and accumulated depreciation of property, plant and equipment sold or retired have been eliminated. Costs incurred for maintenance, repairs and renewals of relatively minor items are expensed as incurred.

In July 1998, the University entered into a long-term ground lease with Collegiate Housing Foundation (Foundation), a national not-for-profit organization, for the construction of 768 on-campus residential housing units. Pursuant to this 30-year agreement, the financing and construction of these facilities is the exclusive responsibility of the Foundation and is reflected by the University as an operating lease. The Foundation owns these units and independently financed the construction costs of approximately \$27,000. As a result, the assets, related long-term debt and associated results of operations for the housing units are excluded from the University's financial statements.

***m. Income Taxes***

The University and its consolidated subsidiaries, except for Liban, are not-for-profit organizations, and generally exempt from income taxes on related income under Section 501(c)(3) of the IRC but are subject to unrelated business income tax on activities not related to their exempt purposes. Liban, a C corporation, is subject to corporate income taxes. The accounting for income taxes Topic of the FASB Accounting Standards Codification addresses the determination of whether certain tax positions result in benefits claimed or expected to be claimed on a tax return and whether they should be recorded in the financial statements. For tax exempt entities, tax positions include the entity's tax-exempt status and assumptions used to determine unrelated business taxable income. The University believes its tax positions meet the more-likely-than-not recognition threshold referenced in the Topic, and as such, has included the effects of those tax positions in its financial statements.

***n. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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 may differ from estimates.

***o. Derivative Instruments***

The University maintains an interest rate risk management strategy that provides for maximum flexibility within its debt structure, seeks to lower its cost of capital, and manages risk on a portfolio basis. The University does not hold or issue derivative financial instruments for trading purposes.

All derivative instruments are recognized as assets or liabilities on the Consolidated Balance Sheets and measured at fair value. Changes in the fair value of derivative instruments are included in nonoperating activities in change in value of interest rate swap agreement on the Consolidated Statements of Activities.

The University uses an interest rate swap to hedge exposures to changes in interest rates on its tax-exempt debt. The University is exposed to credit loss in the event of nonperformance by the counterparty.

***p. Accounting Pronouncements***

***Accounting Codification***

In July, 2009, the FASB Accounting Standards Codification™ (Codification) became the authoritative source of accounting principles to be applied to financial statements prepared in accordance with GAAP. In accordance with the Codification, citations to accounting literature in these footnotes are to the relevant content of the Codification or are presented in plain English. Accounting Standards Updates (ASU) are not authoritative, but do provide background and updates to the Codification. The adoption of the Codification does not have a material impact on the University's Consolidated Financial Statements.

***Endowments***

In August 2008, FASB issued authoritative guidance on the classification of net assets of donor-restricted endowment funds that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The guidance, which was incorporated into Subtopic 958-205, also requires disclosures about endowment funds.

***Fair Value Measurements***

In September 2006, the FASB issued authoritative guidance which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a comprehensive framework for measuring fair value and expands disclosures about fair value measurements. The University adopted the guidance, which was incorporated into Topic 820, "Fair Value Measurements and Disclosures," as of June 2008.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2010 and 2009**

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The FASB has subsequently issued additional clarifying guidance related to fair value, which have been adopted by the University. There were no significant impacts on the University's Consolidated Financial Statements as a result of these adoptions. Following are the additional guidance adopted:

In October 2008, the FASB issued additional clarifying guidance related to the determination of the fair value of a financial asset in a market that is not active. This guidance is also included in Topic 820.

In August 2009, the FASB issued ASU No. 2009-05, "Measuring Liabilities at Fair Value", which provides the following clarifications:

- When a quoted price in an active market for an identical liability is not available, a reporting entity is required to measure fair value using a technique that 1) utilizes the quoted price of the identical, or similar, liability when traded as an asset at the measurement date; and, 2) measures the liability at the date that the reporting entity would pay to transfer the liability, or would expect to receive to enter into the identical liability.
- When estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability.
- Level 1 fair value measurements include 1) a quoted price in an active market for the identical liability at the measurement date; and, 2) the quoted price of the identical liability when traded as an asset in an active market when there are no adjustments to the quoted price of the asset.

In September 2009, the FASB issued ASU No. 2009-12, "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" which allows the University to measure the fair value of its investment in certain entities as defined by the standard, at net asset value (NAV). As the University has historically used NAV as the basis for determining the fair value of these investments, the adoption did not impact the Consolidated Financial Statements.

The amendments in this Update also require disclosures, by major category of investment, about the attributes of investments within the scope of the amendments in this Update, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in U.S. GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this Update regardless of whether the fair value of the investment is measured using the practical expedient.

