

# **Rochester Institute of Technology**

**Consolidated Financial Statements  
June 30, 2011 and 2010**

**Rochester Institute of Technology**  
**Index**  
**June 30, 2011 and 2010**

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1
<b>Consolidated Financial Statements</b>	
Balance Sheets.....	2
Statements of Activities.....	3-4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-24



## Report of Independent Auditors

The Board of Trustees  
Rochester Institute of Technology

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Rochester Institute of Technology (the "University") at June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the year 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.

As discussed in Note 5 to the consolidated financial statements, the University changed the manner in which it classifies accumulated total investment returns within net assets as a result of the adoption of ASC 958, *Not-for-Profit Entities* (formerly FASB Staff Position No. 117-1).

*PricewaterhouseCoopers LLP*

November 11, 2011

**Rochester Institute of Technology**  
**Consolidated Balance Sheets**  
**June 30, 2011 and 2010**  
*(in thousands)*

	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 32,232	\$ 41,132
Cash and cash equivalents, held with trustees	36,886	13,403
Student accounts receivable, net of allowance of \$2,100 and \$1,982, respectively	14,329	13,309
Inventories and other assets	8,173	8,196
Contributions receivable, net	13,546	15,769
Collateral held under securities lending	290	1,185
Investments, at fair value	752,452	672,062
Notes and other accounts receivable, net of allowance of \$2,993 and \$2,602, respectively	71,446	60,700
Property, plant and equipment, net	534,377	515,080
<b>Total assets</b>	<b>\$ 1,463,731</b>	<b>\$ 1,340,836</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 51,719	\$ 55,779
Deferred revenues and other liabilities	50,817	51,455
Payable under securities lending	295	1,200
Accrued postretirement benefits	122,705	125,397
Federal Perkins Loan Program advances	21,643	21,668
Long-term debt, net	228,045	205,220
Total liabilities	475,224	460,719
<b>Net assets</b>		
Expendable resources	334,904	362,563
Net investment in plant	306,332	309,860
Unrestricted	641,236	672,423
Temporarily restricted	215,270	83,410
Permanently restricted	132,001	124,284
Total net assets	988,507	880,117
<b>Total liabilities and net assets</b>	<b>\$ 1,463,731</b>	<b>\$ 1,340,836</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, 2011 and June 30, 2010**  
*(in thousands)*

				2011	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenues</b>					
Tuition and fees, net of scholarships of \$123,814 and \$114,278, respectively	\$ 249,326	\$ -		\$ 249,326	\$ 234,776
Sales and services of auxiliaries	63,818	-		63,818	60,373
Government grants and contracts	98,774	-		98,774	100,108
Private grants and contracts	8,846	-		8,846	10,268
Private contributions	2,835	5,267		8,102	7,844
Investment return	15,781	9,298		25,079	25,529
Other sources	18,628	-		18,628	17,211
Net assets released from restrictions	14,590	(14,590)		-	-
<b>Total operating revenues</b>	<b>472,598</b>	<b>(25)</b>	<b>-</b>	<b>472,573</b>	<b>456,109</b>
<b>Operating expenses</b>					
Salaries and wages	235,859			235,859	231,093
Benefits	75,242			75,242	70,322
Postretirement benefits	3,875			3,875	3,144
Purchased services	32,908			32,908	30,150
Materials and supplies	39,245			39,245	37,656
Depreciation	31,596			31,596	29,864
Interest	7,895			7,895	8,650
Utilities, taxes and insurance	13,620			13,620	14,110
Travel for scholarship, professional development and recruitment	11,302			11,302	10,612
Other	9,036			9,036	8,201
<b>Total operating expenses</b>	<b>460,578</b>	<b>-</b>	<b>-</b>	<b>460,578</b>	<b>443,802</b>
<b>Net operating activities</b>	<b>12,020</b>	<b>(25)</b>	<b>-</b>	<b>11,995</b>	<b>12,307</b>
<b>Nonoperating activities</b>					
Investment return	\$ 39,129	\$ 36,895	\$ 1,610	\$ 77,634	\$ 26,664
Net assets released from restrictions	379	(379)	-	-	-
Contributions for long-term assets	563	3,616	5,364	9,543	6,219
Government grants and contracts for long-term assets	4,295	-	1,103	5,398	7,299
Postretirement benefits	(6,438)	-	-	(6,438)	(4,640)
Beneficiary payments and change in value of deferred giving arrangements	-	419	(294)	125	(487)
Change in value of interest rate swap agreement	987	-	-	987	166
Other	9,211	1	(66)	9,146	(22,271)
<b>Net nonoperating activities</b>	<b>48,126</b>	<b>40,552</b>	<b>7,717</b>	<b>96,395</b>	<b>12,950</b>
Increase in net assets, before cumulative effect of change in accounting principle	60,146	40,527	7,717	108,390	25,257
Cumulative effect of change in accounting principle	(91,333)	91,333	-	-	-
<b>Increase (decrease) in net assets</b>	<b>(31,187)</b>	<b>131,860</b>	<b>7,717</b>	<b>108,390</b>	<b>25,257</b>
<b>Net assets at beginning of year</b>	<b>672,423</b>	<b>83,410</b>	<b>124,284</b>	<b>880,117</b>	<b>854,860</b>
<b>Net assets at end of year</b>	<b>\$ 641,236</b>	<b>\$ 215,270</b>	<b>\$ 132,001</b>	<b>\$ 988,507</b>	<b>\$ 880,117</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, 2010**  
*(in thousands)*

