Rensselaer
DEPARTMENT OF MECHANICAL,
AEROSPACE, AND NUCLEAR ENGINEERING

50-225

RCF 08-03
July 21, 2008

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555

Re: Response to Financial Request for Additional Information

Dear Sir:

This letter provides the information requested by your letter of May 28, 2008, "Request for Additional Information Regarding Financial Qualification and the Requalification Program for Renewal of Facility License No. CX-22 for the Rensselaer Polytechnic Institute Reactor Critical Facility".

The requested financial information is attached to this letter. The information for the Requalification Program will be provided at a future date as a submittal of a revised program.

Sincerely;

G Winters

Glenn Winters, Director
RPI Critical Experiments Facility

I declare under penalty of perjury that the foregoing is true and correct.
Executed on:

7/21/2008
Date

Basil A. Stewart
Basil A. Stewart
Assistant Vice President for Finance and Controller

A020

NRR

cc: Dr. Michael Podowski, Chair
RPI NSRB

Dr. Achille Messac, Interim Chair
MANE

Basil A. Stewart, Assistant Vice President
for Finance and Controller

Dr. Jeffery Geuther
RCF Operations Supervisor

Dr. Peter Caracappa
Radiation Safety Officer

William Kennedy
NRC

Requalification Plan

1. 10 CFR 55.53(h) requires all NRC-licensed reactor operators and senior reactor operators to be enrolled in a requalification program. However/the requalification program submitted with the relicensing report appears to pertain only to senior reactor operators. Explain how the requalification program ensures compliance with the requirements of 10 CFR 55.53(h), or submit a revised requalification plan that pertains to both senior reactor operators and reactor operators.

RPI Response – The requalification plan will be revised to pertain to reactor operators. None exist at the RCF at present and it is considered unlikely that any will. The revised plan will be submitted by September 1, 2008.

Financial Qualifications

1. Under 10 CFR 50.33(d), "Contents of applications; general information," certain information is required by the applicant, Rensselaer Polytechnic Institute (RPI). To comply with the regulation, please update the application to include a statement of the organizational form of RPI (e.g., corporation), the state where it is incorporated or organized and the principal location where RPI does business, and the names, addresses and citizenship of RPI's directors (Board of Trustees) and principal officers. Also, please state whether RPI is owned, controlled, or dominated by an alien, foreign corporation, or foreign government, and if so give details.

RPI Response – RPI is a New York corporation principally doing business in New York. The corporation is not owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government. RPI is certified by the Internal Revenue Service as a IRC 501(c)(3) organization. A copy of the IRS certification is attached.

Trustees of Rensselaer Polytechnic Institute

Name	Address	Citizenship
Stephen Barre	Servo Corporation of America, 123 Frost Street, Westbury, NY 11590-5026	USA
Cornelius J. Barton	2 Guardhouse Drive, Redding, CT 06896-1827	USA
Thomas R. Baruch	CMEA Ventures, One Embarcadero Center, Suite 3250, San Francisco, CA 94111	USA
Myles Brand	National Collegiate Athletic Association, P.O. Box 6222, Indianapolis, IN 46206	USA
John H. Broadbent, Jr.	One Chestnut Hill Drive, Mohnton, PA 19540-9313	USA
George Campbell, Jr.	Cooper Union for the Advancement of Science and Art, 30 Cooper Square, 7 East 7th Street, 7th Floor, New York, NY 10003-7120	USA
John W. Carr, Esq.	Simpson Thacher & Bartlett, LLP, 425 Lexington Avenue, New York, NY 10017	USA
Gary T. DiCamillo	GW Premier America, Inc., 888 Washington Street, P.O. Box 9100, Dedham, MA 02026	USA
Nicholas M. Donofrio	IBM Corporation, New Orchard Road, Armonk, NY 10504	USA