***Income Taxes***

In June 2006, the FASB issued authoritative guidance which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The University adopted the guidance, which was incorporated into Topic 740, "Income Taxes", as of June 2008. In September 2009, the FASB issued ASU No. 2009-06, "Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities", which clarifies that for tax exempt entities, tax positions include assumptions relative to the entity's tax-exempt status and assumptions used to determine unrelated business taxable income. The adoption of this guidance did not have a significant impact on the University's Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2010 and 2009**

***Receivables***

In July 2010, the FASB issued ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses", which provides amendments to Subtopic 310-10, "Receivables-Overall". This guidance requires an entity to provide a greater level of disaggregated information about the credit quality of its financing receivables and its allowance for credit losses. In addition, the amendments in this Update require an entity to disclose credit quality indicators, past due information, and modifications of its financing receivables. For nonpublic entities, the disclosures are effective for annual periods ending after December 15, 2011. The University has not adopted this guidance as of June, 2010.

***q. Subsequent Events***

In May 2009, the FASB issued authoritative guidance, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The guidance, which was incorporated into Topic 855, "Subsequent Events," was adopted as of June, 2009. In February 2010, the FASB issued ASU 2010-10, "Amendments to Certain Recognition and Disclosure Requirements", which clarifies that for conduit bond obligors, subsequent events shall be evaluated up through the date the financial statements are widely distributed, or issued, rather than the date the financials are available to be issued.

***r. Risks and Uncertainties***

The University's investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

***s. Reclassification***

Certain amounts for 2009 have been reclassified to conform to the current year presentation. Short term securities totaling \$3,592 with maturities of three months or less when purchased were reclassified from investments to cash and cash equivalents as of June 30, 2009.

**2. Contributions Receivable**

Contributions receivable, less related allowances for uncollectible receivables and discounts for present value on long-term pledges at June 30, is summarized as follows:

	2010	2009
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,644	\$ 7,752
One year to five years	9,293	12,236
Over five years	564	200
	16,501	20,188
Less: allowance and discount	(732)	(2,458)
Contributions receivable, net	<b>\$ 15,769</b>	<b>\$ 17,730</b>

At June 30, the University has received other conditional promises to give totaling \$1,569. These conditional promises are not recognized as assets.

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**3. Investments**

Total investments for the fiscal years ended June 30 are as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 16,770	\$ 16,770	\$ 40,148	\$ 40,148
Fixed income	191,454	198,387	229,886	237,954
Equity securities	176,026	163,380	196,079	171,325
Hedge funds	119,083	162,070	123,175	154,551
Private equity	76,086	78,860	70,066	66,511
Real assets	61,398	52,595	34,912	28,653
<b>Total investments</b>	<b>\$ 640,817</b>	<b>\$ 672,062</b>	<b>\$ 694,266</b>	<b>\$ 699,142</b>

In September 2006, the FASB issued authoritative guidance establishing a comprehensive framework for measuring fair value and expanding disclosures about fair value measurements. Specifically, this guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchange or dealer markets. Investments within Level 1 may include active listed equities and exchange traded funds, option contracts traded in active markets, and certain U.S. government investments and money market securities.

Level 2 – Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; 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. Inputs are obtained from various sources including market participants, dealers and brokers. Investments within Level 2 may include investment-grade corporate bonds, comingled funds, less liquid listed equities, options contracts, certain mortgage products, bank loans, U.S. government investments and certain hedge fund limited partnerships.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments within Level 3 may include insurance contracts, private equity, real assets and hedge fund limited partnerships.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Furthermore, the fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk. The University assumes that any transfers between levels occur at the beginning of any period.

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Following is a summary of inputs used as of June 30, 2010 to value the University's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,839	\$ 10,931	\$ -	\$ 16,770
Fixed income	97,373	95,484	5,530	198,387
Equity securities	82,593	80,787	-	163,380
Hedge funds	-	75,188	86,882	162,070
Private equity	-	-	78,860	78,860
Real assets	22,199	-	30,396	52,595
Total investments at fair value	\$ 208,004	\$ 262,390	\$ 201,668	\$ 672,062
Interest rate swap <sup>1</sup>	-	(1,249)	-	(1,249)
<b>Total</b>	<b>\$ 208,004</b>	<b>\$ 261,141</b>	<b>\$ 201,668</b>	<b>\$ 670,813</b>

<sup>1</sup> The fair value of the interest rate swap is included in deferred revenues and other liabilities on the Consolidated Balance Sheets for the year ended June 30, 2010.