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues</b>				
Tuition and fees, net of scholarships of \$114,278	\$ 234,776	\$ -	\$ -	\$ 234,776
Sales and services of auxiliaries	60,373	-	-	60,373
Government grants and contracts	100,108	-	-	100,108
Private grants and contracts	10,268	-	-	10,268
Private contributions	2,695	5,149	-	7,844
Investment return	16,032	9,497	-	25,529
Other sources	17,211	-	-	17,211
Net assets released from restrictions	14,272	(14,272)	-	-
<b>Total operating revenues</b>	<b>455,735</b>	<b>374</b>	<b>-</b>	<b>456,109</b>
<b>Operating expenses</b>				
Salaries and wages	231,093	-	-	231,093
Benefits	70,322	-	-	70,322
Postretirement benefits	3,144	-	-	3,144
Purchased services	30,150	-	-	30,150
Materials and supplies	37,656	-	-	37,656
Depreciation	29,864	-	-	29,864
Interest	8,650	-	-	8,650
Utilities, taxes and insurance	14,110	-	-	14,110
Travel for scholarship, professional development and recruitment	10,612	-	-	10,612
Other	8,201	-	-	8,201
<b>Total operating expenses</b>	<b>443,802</b>	<b>-</b>	<b>-</b>	<b>443,802</b>
<b>Net operating activities</b>	<b>11,933</b>	<b>374</b>	<b>-</b>	<b>12,307</b>
<b>Nonoperating activities</b>				
Investment return	\$ 17,742	\$ 8,045	\$ 877	\$ 26,664
Net assets released from restrictions	9,187	(9,187)	-	-
Contributions for long-term assets	1,692	(717)	5,244	6,219
Government grants and contracts for long-term assets	6,515	-	784	7,299
Postretirement benefits	(4,640)	-	-	(4,640)
Beneficiary payments and change in value of deferred giving arrangements	-	(154)	(333)	(487)
Change in value of interest rate swap agreement	166	-	-	166
Other	(21,923)	-	(348)	(22,271)
<b>Net nonoperating activities</b>	<b>8,739</b>	<b>(2,013)</b>	<b>6,224</b>	<b>12,950</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>Net assets at beginning of year</b>	<b>651,751</b>	<b>85,049</b>	<b>118,060</b>	<b>854,860</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>

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, 2011 and 2010**  
*(in thousands)*