Arthur J. Gajarsa	U.S. Court of Appeals, The National Courts Building, Suite 814, 717 Madison Place, NW, Washington, DC 20439	USA
Arthur Golden	Davis, Polk and Wardwell, 450 Lexington Ave, New York, NY 10017	USA
Samuel Frank Heffner	Dickinson-Heffner, Inc., P.O. Box 8691, BWI Airport, Baltimore, MD 21240-0691	USA
Michael E. Herman	Herman Family Trading Company, 6201 Ward Parkway, Kansas City, MO 64113	USA
David M. Hirsch	Vertex Distribution, P.O. Box 879, 327 Pine Street, Pawtucket, RI 02862-0879	USA
Thomas N. Iovino	Judlau Contracting, 26-15 Ulmer Street, College Point, New York 11354-1137	USA
Jeffrey L. Kodosky	National Instruments – Res. & Dev., 11500 North Mopac, Austin, TX 78759	USA
Kenneth T. Lally	1119 Ruffner Road, Schenectady, NY 12309-4612	USA
Robin B. Martin	Deer River Group, LLC, 888 17th Street, NW, Suite 1000, Washington, DC 20006	USA
Francis L. McKone	228 Cotuit Bay Road, Cotuit, MA 02635	USA
Nancy S. Mueller	2110 Waverley Street, Palo Alto, CA 94301-3954	USA
Curtis Priem	33385 Palomares Road, Castro Valley, CA 94552-9615	USA
Janet C. Rutledge	University of Maryland, Baltimore County, Administration Building, 2nd Floor, 1000 Hilltop Circle, Baltimore, MD 21250	USA
Linda S. Sanford	IBM Corporation, 294 Route 100, Mail Drop 3401, Somers, NY 10589	USA
Paul J. Severino	680 Strawberry Hill Road, Concord, MA 01742-5406	USA
Paula Loring Simon	Wildlife Conservation Society, 2300 Southern Boulevard, Bronx, NY 10460	USA
Jackson P. Tai	75 Lower Cross Road, Greenwich, CT 06831	USA
G. Robert Tod	5 Ebb Tide Drive, Cumberland Foreside, ME 04110	USA
Harry Tutunjian	One Monument Square, City Hall, Troy, NY 12180-3276	USA
Ed Zander	Motorola, Inc., 1303 E. Algonquin Road, Schaumburg, IL 60196	USA
Admiral Ronald J. Zlatoper	The Estate of James Campbell, 900 Fort Street Mall, Suite 1115, Honolulu, Hawaii 96813	USA

Officers of Rensselaer Polytechnic Institute

Shirley Ann Jackson, President

Robert Palazzo, Provost

Charles Carletta, Secretary of the Institute and General Counsel

Laban Coblentz, Chief of Staff and Associate Vice President for Policy and Planning

Virginia Gregg, Vice President, Finance

John Kolb, Vice President for Information Services and Technology and Chief Information Officer

Eddie Ade Knowles, Vice President, Student Life

John Minasian, Vice President and Dean, Rensselaer Hartford Campus

James Nondorf, Vice President, Enrollment, and Dean, Undergraduate and Graduate Admissions

Curtis Powell, Vice President, Human Resources

Claude Rounds, Vice President, Administration

Wolf von Maltzahn, Acting Vice President, Research

William Walker, Vice President, Strategic Communications and External Relations

All officers are US citizens. The RPI business address to use for all officers is:

Rensselaer Polytechnic Institute
110 8th St.
Troy, NY 12180

2. The staff will analyze RPI's financial statements for the current year, which are required by 10 CFR 50.71(b), to determine if the applicant is financially qualified to operate the RPI Reactor Critical Facility (RCF). Since RPI's financial statements are not included with the application, please provide a copy of the latest financial statements for the staff's review.

RPI Response – FY 2007 audited financial statements are appended.

3. Under 10 CFR 50.33(f)(2), "the applicant shall submit estimates for total annual operating costs for each of the first five years of operations of the facility." Please provide the projected operating costs of the RCF for each of the years FY2009 to FY2013 (the first five years after the projected license renewal) as well as RPI's source(s) of funding to cover the operating costs for the above fiscal years.

RPI Response – The RCF operating cost projections for 2009 – 2013 are below. A labor cost adjustment of 5% per year has been applies and a 10% adjustment per year has been applied to Other costs, primarily utilities. Any additional costs are too small to track within the Mechanical, Aerospace, and Nuclear Engineering (MANE) Department budget.

Year	Labor	Other
2009	$20,000	$8,000
2010	$21,000	$8,800
2011	$22,050	$9,680

2012	$23,152	$10,648
2013	$24,310	$11,713

These costs are supported by the MANE Department budget.

4. The November 19, 2002 submittal from RPI to the NRC (the Relicensing Report for the Reactor Critical Facility at Rensselaer Polytechnic Institute) identifies two recommissioning cost estimates that vary depending on the degree of work to be completed. As stated in the application, decommissioning costs are estimated to be about $50,000 "if the only objective is to remove all fissionable material (i.e., the fuel) from the facility," or $500,000 for "a complete decommissioning including removal of all hazardous waste and asbestos, and clean-up of the facility grounds (presumably contaminated from former ALCO plant operations)." Since the application does not clearly state certain details regarding the eventual decommissioning of the RCF, the staff requests the applicant to complete and/or update the 2002 submittal to 2008 by including the following:

(a) To comply with 10 CFR 50.75(d), a current cost estimate in 2008 dollars to meet the NRC's radiological release criteria for decommissioning the facility for unrestricted use, describing the basis on how the cost estimate was developed, showing costs specifically broken down into the categories of labor, waste disposal, other items (such as energy, equipment, and supplies), and a contingency factor of at least 25%.