Following is a reconciliation of beginning and ending balances of Level 3 investments for the year ended June 30:

Level 3						
	Balance June 30, 2009	Realized Gains (Losses)	Unrealized Gains (Losses)	Net Purchases and Sales	Transfers In (Out) of Level 3	Balance June 30, 2010
Fixed income	\$ 357	\$ 557	\$ (114)	\$ 4,730	\$ -	\$ 5,530
Hedge funds	154,551	1,529	9,703	(4,101)	(74,800)	86,882
Private equity	66,511	(2,231)	6,328	8,252	-	78,860
Real assets	28,653	(3,026)	(2,707)	7,476	-	30,396
<b>Total</b>	<b>\$ 250,072</b>	<b>\$ (3,171)</b>	<b>\$ 13,210</b>	<b>\$ 16,357</b>	<b>\$ (74,800)</b>	<b>\$ 201,668</b>

Following is a summary of inputs used as of June 30, 2009 to value the University's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 27,153	\$ 12,995	\$ -	\$ 40,148
Fixed income	80,529	157,068	357	237,954
Equity securities	92,286	79,039	-	171,325
Hedge funds	-	-	154,551	154,551
Private equity	-	-	66,511	66,511
Real assets	-	-	28,653	28,653
Total investments at fair value	\$ 199,968	\$ 249,102	\$ 250,072	\$ 699,142
Interest rate swap <sup>1</sup>	-	(1,415)	-	(1,415)
<b>Total</b>	<b>\$ 199,968</b>	<b>\$ 247,687</b>	<b>\$ 250,072</b>	<b>\$ 697,727</b>

<sup>1</sup> The fair value of the interest rate swap is included in deferred revenues and other liabilities on the Consolidated Balance Sheets for the year ended June 30, 2009.

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Following is a reconciliation of beginning and ending balances of Level 3 investments for the year ended June 30:

Level 3						
	Balance June 30, 2008	Realized Gains (Losses)	Unrealized Gains (Losses)	Net Purchases and Sales	Transfers In (Out) of Level 3	Balance June 30, 2009
Fixed income	\$ 343	\$ -	\$ 14	\$ -	\$ -	\$ 357
Hedge funds	176,305	(1,647)	(13,771)	(6,336)	-	154,551
Private equity	71,728	(2,749)	(10,293)	7,825	-	66,511
Real assets	48,205	(3,137)	(16,757)	342	-	28,653
<b>Total</b>	<b>\$ 296,581</b>	<b>\$ (7,533)</b>	<b>\$ (40,807)</b>	<b>\$ 1,831</b>	<b>\$ -</b>	<b>\$ 250,072</b>

The fair value of certain hedge fund, private equity and real asset investments (collectively referred to as alternative investments), held through limited partnerships or commingled funds are based on current information obtained from the general partner or investment manager or, when available, from readily determinable market values. Factors used by the investment managers or general partners to value such non-marketable investments include, but are not limited to, restrictions affecting marketability, operating results, financial condition of the issuers, transactions of similar issues, industry standard valuation methodologies, and the price of the most recent financing. The University believes that these valuations are a reasonable estimate of fair value as of June 30, 2010 and 2009, but are subject to uncertainty and, therefore, may differ from the value that would have been used had an active market for all of the investments existed.

Following are additional disclosures, by major category, of the University's investments that contain redemption restrictions or unfunded commitments. The University does not have redemption rights in private equity and real asset investments and the remaining lives of these investments are between 1 and 10 years:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income	\$ 5,530	\$ -	Quarterly	90 days
Hedge funds	162,070	-	Monthly, quarterly, annually, bi-annually	35 - 90 days
Private equity	78,860	47,466	-	-
Real assets	30,396	33,681	-	-

***Total Investment Return***

Following is a summary of the total investment return and its classification on the Consolidated Statements of Activities at June 30:

	2010	2009
<b>Total Investment Return</b>		
Interest and dividends	\$ 11,604	\$ 15,865
Realized and unrealized gains (losses) on investments, net of investment management fees and other expenses	40,589	(143,396)
<b>Total investment return</b>	<b>\$ 52,193</b>	<b>\$ (127,531)</b>
<b>Consolidated Statements of Activities Classification</b>		
Spending policy allocated for operating activities	\$ 21,157	\$ 24,130
Interest and dividends	4,372	4,931
Total operating investment return	25,529	29,061
Nonoperating investment return	26,664	(156,592)
<b>Total investment return</b>	<b>\$ 52,193</b>	<b>\$ (127,531)</b>

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**4. Securities Lending**

The University participates in a securities lending program in which it lends a portion of its investments to third-party borrowers through a lending agent. All securities on loan are collateralized by investments with a market value of at least 102% of the borrowed securities (or 105% in the case of securities of non-U.S. issuers). The amount of collateral required from borrowers is assessed daily based on the mark-to-market of the related securities on loan. These investments consist primarily of U.S. dollar-denominated fixed income and adjustable rate securities and U.S. government-backed obligations with generally short maturities. Cash collateral received for securities on loan is invested in Mellon GSL DBT II Collateral Fund (Collateral Fund), a collateral investment pool managed by the securities lending agent.