	2011	2010
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 108,390	\$ 25,257
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation, amortization and accretion expense	32,224	30,588
Loss on disposal of property, plant and equipment	471	2,432
Realized and unrealized net gains on investments	(94,497)	(44,495)
Unrealized gain on collateral held for securities lending	(10)	(437)
Noncash contributions and government grants restricted for long-term purposes	(17,927)	(17,108)
Loss on extinguishment of debt	3,068	-
Gain on deconsolidation of subsidiary	(2,237)	-
Asset retirement obligation liquidation and adjustment	(975)	(915)
Changes in assets and liabilities:		
Students accounts receivable	(1,020)	876
Inventories, prepaids and deferred charges	272	(907)
Contributions receivable	2,223	1,961
Other assets	(6,622)	(5,236)
Accounts payable and accrued expenses	(2,114)	13,248
Deferred revenues and other liabilities	(367)	1,121
Accrued postretirement benefits	(2,692)	25,813
Net cash provided by operating activities	18,187	32,198
<b>Cash flows from (used in) investing activities</b>		
Purchases of investments	(99,994)	(162,325)
Proceeds from the sales and maturities of investments	115,909	235,113
Loans made to students	(7,523)	(7,088)
Payments received on student loans	3,399	3,311
Increase in cash and cash equivalents held with bond trustees	(23,483)	(2,258)
Acquisition of property, plant and equipment	(50,857)	(73,508)
Net cash used in investing activities	(62,549)	(6,755)
<b>Cash flows from (used in) financing activities</b>		
Contributions and government grants restricted for long-term purposes	15,717	14,401
Payments of long-term debt	(62,231)	(5,491)
Proceeds from the issuance of debt	83,324	-
Bond issuance costs	(1,323)	-
Increase (decrease) in refundable government grants for student loans	(25)	9
Net cash provided by financing activities	35,462	8,919
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(8,900)</b>	<b>34,362</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>41,132</b>	<b>6,770</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 32,232</b>	<b>\$ 41,132</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid (including capitalized interest of \$3,208 and \$2,183 in 2011 and 2010, respectively)	\$ 10,766	\$ 10,991
Contributions of long-term assets	402	1,494
Contributions of marketable securities	1,808	1,213
Increase (decrease) in construction-related payables	(5,513)	4,416
Assets exchanged under capital lease	105	-

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, 2011 and 2010**

---

**1. Summary of Significant Accounting Policies**

***a. Organization***

Rochester Institute of Technology (University, RIT) is a privately endowed, co-educational university comprised of nine colleges: Applied Science and Technology, Business, Computing and Information Sciences, Engineering, Health Sciences, 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 17,200 full and part-time undergraduate and graduate students and 3,250 employees.

The following organizations 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 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 and the American University in Kosovo in conjunction with the American University in Kosovo Foundation to deliver instructional services in the United Arab Emirates and Kosovo, respectively.
- 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 RIT to market vehicle health management systems based on technology developed by the University. At June 30, 2010, RIT was the majority shareholder in the entity; accordingly, Liban's results were consolidated into the University's financial statements. During 2011, Liban successfully completed a funding round issuing shares of stock in the private company to outside shareholders. As a result, the University became a noncontrolling shareholder; therefore, as of June 30, 2011, the University recognized a gain of \$2,237 in other nonoperating activities on the Consolidated Statements of Activities. The University's investment in Liban at the time of deconsolidation was measured as the number of shares outstanding owned by RIT at the price per valuation established during the funding round.

***b. 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.

***c. 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 reflect resources that are not subject to externally imposed stipulations. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of the University.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets represent resources subject to externally imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Temporarily restricted net assets include amounts subject to legal restrictions such as realized and unrealized gains and losses on the endowment until appropriated for spending in accordance with New York State law.

***Permanently Restricted Net Assets***

Permanently restricted net assets are subject to externally imposed restrictions that the University maintains in perpetuity. Generally, the donors of these assets permit the University to use all or part of the income earned, and net appreciation on related investments, for general or specific purposes.

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.

***d. 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 activity. Operating revenues and expenses consist primarily of those items attributable to the University's education and training programs, auxiliary enterprises 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.

***e. 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.

***f. Classification of Operating Expenses***

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

***g. 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. 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.

***h. 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.

***i. 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

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

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.