(b) A statement of the decommissioning method to be used (e.g., DECON or other method).

(c) To comply with 10 CFR 50.75(d), a description and basis of the means of adjusting the cost estimate (the NRC staff notes that cost escalation factors may be appropriately different for the different categories of decommissioning costs) and associated funding level periodically over the life of the facility. Also, please provide a numerical example showing how the cost estimate will be updated periodically.

RPI Response – The anticipated costs for decommissioning in 2008 dollars, based upon reasonably conservative assumptions about characterization needs and waste disposal volume are:

		Reactor Critical Facility
Labor	$	167,140.00
Waste Disposal	$	107,700.00
Other (Equipment and Supplies)	$	37,713.75
Total Decommissioning Cost with 25% Contingency	**$**	**390,692.19**

The decommissioning method used will be decontamination of the primary structure and disposal of appropriate equipment. Waste disposal cost estimates are based upon disposal of the primary reactor components at Clive, UT. Labor costs cover both characterization and disposal operations and are based upon prevailing wages for each category of worker.

The decommissioning cost estimate will be reviewed annually. The primary drivers of the cost estimate are the labor and waste disposal. Labor cost escalation will be based on changes in local labor prevailing wages. Waste disposal cost escalation will be based upon current disposal rates at EnviroCare. Costs for other items (equipment and supplies) will be adjusted by the change in the consumer price index.

5. As stated in RPI's 1991 Decommissioning Report, the applicant put assets with a market value of $50 000 into a prepaid custodial account. Since 10 CFR 50.33(f)(2) requires that "Applicants to renew or extend the term of an operating license for a nonpower reactor shall include the financial information that is required in an application for an initial license, the applicant needs to provide the following information with respect to the decommissioning financial assurance method to be used for the RCF:

(a) State the method to be used (e.g., an external trust or other prepayment method).

(b) Document that the chosen financial assurance method meets all of the requirements of 10 CFR 50 75(e)(1)(i) if the method used is prepayment, or 50.75(e)(1)(m) if the method used is a surety method, insurance, or other guarantee method, and is consistent with the applicable guidance in Section 2.2 of NRC Regulatory Guide 1.159, "Assuring the Availability of Funds for Decommissioning Nuclear Reactors."

(c) Provide a copy of the agreement governing any prepaid account used, and any other documentation pertaining to such prepaid account.

(d) State the amount of funds currently in the prepaid account and RPI's plans to adjust the level of funds in the account, if such is to continue, periodically over the life of the facility to meet changes in the decommissioning cost estimate.

RPI Response – Currently, Rensselaer has $70,000+ in a 3-month certificate of deposit at HSBC Bank. At any given point in time, Rensselaer holds cash and A-rated bonds in its endowment fund valued at $700+ million and would like to achieve self-liquidity. When Rensselaer achieves this status from the Nuclear Regulatory Commission; the goal will be to liquidate the certificate of deposit for Rensselaer's general use.

District Director
Internal Revenue Service

Date: May 28, 1971 | In reply refer to: AU:F:610:SR

Rensselaer Polytechnic Institute
110 Eighth Street
Troy, New York 12181

Gentlemen:

On the basis of your statement and the information recently submitted regarding the admissions policy of your institution, and the publicizing thereof, and with the understanding that such policies will remain in effect, we confirm the exempt status of your institution under Internal Revenue Code, Section 501(a), as an organization described in Section 501(c)(3).

This confirmation does not preclude a reevaluation of your admissions policy at a later date. It also does not preclude an examination of the operations of your institution to determine if the policy as described in your statement is being implemented.

Very truly yours,

Elliott H. Gray

Acting District Director

Form L-342 (11-70)

Rensselaer Polytechnic Institute

Combined Financial Statements

For the Years Ended
June 30, 2007 and 2006

Rensselaer Polytechnic Institute

Combined Financial Statements

For the Years Ended
June 30, 2007 and 2006

Contents

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
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Report of Independent Auditors

To The Board of Trustees
Rensselaer Polytechnic Institute

In our opinion, the accompanying combined statements of financial position and the related combined statements of activities and cash flows present fairly, in all material respects, the financial position of Rensselaer Polytechnic Institute and its affiliates ("Rensselaer") at June 30, 2007 and 2006, and the change 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 Rensselaer'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 audit 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 N and L to the combined financial statements, Rensselaer changed the manner in which it accounts for conditional asset retirement obligations in 2006 and the manner in which it accounts for defined benefit pension and other postretirement plans in 2007.