Security loans terminate upon notice by either the University or the borrower. Upon termination of the loan, the borrower must return the same, or substantially the same, investment that was borrowed. The securities lending agent bears the risk of delay in recovery of, or even loss of rights in, the securities loaned should the borrower of the securities fail financially. The University bears the risk of loss in the event the securities purchased with cash collateral depreciate in value.

At June 30, the aggregated market value of securities on loan was \$1,169. In connection therewith, the University received cash collateral of \$1,200, which is invested in the Collateral Fund.

The securities lending transactions as of and for the years ended June 30 are as follows:

	2010	2009
Investments loaned to brokers	\$ 1,169	\$ 10,969
Investments collateral	1,200	11,392
Income from securities lending	9	88

During the fiscal year ended June 30, 2009 the University discontinued its securities lending program and intends to reduce the balances outstanding consistent with existing maturities of the related investments.

**5. Endowment**

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted the New York State Prudent Management Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets as: a) the original value of gifts donated to the permanent endowment; b) the original value of subsequent gifts to the permanent endowment; and, c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the SPMIFA.

In accordance with the SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund

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- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objectives within prudent risk constraints.

The University currently accounts for endowment activity in two investment pools, Pool I and Pool II. Pool I is comprised of contributions, both donor-restricted and board-designated, made to the University for a variety of purposes, as well as contributions transferred from Pool II. Pool II is comprised of contributions, both donor-restricted and board-designated, made to NTID. Both pools have separate investment and spending policies.

Pool I – The University has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 20 quarters through March of the preceding fiscal year in which the distribution is planned. The distribution excludes those funds with deficiencies due to unfavorable market fluctuations. Effective as of March 2006 the University amended its spending policy to ensure that the total spending distribution is at least equal to 3.50% but not greater than 5.25% of the beginning of year portfolio market value. For fiscal year 2010 the Board of Trustees approved a special exception to the spending policy from 5.25% to 6.00%. During periods when investment return exceeds the distribution, such excess return is added to these investments. Likewise, when investment return is less than the distribution, such deficit is funded by accumulated return. In establishing the distribution policy, the University considered the long-term expected return on its endowment. New gifts to existing funds participate in the spending policy in the quarter that begins subsequent to the date of the gift. New funds participate in the spending policy in the quarter that begins one year subsequent to the date of the gift. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at a rate exceeding expected inflation, consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Pool II – The University established a separate investment pool (Pool II) for NTID during 1989 in accordance with the federal program established by Public Law 99-371 (August 4, 1986) to support NTID. Pool II assets are invested in a manner intended to produce price and yield results that are at least equal to a blended benchmark of 70% of the S&P 500 Index and 30% of the Barclays Capital Aggregate Bond Index, assuming a moderate level of investment risk. The federal program stipulates that the investment of annual additions to Pool II is restricted to IRC 501(f) investment organizations. The federal guidelines authorize a spending distribution from Pool II of not more than 50% of current year's investment income (interest and dividends only). After a period of 10 years, the University can elect to invest the funds consistent with the University's overall long-term investment strategy (Pool I).

At June 30, 2010, the endowment net asset composition by type of fund consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ 89,422	\$ 48,863	\$ 123,522	\$ 261,807
Board-designated funds	297,287	445	-	297,732
<b>Total funds</b>	<b>\$ 386,709</b>	<b>\$ 49,308</b>	<b>\$ 123,522</b>	<b>\$ 559,539</b>

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Following are changes in endowment net assets for the year ended June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	\$ 366,651	\$ 46,011	\$ 117,750	\$ 530,412
Investment return:				
Investment income	3,870	894	-	4,764
Net appreciation	23,175	16,078	150	39,403
Total investment return	27,045	16,972	150	44,167
Contributions	-	(24)	5,622	5,598
Amounts appropriated for expenditure	(11,668)	(9,489)	-	(21,157)
Other changes:				
Transfers to create board-designated endowment funds	519	-	-	519
Releases	4,162	(4,162)	-	-
Total other changes	4,681	(4,162)	-	519
<b>Endowment net assets, June 30, 2010</b>	<b>\$ 386,709</b>	<b>\$ 49,308</b>	<b>\$ 123,522</b>	<b>\$ 559,539</b>

At June 30, 2009, the endowment net asset composition by type of fund consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ 85,440	\$ 45,540	\$ 117,750	\$ 248,730
Board-designated funds	281,211	471	-	281,682
<b>Total funds</b>	<b>\$ 366,651</b>	<b>\$ 46,011</b>	<b>\$ 117,750</b>	<b>\$ 530,412</b>