***j. 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 on 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.

***k. Life Income, Gift Annuities, and Interest in Perpetual Trusts Held by Others***

The University's split-interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in the trusts are included in investments. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. The University is also the beneficiary of certain perpetual trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized in investments and as contribution revenue. The carrying value of the investments is adjusted annually for changes in fair value.

***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.

***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.

***p. New Accounting Pronouncements***

***Fair Value Measurements***

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 amends ASC Topic 820, "Fair Value Measurements and Disclosures" and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. As the University has historically used NAV as the basis for determining the fair value of these investments, the adoption of this guidance did not impact the Consolidated Financial Statements.

ASU 2009-12 also require disclosures, by major category of investment, about the attributes of investments, 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. The disclosures are required for all investments regardless of whether the fair value of the investment is measured using the practical expedient.

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements" which amends ASC Topic 820. ASU 2010-06 requires new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements related to Level 3 measurements. It also clarifies existing fair value disclosures regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value. This guidance was effective for the University for fiscal year 2011, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal year 2012. Implementation in fiscal year 2011 required additional disclosures incorporated in Note 3. The University is evaluating the impact of future implementation on the Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

***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. The University has partially adopted this guidance as of June, 2011.

***q. 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.

***r. Reclassification***

Certain amounts for 2010 have been reclassified to conform to the current year presentation. Tuition exchange and study abroad costs totaling \$3,680 were reclassified from scholarships to benefits and purchased services, respectively.

**2. Contributions**

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

	<b>2011</b>	<b>2010</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,788	\$ 6,644
One year to five years	6,644	9,293
Over five years	690	564
	<u>14,122</u>	<u>16,501</u>
Less: allowance and discount	(576)	(732)
Contributions receivable, net	<b>\$ 13,546</b>	<b>\$ 15,769</b>

At June 30, the University has received other conditional promises to give totaling \$7,964. These conditional promises are not recognized as assets.

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, \$11,031 and \$10,707 of assets contributed to acquire property, plant and equipment are recorded as temporarily restricted net assets as of June 30, 2011 and 2010, respectively.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

**3. Investments**

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

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 33,014	\$ 33,014	\$ 16,770	\$ 16,770
Fixed income	175,940	184,790	191,454	198,387
Equity securities	172,542	204,320	176,026	163,380
Hedge funds	116,148	165,389	119,083	162,070
Private equity	80,693	92,348	76,086	78,860
Real assets	65,698	72,591	61,398	52,595
<b>Total investments</b>	<b>\$ 644,035</b>	<b>\$ 752,452</b>	<b>\$ 640,817</b>	<b>\$ 672,062</b>

Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

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, commingled 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.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

Following is a summary of inputs used as of June 30, 2011 to value the University's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 16,830	\$ 16,184	\$ -	\$ 33,014
Fixed income	112,922	71,769	99	184,790
Equity securities	112,013	90,836	1,471	204,320
Hedge funds	-	73,133	92,256	165,389
Private equity	-	-	92,348	92,348
Real assets	32,147	-	40,444	72,591
Total investments at fair value	\$ 273,912	\$ 251,922	\$ 226,618	\$ 752,452
Interest rate swap <sup>1</sup>	-	(262)	-	(262)
<b>Total</b>	<b>\$ 273,912</b>	<b>\$ 251,660</b>	<b>\$ 226,618</b>	<b>\$ 752,190</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, 2011.

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

	Level 3					
	Balance June 30, 2010	Realized Gains (Losses)	Unrealized Gains (Losses)	Net Purchases and Sales	Transfers In (Out) of Level 3	Balance June 30, 2011
Fixed income	\$ 5,530	\$ (114)	\$ 106	\$ (5,423)	\$ -	\$ 99
Equity securities	-	-	-	1,471	-	1,471
Hedge funds	86,882	7,988	(191)	(2,423)	-	92,256
Private equity	78,860	161	9,057	4,270	-	92,348
Real assets	30,396	1,045	5,646	3,357	-	40,444
<b>Total</b>	<b>\$ 201,668</b>	<b>\$ 9,080</b>	<b>\$ 14,618</b>	<b>\$ 1,252</b>	<b>\$ -</b>	<b>\$ 226,618</b>

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.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 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>

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, 2011 and 2010, 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.