PricewaterhouseCoopers LLP

August 31, 2007

Rensselaer Polytechnic Institute
Combined Statements of Financial Position
At June 30, 2007 and June 30, 2006
(in thousands of dollars)

Assets		*2007*		*2006*
Cash and cash equivalents (Note B)	$	7,610	$	10,492
Accounts receivable, net (Note B)				
Student related and other		5,778		5,123
Research, training and other agreements (Note F)		22,465		20,441
Contributions receivable, net (Note E)		33,549		30,611
Contributions from external remainder trusts		6,092		4,137
Inventories (Note B)		2,465		2,603
Prepaid expenses and other assets		614		1,305
Deposits with bond trustees (Note K)		21,930		56,941
Student loans receivable, net (Note B)		27,355		27,044
Investments, at market (Note I)		835,383		702,717
Land, buildings and equipment, net (Note J)		577,024		513,013
Total assets	$	1,540,265	$	1,374,427

Liabilities				
Accounts payable and accrued expenses	$	50,609	$	32,319
Deferred revenue		14,040		10,802
Short-term portion of long-term debt (Note K)		7,735		5,203
Liability on interest rate swap agreements (Note B)		11,932		11,743
Split interest agreement obligations (Note G)		12,743		10,449
Other liabilities		8,037		7,618
Pension liability (Note L)		45,098		58,109
Accrued postretirement benefits (Note L)		13,690		13,383
Refundable government loan funds		25,686		25,282
Long-term debt (Note K)		420,374		411,599
Total liabilities	$	609,944	$	586,507

Net Assets (Note C)				
Unrestricted		579,157		493,282
Temporarily restricted		114,536		78,682
Permanently restricted		236,628		215,956
Total net assets		930,321		787,920
Total liabilities and net assets	$	1,540,265	$	1,374,427

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

Rensselaer Polytechnic Institute
Combined Statement of Activities
For the year ended June 30, 2007, with comparative June 30, 2006 totals
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2007	Total June 30, 2006
Operating Revenue:					
Student related revenue:					
Student tuition and fees, net (Note D)					
Undergraduate	$ 86,170	$ -	$ -	$ 86,170	$ 78,819
Graduate	41,394			41,394	36,995
Education for working professionals	8,206			8,206	8,935
Fees	1,147			1,147	898
Auxiliary services	40,855			40,855	38,227
Student related revenue	177,772	-	-	177,772	163,874
Gifts (Note B and E)	25,012	29,415		54,427	27,719
Grants and contracts: (Note F)					
Direct:					
Federal	48,578			48,578	45,199
State	15,273			15,273	10,889
Private	5,076	15		5,091	4,457
Indirect (Note F)	15,460			15,460	13,576
Grants and contracts	84,387	15	-	84,402	74,121
Investment return: (Note I)					
Dividends and interest	12,948	1,245		14,193	11,954
Realized accumulated gains used to meet spending policy	14,627	1,554		16,181	17,493
Endowment spending for Rensselaer Plan initiatives	35,484			35,484	34,000
Interest on student loans	74			74	137
Investment return	63,133	2,799	-	65,932	63,584
Rensselaer Technology Park	4,657			4,657	5,183
Other	7,276	30		7,306	7,666
Net assets released from restrictions (Note B)	6,936	(6,936)		-	-
Total operating revenue	369,173	25,323	-	394,496	342,147
Operating Expenses (Note H):					
Instruction	133,255			133,255	127,720
Research:					
Sponsored	72,503			72,503	68,735
Unsponsored	12,620			12,620	12,041
Student Services	9,900			9,900	9,719
Institutional and academic support	82,897			82,897	81,239
Externally funded scholarships and fellowships	11,700			11,700	11,493
Auxiliary services	26,286			26,286	24,973
Rensselaer Technology Park	3,710			3,710	3,245
Defined benefit pension and postretirement	14,088			14,088	10,291
Debt remarketing costs	-			-	3,234
Total operating expenses	366,959	-	-	366,959	352,690
Change in net assets from operating activities	2,214	25,323	-	27,537	(10,543)
Non-operating (Note B):					
Realized and unrealized gains (losses), net of spending policy (Note I)	66,625	9,391	798	76,814	9,702
Realized and unrealized gains (losses), interest rate swaps (Note B)	(1,209)			(1,209)	15,245
Adjustment for pension liability (Note L)	25,848			25,848	10,153
Life income and endowment gifts		752	19,459	20,211	8,808
Change in value of life income contracts (Note G)		388	415	803	630
Gain (loss) on disposal of fixed assets	169			169	(3,058)
Change in net assets from non-operating activities	91,433	10,531	20,672	122,636	41,480
Increase in net assets before effect of a change in accounting principle	93,647	35,854	20,672	150,173	30,937
Cumulative effect of a change in accounting principle (Note L and N)	(7,772)	-	-	(7,772)	(6,541)
Increase in net assets after cumulative effect of a change in accounting principle	85,875	35,854	20,672	142,401	24,396
Net assets at beginning of year	493,282	78,682	215,956	787,920	763,524
Net assets at end of year	$ 579,157	$ 114,536	$ 236,628	$ 930,321	$ 787,920