Following are changes in endowment net assets for the year ended June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	\$ 499,788	\$ 63,637	\$ 108,057	\$ 671,482
Investment return:				
Investment income	6,504	2,178	-	8,682
Net appreciation	(127,795)	(11,044)	(2)	(138,841)
Total investment return	(121,291)	(8,866)	(2)	(130,159)
Contributions	-	1,998	9,695	11,693
Amounts appropriated for expenditure	(14,088)	(10,043)	-	(24,131)
Other changes:				
Transfers to create board-designated endowment funds	1,527	-	-	1,527
Releases	715	(715)	-	-
Total other changes	2,242	(715)	-	1,527
<b>Endowment net assets, June 30, 2009</b>	<b>\$ 366,651</b>	<b>\$ 46,011</b>	<b>\$ 117,750</b>	<b>\$ 530,412</b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the SPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, reported in unrestricted net assets, were \$2,315 and \$6,509 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new

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permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees.

**6. Property, Plant and Equipment**

Property, plant and equipment, less related depreciation on certain asset categories at June 30, is as follows:

	2010	2009
Buildings and capital improvements	\$ 647,736	\$ 629,058
Equipment and software	122,702	123,911
	<u>770,438</u>	<u>752,969</u>
Less: accumulated depreciation	(317,677)	(311,667)
	<u>452,761</u>	<u>441,302</u>
Land	10,596	11,020
Special collections	6,798	4,690
Construction-in-progress	44,925	15,486
<b>Property, plant and equipment, net</b>	<b>\$ 515,080</b>	<b>\$ 472,498</b>

**7. Asset Retirement Obligations**

The University recalculates its asset retirement obligations (ARO's) annually, adjusting both the liability, included in deferred revenues and other liabilities, and the associated asset retirement costs, included in property, plant and equipment on the Consolidated Balance Sheets.

The following schedule reflects changes in:

	2010	2009
ARO balance beginning	\$ 15,754	\$ 14,863
Change in estimate	(934)	988
Abatement liability settled	(106)	(824)
Accretion expenses	680	727
<b>ARO balance ending</b>	<b>\$ 15,394</b>	<b>\$ 15,754</b>

The above change in estimate was made in conjunction with associated changes in asset retirement cost and accumulated depreciation as follows:

	2010		2009	
	Asset Retirement Cost	Accumulated Depreciation	Asset Retirement Cost	Accumulated Depreciation
Beginning balance	\$ 4,713	\$ 3,469	\$ 4,814	\$ 3,267
Change in estimate	(477)	(352)	(101)	123
Depreciation expense	-	70	-	79
<b>Ending balance</b>	<b>\$ 4,236</b>	<b>\$ 3,187</b>	<b>\$ 4,713</b>	<b>\$ 3,469</b>

**8. Benefit Plans**

***Retirement Benefit Plans***

The University participates in two contributory, defined contribution benefit plans that are in accordance with IRC Section 403(b). These plans are administered by the Teachers Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments for substantially all full-time employees. It is the University's policy

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to currently fund defined contribution pension costs as they are incurred. Total retirement contribution expense for 2010 and 2009 was \$17,168 and \$16,484, respectively.

***Postemployment Benefits***

The accrued postemployment benefits of the University were \$2,989 and \$2,425 at June 30, 2010 and 2009, respectively.

***Postretirement Benefits***

The University sponsors a defined benefit postretirement medical plan that covers substantially all employees. Employees may retire if they are at least 55 years old (50 if hired prior to July 1996) with at least 10 years of full-time service (5 years if hired prior to July 1, 1990) and age plus service totals at least 70 at retirement. The plan is contributory and retiree contributions are assumed to increase at the same rate as active employee contributions. The University's postretirement medical plan is not funded.

The University maintains an employer funded Retirement Medical Account (RMA) for retirees hired on or after January 1, 2004. The funds in the RMAs may be used for Medicare and private medical insurance premiums only. During fiscal year 2008, the RMA contributions for retirees increased and eligibility was extended to all employees under 35 years of age as of January 1, 2008, irrespective of their adjusted date of hire. The impact of this adoption in fiscal year 2009 was a decrease in postretirement benefit expense of \$112 included in other nonoperating activities on the Consolidated Statement of Activities.

For the fiscal year ending June 30, \$3,144 and \$4,640 in postretirement benefit expense was allocated to operating and non-operating activities, respectively, on the University's Consolidated Statements of Activities.