As of June 30, the estimated fair value of the University's alternative investments totaled \$298,181. The limitations and restrictions on the University's ability to redeem or sell these investments vary by investment type. Based upon the terms and conditions in effect at June 30, the University's alternative investments can be redeemed or sold as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge funds	\$ 165,389	\$ -	30 to more than 365 days	35 - 90 days
Private equity	92,348	49,325	NA	NA
Real assets	40,444	29,614	NA	NA
<b>Total</b>	<b>\$ 298,181</b>	<b>\$ 78,939</b>		

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

***Total Investment Return***

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

	2011	2010
<b>Total Investment Return</b>		
Interest and dividends	\$ 12,802	\$ 11,604
Realized and unrealized gains on investments, net of investment management fees and other expenses	89,911	40,589
<b>Total investment return</b>	<b>\$ 102,713</b>	<b>\$ 52,193</b>
<b>Consolidated Statements of Activities Classification</b>		
Spending policy allocated for operating activities	\$ 22,780	\$ 21,157
Interest and dividends	2,299	4,372
Total operating investment return	25,079	25,529
Nonoperating investment return	77,634	26,664
<b>Total investment return</b>	<b>\$ 102,713</b>	<b>\$ 52,193</b>

**4. Securities Lending**

During 2009 the University ended its securities lending program and subsequently reduced the balances outstanding consistent with existing maturities of related investments. At June 30, investment securities with an aggregate market value of \$290 were loaned to various brokers and were returnable on demand. In exchange, the University received cash collateral of \$295.

**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 New York Prudent Management of Institutional Funds Act (NYPMIFA), which governs the management and investment of funds held by not-for-profit corporations and other institutions, became effective on September 17, 2010. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the University applied the concepts included in NYPMIFA regarding classification of accumulated total return as temporarily restricted net assets as of July 1, 2010 for the year ended June 30, 2011. Accordingly, accumulated total return of \$91,333 as of July 1, 2010 was reclassified from unrestricted net assets to temporarily restricted net assets.

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

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

restricted endowment funds not classified as permanently or temporarily restricted net assets are classified as unrestricted net assets.

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA.

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. Each pool has a separate investment and spending policy.

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 total spending distribution should be at least equal to 3.50% but not greater than 5.25% of the beginning of year portfolio market value. 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, 2011, the endowment net asset composition by type of fund consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (13)	\$ 176,352	\$ 130,130	\$ 306,469
Board-designated funds	333,678	615	-	334,293
<b>Total funds</b>	<b>\$ 333,665</b>	<b>\$ 176,967</b>	<b>\$ 130,130</b>	<b>\$ 640,762</b>

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	\$ 386,709	\$ 49,308	\$ 123,522	\$ 559,539
Investment return:				
Investment income	6,187	1,687	-	7,874
Net appreciation	45,274	43,812	79	89,165
Total investment return	51,461	45,499	79	97,039
Contributions	-	-	6,530	6,530
Amounts appropriated for expenditure	(13,495)	(9,173)	(1)	(22,669)
Other changes:				
Transfers to create board-designated endowment funds	323	-	-	323
Endowment net asset reclassification	(91,333)	91,333	-	-
Total other changes	(91,010)	91,333	-	323
<b>Endowment net assets, June 30, 2011</b>	<b>\$ 333,665</b>	<b>\$ 176,967</b>	<b>\$ 130,130</b>	<b>\$ 640,762</b>

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>

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
Endowment net asset reclassification	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>

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

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 NYPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, reported in unrestricted net assets, were \$13 and \$1,910 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets.

**6. Student Loans Receivable and Credit Disclosures**

The University participates in the Federal Perkins Loan Program (Program) and makes uncollateralized loans to students based on financial need as determined by the Program. At June 30, 2011 and 2010, student loans represented 2.5% of total assets, respectively.