The following table represents the Plan's funded status as of June 30:

	2010	2009
<b>Change in projected benefit obligation</b>		
Postretirement benefit obligation	\$ 99,584	\$ 98,873
Service cost	3,003	2,498
Interest cost	6,081	5,779
Participants' contributions	414	381
Actuarial losses (gains)	20,233	(4,206)
Benefits paid	(3,918)	(3,629)
Plan change	-	(112)
<b>Postretirement benefit obligation at end of year</b>	<b>\$ 125,397</b>	<b>\$ 99,584</b>
<b>Amounts recognized in unrestricted net assets consist of:</b>		
Net prior service credit	\$ (1,904)	\$ (2,793)
Net losses (gains)	16,244	(4,400)
<b>Accumulated gains in unrestricted net assets</b>	<b>\$ 14,340</b>	<b>\$ (7,193)</b>
<b>Discount rates</b>		
Net periodic benefit cost	6.20%	6.82%
Year-end benefit obligation	5.45%	6.20%

The components of net periodic postretirement benefit costs are as follows at June 30:

Service cost	\$ 3,003	\$ 2,498
Interest cost	6,081	5,779
Amortization of unrecognized prior service benefit	(889)	(879)
Amortization of net losses (gains)	(411)	(2,029)
<b>Net periodic postretirement benefit cost</b>	<b>\$ 7,784</b>	<b>\$ 5,369</b>

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As of the end of the measurement period, 8.5% was assumed as the annual rate of increase for the per capita cost of covered medical and prescription drug benefits, respectively for fiscal year 2011 with a 0.5% decrease each subsequent year to 5% in 2017 and remaining at that level thereafter.

The health care cost trend rate assumption has a significant effect on the amounts reported; a 1% point change in the assumed health care cost trend rates would have the following effects:

	<b>1% Point Increase</b>	<b>1% Point Decrease</b>
Effect on total of service and interest cost components	\$ 1,563	\$ (1,328)
Effect on postretirement benefit obligation	19,773	(16,181)

***Benefit Payments***

At June 30, the University's aggregated future estimated postretirement benefit payments, which reflect future services, are as follows:

2011	\$ 3,694
2012	4,062
2013	4,489
2014	4,877
2015	5,287
2016-2020	32,614

The University expects to recognize postretirement benefit amortization in fiscal year 2011 of \$627, relating to \$889 of prior service credits offset by \$1,516 of net actuarial losses.

***Contributions***

The University's contributions to the postretirement benefit plan, net of participant contributions, are estimated to be \$3,694 for fiscal 2011.

***Self-insurance Plans***

The University is self-insured for health care, prescription drug and dental benefits. Based on estimates provided by actuaries, the University's obligation for health care claims incurred but not reported claims was \$1,907 and \$1,343 as of June 30, 2010 and 2009, respectively. The University is also self-insured for workers compensation and has established a liability for asserted and unasserted claims totaling \$3,300 and \$3,150 as of June 30, 2010 and 2009, respectively. These amounts are included in accounts payable and accrued expenses on the Consolidated Balance Sheets.

**9. Student Loan Advances**

Federal Perkins Loan Program advances of \$21,668 and \$21,659 at June 30, 2010 and 2009, respectively, are ultimately refundable to the U.S. government and are classified as liabilities on the University's Consolidated Balance Sheets. Additionally, the University has advanced \$3,328 and \$1,122 for the year ended June 30, 2010 and 2009, respectively, to provide additional loans to qualified students under the program. Due to the nature and terms of student loans that are subject to significant restrictions, it is not practicable to determine the fair value of such receivables.

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**10. Long-Term Debt**

The University has entered into various agreements for the purpose of financing construction, renovation and improvement of its facilities and equipment. Long-term debt outstanding for these purposes, net of applicable unamortized discount or premium as of June 30, is as follows:

<b>Issue</b>	<b>Interest Rate(s)</b>	<b>Type of Rate</b>	<b>Maturity</b>		
				<b>2010</b>	<b>2009</b>
<b>Tax - exempt revenue bonds</b>					
Dormitory Authority of the State of New York (DASNY)					
Series 1999	4.63% - 5.25%	Fixed	8/19/2010	\$ 8,371	\$ 9,825
Series 2002A	5.25%	Fixed	7/1/2032	41,088	41,137
Series 2002B	4.00% - 5.00%	Fixed	7/1/2032	14,188	14,594
Series 2006A	4.00% - 5.25%	Fixed	7/1/2022	55,058	58,180
Series 2008A	4.00% - 6.25%	Fixed	7/1/2033	84,395	84,370
<b>Taxable bonds</b>					
Rochester Institute of Technology					
Series 2004A	0.43% <sup>1</sup>	Variable	7/1/2010	1,920	2,576
Capital leases	5.58%-13.99%	Variable	Various	200	240
				<b>\$ 205,220</b>	<b>\$ 210,922</b>

<sup>1</sup> Weekly variable rate at June 30, 2010

The required principal payments for long-term debt for each of the years in the five-year period ending June 30, 2015 and thereafter are presented below. The schedule has been prepared based on the contractual maturities as of the debt outstanding at June 30:

2011	\$ 19,424
2012	3,892
2013	4,011
2014	4,640
2015	4,816
Thereafter	168,437
	<b>\$ 205,220</b>

The estimated fair value of the University's debt was \$217,456 and \$217,353 at June 30, 2010 and 2009, respectively. Estimated fair value is based on quoted market prices for the same or similar issues. The University is not required to settle its debt obligations at fair value.

***Tax-Exempt Bonds***

The University's tax-exempt bonds are issued through DASNY, a New York State agency serving as a conduit issuer of tax-exempt debt. The total net unamortized premium of tax-exempt revenue bonds was \$3,670 and \$3,935 at June 30, 2010 and 2009, respectively.

Deposits with bond trustees consist of debt service funds and the unexpended proceeds of certain debt. These funds will be used for construction of, or payment of, debt service on certain facilities. Deposits with bond trustees totaling \$29,443 and \$60,076 are included in cash and cash equivalents held with bond trustees and investments on the Consolidated Balance Sheets as of June 30, 2010 and 2009, respectively.

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Proceeds from tax-exempt revenue bonds were used as follows:

DASNY 1999 Series – Insured revenue bonds were issued to construct and renovate various academic buildings and upgrade a campus-wide communication network.

Subsequent to June 30, 2010, the University redeemed its outstanding 1999 Series bonds at a redemption price of 100.5% of the principal amount of the bonds redeemed, plus accrued interest to the redemption date.

DASNY 2002A and 2002 B Series – Insured revenue bonds were issued to construct and renovate various buildings on campus.

DASNY 2006A Series – Insured revenue bonds were issued to advance refund a substantial portion of the outstanding aggregate principal amount of Series 1997 issued to refund the remaining obligation of general and unconditional obligation Series E revenue bonds. Proceeds were also used to renovate on-campus housing facilities and improve the technological infrastructure of the University.

DASNY 2008A Series – Unsecured bonds were issued to construct a new mixed-use residential on-campus housing complex and retail complex, the renewal, replacement and expansion of existing heating and cooling infrastructure and energy management, and the renovation of academic and administrative buildings.

***Taxable Adjustable Rate Bonds***

Rochester Institute of Technology Series 2004A taxable adjustable rate bonds were issued to refinance a note payable for the University's subsidiary, the Inn. The Series 2004 bonds are variable rate demand bonds bearing interest determined weekly by a remarketing agent.

The Series 2004A bonds are subject to tender for purchase at the option of the holders with seven days notice and are subject to mandatory tender for purchase upon conversion to a fixed rate or upon the substitution of the liquidity facility as defined in the bond documents. Purchases are payable from proceeds available from the remarketing of tendered Series 2004A bonds, from monies obtained under the liquidity facility, or from monies furnished by or on behalf of the University in accordance with the bond documents.

Under the agreement, the University established a self-liquidating agreement consenting to continuously own qualified investments in at least the coverage amount as of each valuation date. The coverage amount is defined as the fair market value of the qualified investments in an amount equal to 120% of the outstanding principal amount of the bonds.

During the year ended June 30, 2009 \$8,755 of Series 2004A bonds were tendered to the trustee and not remarketed. The University drew on its self-liquidity agreement for payment of principal and accrued interest and extinguished the tendered bonds. University management believes that the tenders and failed remarketing was an unprecedented event due primarily to the credit crises in the capital markets.

Subsequent to June 30, 2010, the University redeemed its outstanding 2004A Series bonds at a redemption price of 100% of the principal amount of the bonds redeemed, plus accrued interest to the redemption date.

The total net unamortized premium of taxable adjustable rate bonds was \$0 and \$54 at June 30, 2010 and 2009, respectively.

***Capital Leases***

The University has entered into various capital equipment and furniture lease agreements.

***Interest Rate Swap***

In fiscal year 2006 the University entered into an interest rate swap agreement, with a notional amount of \$40,000, to reduce the effective interest rate on its fixed rate debt without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the University a quarterly interest payment based on 70.6% of the weighted

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average of weekly resets of 5-year LIBOR. The University pays the counterparty a weighted average of weekly resets of the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

During fiscal year 2009 the University amended its interest rate swap agreement to reflect a decrease in the notional amount to \$38,060 and a change to the amortization schedule. This transaction resulted in a partial termination payment from the counterparty of \$934 which was recorded in nonoperating activities as an adjustment to the change in value of interest rate swap agreement. Under the amended agreement, the quarterly interest swap payments will recommence effective October 1, 2015. The agreement will continue in effect until July 1, 2032.