At June 30, student loans included in notes and other receivables on the Consolidated Balance Sheets of the University consisted of the following:

	2011	2010
Federal Perkins Loan Program	\$ 39,542	\$ 35,586
Less: allowance for doubtful accounts	2,758	2,344
<b>Student loans receivable, net</b>	<b>\$ 36,784</b>	<b>\$ 33,242</b>

The University's student loans receivable represents the amounts due from current and former students under the Program. The availability of funds for loans under the Program is dependent on reimbursements to the pool from repayments on outstanding loans. Loans disbursed under the Program are assigned to the Federal Government in certain non-repayment situations. Allowances for doubtful accounts are established when a non-deferred loan is delinquent for 240 days. Outstanding loans cancelled under the Program result in a reduction of the funds available and a decrease in the liability to the government.

Federal Perkins Loan Program advances of \$21,643 and \$21,668 at June 30, 2011 and 2010, respectively, are ultimately refundable to the U.S. government and are classified as liabilities on the University's Consolidated Balance Sheets. In addition to the required matching, the University has advanced \$3,573 and \$3,328 for the years ended June 30, 2011 and 2010, respectively, to provide additional loans to qualified students under the Program.

**7. Property, Plant and Equipment**

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

	2011	2010
Buildings and capital improvements	\$ 719,283	\$ 647,736
Equipment and software	125,819	122,702
	845,102	770,438
Less: accumulated depreciation	(343,729)	(317,677)
	501,373	452,761
Land	10,596	10,596
Special collections	7,013	6,798
Construction-in-progress	15,395	44,925
<b>Property, plant and equipment, net</b>	<b>\$ 534,377</b>	<b>\$ 515,080</b>

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

***University Commons***

In July 1998, the University entered into long-term ground lease agreements with Collegiate Housing Foundation (Foundation), a national not-for-profit organization, for the construction of 768 on-campus residential housing units (Project II and III, 416 units and 352 units, respectively). The financing and construction of the facilities was the exclusive responsibility of the Foundation and is reflected by the University as an operating lease. As a result, the assets, liabilities and associated results of operations for the housing units are excluded from the University's financial statements.

Subsequent to June 30, the University entered into a purchase agreement to purchase Project III from the Foundation. The purchase price of \$10,447 for the project was equal to the principal balance and interest remaining on the security interests as of August 31, the closing date. At closing, the University and the Foundation terminated the ground lease agreement associated with this project.

**8. 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:

	2011	2010
ARO balance beginning	\$ 15,394	\$ 15,754
Change in estimate	(760)	(934)
Abatement liability settled	(245)	(106)
Accretion expenses	704	680
<b>ARO balance ending</b>	<b>\$ 15,093</b>	<b>\$ 15,394</b>

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

	2011		2010	
	Asset Retirement Cost	Accumulated Depreciation	Asset Retirement Cost	Accumulated Depreciation
Beginning balance	\$ 4,236	\$ 3,187	\$ 4,713	\$ 3,469
Change in estimate	(110)	(81)	(477)	(352)
Depreciation expense	-	67	-	70
<b>Ending balance</b>	<b>\$ 4,126</b>	<b>\$ 3,173</b>	<b>\$ 4,236</b>	<b>\$ 3,187</b>

**9. Benefit Plans**

***a. Retirement Benefit Plans***

The University offers two defined contribution plans for substantially all employees 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. It is RIT's policy to currently fund defined contribution pension costs as they are incurred. Total retirement contribution expense for 2011 and 2010 was \$17,555 and \$17,168, respectively.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

***b. Postemployment Benefits***

The accrued postemployment benefits of the University were \$4,640 and \$2,989 at June 30, 2011 and 2010, respectively.

***c. 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.

For the fiscal year ending June 30, \$3,875 and \$6,438 in postretirement benefit expense was allocated to operating and non-operating activities, respectively, on the University's Consolidated Statements of Activities.