The University has a collateral posting requirement at its current rating level when the fair value of the swap is greater than or equal to a \$10,250 liability to the University. The fair value of the interest rate swap was a liability of \$1,249 and \$1,415 at June 30, 2010 and 2009, respectively and was recorded in deferred revenue and other liabilities on the Consolidated Balance Sheet. Certain events may trigger an early termination under the agreement at which time the University may be required to make a termination payment to the swap counterparty.

**11. Student Aid**

Student tuition and fees are presented on the Consolidated Statements of Activities net of scholarships as follows:

	2010	2009
Institutional support	\$ 109,654	\$ 98,447
Sponsored support	8,305	7,646
<b>Total student aid</b>	<b>\$ 117,959</b>	<b>\$ 106,093</b>

Institutional support includes financial aid and merit scholarships awarded to students from unrestricted operating resources. Sponsored support includes financial aid and scholarships funded from restricted and University designated resources and external sources, including federal, state or private grants and/or contributions.

**12. National Technical Institute for the Deaf**

Under an agreement with the U.S. Department of Education (Department), the University established NTID in 1968 to provide post-secondary education and technical training for deaf and hard of hearing persons. NTID is the world's first and largest technical college for deaf students with approximately 960 students from the United States and other countries. The federal appropriation covers approximately 73% of NTID's total operating costs and provides matching funds for the University's Federal Endowment Fund. Funding is applied for annually and is subject to the federal government's continued support of the program.

***Operating revenues***

The federal appropriation partially covers direct operating expenses and reimbursement to the University for tuition, fees, room and board and indirect costs for NTID students using University facilities. These revenues are included in government grants and contracts on the Consolidated Statements of Activities and total \$64,669 and \$63,753 at June 30, 2010 and 2009, respectively. The remaining operating costs are covered by tuition and fees collected from students and other revenues.

***Nonoperating activities***

The appropriation may also be used to match qualifying contributions received for the NTID's Federal Endowment Fund. Included in permanently restricted nonoperating government grants and contracts for long-term assets on the Consolidated Statements of Activities are matching funds totaling \$784 and \$1,200 at June 30, 2010 and 2009, respectively.

Additionally, the University received incremental revenue from the Department to support approved NTID capital and renovation projects totaling \$5,600 and \$607 at June 30, 2010 and 2009, respectively. These revenues are included in unrestricted government grants and contracts for long-term assets.

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**13. Consolidated Statement of Activities – Operating Expenses by Function**

	2010	2009
Instruction	\$ 198,712	\$ 190,206
Research	36,583	32,452
Public service	14,234	14,822
Academic support	39,646	37,959
Student services	37,202	35,812
Institutional support	42,296	42,990
Auxiliary enterprises	69,840	68,366
Independent organizations	1,609	370
<b>Operating expenses by function</b>	<b>\$ 440,122</b>	<b>\$ 422,977</b>

Institutional support includes fundraising expenses of \$6,737 and \$6,248 in 2010 and 2009, respectively; including costs incurred by its Development Office and an amount specifically identifiable as fundraising expense within its Alumni Relations Office.

**14. Commitments and Contingencies**

The University is involved in legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of pending matters will not have a materially adverse effect, individually or in the aggregate, upon the University's financial statements.

The University was committed under several construction contracts amounting to approximately \$11,495 and \$32,686 at June 30, 2010 and 2009, respectively. These contracts relate to the renovation and construction of various on-campus facilities including projects totaling \$5,057 funded by the University's 2008A Series debt issue.

**15. Subsequent Event**

On September 17, 2010, New York State enacted the Uniform Prudent Management of Institutional Funds Act ("the Act") which promulgates policies and procedures related to acceptance and administration of donor-restricted endowment funds. The Act is effective immediately and will be reflected in the Universities' fiscal year ending June 30, 2011. Management is currently evaluating the impact of the Act on its financial statements which is expected to have a significant effect on the historical classification of net assets.

On October 21, 2010 DASNY issued Rochester Institute of Technology Series 2010 Revenue Bonds in the aggregate principal amount of \$78,085. A portion of the proceeds (\$36,455) will be used to fund various construction projects and other campus-wide improvements; the remaining balance of the proceeds (\$41,630) will be used to advance refund DASNY Series 2002A bonds. The bonds bear interest at a fixed rate to maturity on July 1, 2040 and are secured by a pledge of tuition and fee revenue in an amount equal to maximum annual debt service on the Series 2010 bonds. The bonds were issued at a premium of \$5,239.

Subsequent events have been evaluated through November 12, 2010, which is the date the financial statements were issued.