The Plan's funded status as of June 30 is as follows:

	2011	2010
<b>Change in projected benefit obligation</b>		
Postretirement benefit obligation	\$ 125,397	\$ 99,584
Service cost	3,633	3,003
Interest cost	6,454	6,081
Participants' contributions	432	414
Actuarial losses (gains)	(8,637)	20,233
Benefits paid	(4,574)	(3,918)
Plan change	-	-
<b>Postretirement benefit obligation at end of year</b>	<b>\$ 122,705</b>	<b>\$ 125,397</b>
<b>Amounts recognized in unrestricted net assets consist of:</b>		
Net prior service credit	\$ (1,014)	\$ (1,904)
Net losses	6,491	16,244
<b>Accumulated gains in unrestricted net assets</b>	<b>\$ 5,477</b>	<b>\$ 14,340</b>
<b>Discount rates</b>		
Net periodic benefit cost	5.45%	6.20%
Year-end benefit obligation	5.67%	5.45%

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

Service cost	\$ 3,633	\$ 3,003
Interest cost	6,454	6,081
Amortization of unrecognized prior service benefit	(889)	(889)
Amortization of net losses (gains)	1,115	(411)
<b>Net periodic postretirement benefit cost</b>	<b>\$ 10,313</b>	<b>\$ 7,784</b>

The University expects to recognize a postretirement benefit amortization credit in fiscal year 2012 of \$240, relating to \$889 of prior service credits partially offset by \$649 of net actuarial losses.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

As of the end of the measurement period, 8.0% was assumed as the annual rate of increase for the per capita cost of covered medical and prescription drug benefits, respectively for fiscal year 2012 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	\$ 1,618	\$ (1,307)
Effect on postretirement benefit obligation	19,242	(15,668)

***Benefit Payments***

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

2012	\$ 4,150
2013	4,586
2014	4,945
2015	5,328
2016	5,724
2017-2021	36,586

***Contributions***

The University's contributions to the postretirement benefit plan, net of participant contributions, are estimated to be \$4,150 for fiscal 2012.

***d. Self-insurance Plans***

The University is self-insured for medical, prescription drug and dental benefits. Based on estimates provided by its actuaries, the University's obligation for health care claims incurred but not reported claims was \$2,061 and \$1,907 as of June 30, 2011 and 2010, respectively. The University is also self-insured for workers compensation and has established a liability for asserted and unasserted claims totaling \$3,893 and \$3,300 as of June 30, 2011 and 2010, respectively. These amounts are included in accounts payable and accrued expenses on the Consolidated Balance Sheets.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

**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:

Issue	Interest Rate(s)	Type of Rate	Maturity	2011	2010
<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
Series 2002A	5.25%	Fixed	7/1/2032	-	41,088
Series 2002B	4.00% - 5.00%	Fixed	7/1/2032	13,771	14,188
Series 2006A	4.00% - 5.25%	Fixed	7/1/2022	51,821	55,058
Series 2008A	4.00% - 6.25%	Fixed	7/1/2033	79,022	84,395
Series 2010	3.00% - 5.00%	Fixed	7/1/2040	83,183	-
<b>Taxable bonds</b>					
Rochester Institute of Technology					
Series 2004A	NA	Variable	7/1/2010	-	1,920
Capital leases	5.58% - 13.99%	Variable	Various	248	200
				\$ 228,045	\$ 205,220

The required principal payments for long-term debt for each of the years in the five-year period ending June 30, 2016 and thereafter are presented below. The schedule has been prepared based on the contractual maturities as of the debt outstanding at June 30:

2012	\$ 5,133
2013	4,916
2014	5,597
2015	5,807
2016	7,957
Thereafter	198,635
<b>\$ 228,045</b>	

The estimated fair value of the University's debt was \$234,792 and \$217,456 at June 30, 2011 and 2010, 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 \$7,467 and \$3,670 at June 30, 2011 and 2010, 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 \$42,477 and \$29,443 are included in cash and cash equivalents held with bond trustees and investments on the Consolidated Balance Sheets as of June 30, 2011 and 2010, respectively.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

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.

During fiscal year 2011, 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 2002B Series – Insured revenue bonds were issued to construct and renovate various buildings on campus.

During fiscal year 2011, the University advance refunded 2002A Series bonds, which were outstanding in the principal amount of \$40,000 (see DASNY 2010 Series). A portion of the proceeds from the 2010 Series bonds was used to purchase U.S. government securities which were deposited in an irrevocable trust solely for the purpose of making debt service payments on the Series 2002A. Accordingly, the 2002A Series bonds were legally extinguished, and neither the indebtedness nor the assets of the irrevocable trust are included on the Consolidated Balance Sheet as of June 30, 2011. In connection with this refunding, the University incurred debt extinguishment charges of \$3,068 included in other nonoperating activities on the Consolidated Statement of Activities.

DASNY 2006A Series – Insured revenue bonds were issued to advance refund a substantial portion of the outstanding aggregate principal amount of 1997 Series 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 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.

DASNY 2010 Series – During fiscal year 2011, the University entered into an agreement with DASNY whereby DASNY issued \$78,085 in revenue bonds (2010 Series). The agreement is a general secured obligation of the University. The bonds were issued at a premium of \$5,239. Proceeds were used to advance refund DASNY 2002A Series bonds (see DASNY 2002A Series) and for the construction of a new academic building, the construction of a green data center, the expansion of athletic facilities and various other campus-wide improvements.

***Taxable Adjustable Rate Bonds***

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

During fiscal year 2011, 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.

***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 paid the University a quarterly interest payment based on 70.6% of the weighted average of weekly resets of 5-year LIBOR. The University paid 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

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

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 were to recommence effective October 1, 2015. The agreement was to continue in effect until July 1, 2032.

The fair value of the interest rate swap was a liability of \$262 and \$1,249 at June 30, 2011 and 2010, respectively and was recorded in deferred revenue and other liabilities on the Consolidated Balance Sheets.

Subsequent to June 30, 2011, the University terminated its interest rate swap agreement which resulted in a payment of \$290 to the counterparty. All future obligations under the agreement are now terminated and the agreement is no longer in force or effect.

**11. Student Aid**

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

	2011	2010
Institutional support <sup>1</sup>	\$ 115,202	\$ 105,973
Sponsored support <sup>2</sup>	8,612	8,305
<b>Total student aid</b>	<b>\$ 123,814</b>	<b>\$ 114,278</b>

<sup>1</sup> Institutional support includes financial aid and merit scholarships awarded to students from unrestricted operating resources.

<sup>2</sup> 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 1521 students from the United States and other countries. The federal appropriation covers approximately 70% 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 RIT facilities. These revenues are included in government grants and contracts on the Consolidated Statements of Activities and total \$65,967 and \$64,669 at June 30, 2011 and 2010, 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 Federal matching funds totaling \$1,103 and \$784 at June 30, 2011 and 2010, respectively.

Additionally, the University received incremental revenue from the Department to support approved NTID capital and renovation projects totaling \$547 and \$5,531 at June 30, 2011 and 2010, respectively. These revenues are included in unrestricted government grants and contracts for long-term assets.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2011 and 2010**

---

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

	2011	2010
Instruction	\$ 205,148	\$ 198,712
Research	35,110	36,583
Public service	14,930	14,234
Academic support	42,678	40,325
Student services	38,666	37,202
Institutional support <sup>1</sup>	48,496	45,297
Auxiliary enterprises	75,550	69,840
Independent organizations	-	1,609
<b>Operating expenses by function</b>	<b>\$ 460,578</b>	<b>\$ 443,802</b>

<sup>1</sup> Includes fundraising expenses of \$7,089 and \$6,737 in 2011 and 2010, respectively; including costs incurred by the University's 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 \$34,473 and \$11,495 at June 30, 2011 and 2010, respectively. These contracts relate to the renovation and construction of various on-campus facilities including projects totaling \$4,627 and \$1,145 funded by the University's 2010 Series and 2008A Series debt issues, respectively.

**15. Subsequent Event**

On August 4, 2011, the University terminated its interest rate swap agreement which resulted in a payment of \$290 to the counterparty. All future obligations under the agreement are now terminated and the agreement is no longer in force or effect.

On August 31, 2011, the University entered into a purchase agreement to purchase 352 residential housing units located on the Henrietta campus (Project III) from the Collegiate Housing Foundation (see Note 6). The purchase price for the project was equal to the principal balance and interest remaining on the security interests as of August 31, the closing date. At closing, the University and the Foundation terminated the ground lease agreement associated with this project.

Subsequent events have been evaluated through November 11, 2011, which is the date the financial statements were issued.