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

Rensselaer Polytechnic Institute
Combined Statement of Activities
For the year ended June 30, 2006
(in thousands of dollars)

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total June 30, 2006
Operating Revenue:					
Student related revenue:					
Student tuition and fees, net (Note D)					
Undergraduate		$ 78,819	$ -	$ -	$ 78,819
Graduate		36,995			36,995
Education for working professionals		8,935			8,935
Fees		898			898
Auxiliary services		38,227			38,227
Student related revenue		163,874	-	-	163,874
Gifts (Note B and E)		25,956	1,763		27,719
Grants and contracts: (Note F)					
Direct:					
Federal		45,199			45,199
State		10,889			10,889
Private		4,457			4,457
Indirect (Note F)		13,576			13,576
Grants and contracts		74,121	-	-	74,121
Investment return: (Note I)					
Dividends and interest		11,049	905		11,954
Realized accumulated gains used to meet spending policy		16,011	1,482		17,493
Endowment spending for Rensselaer Plan initiatives		34,000			34,000
Interest on student loans		137			137
Investment return		61,197	2,387	-	63,584
Rensselaer Technology Park		5,183			5,183
Other		7,655	11		7,666
Net assets released from restrictions (Note B)		6,294	(6,294)		-
Total operating revenue		344,280	(2,133)	-	342,147
Operating Expenses (Note H):					
Instruction		127,720			127,720
Research:					
Sponsored		68,735			68,735
Unsponsored		12,041			12,041
Student Services		9,719			9,719
Institutional and academic support		81,239			81,239
Externally funded scholarships and fellowships		11,493			11,493
Auxiliary services		24,973			24,973
Rensselaer Technology Park		3,245			3,245
Defined benefit pension and postretirement		10,291			10,291
Debt remarketing costs		3,234			3,234
Total operating expenses		352,690	-	-	352,690
Change in net assets from operating activities		(8,410)	(2,133)	-	(10,543)
Non-operating (Note B):					
Realized and unrealized gains (losses), net of spending policy (Note I)		5,206	4,062	434	9,702
Realized and unrealized gains (losses), interest rate swaps (Note B)		15,245			15,245
Adjustment for minimum pension liability (Note L)		10,153			10,153
Life income and endowment gifts			183	8,625	8,808
Change in value of life income contracts (Note G)			280	350	630
Loss on disposal of fixed assets		(3,058)			(3,058)
Other		(76)	260	(184)	-
Change in net assets from non-operating activities		27,470	4,785	9,225	41,480
Increase in net assets before effect of a change in accounting principle		19,060	2,652	9,225	30,937
Cumulative effect of a change in accounting principle (Note N)		(6,541)	-	-	(6,541)
Increase in net assets after cumulative effect of a change in accounting principle		12,519	2,652	9,225	24,396
Net assets at beginning of year		480,763	76,030	206,731	763,524
Net assets at end of year		$ 493,282	$ 78,682	$ 215,956	$ 787,920

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

Rensselaer Polytechnic Institute
Combined Statements of Cash Flows
For the years ended June 30, 2007 and 2006

(in thousands of dollars)	2007	2006
Cash flow from operating activities		
Total change in net assets	$ 142,401	$ 24,396
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	23,798	25,801
Accretion expense	383	-
(Gain) loss on disposal of fixed assets	(169)	3,058
Provision for uncollectible accounts and loans	(1,223)	(1,194)
Cumulative effect of accounting change	7,772	6,541
Realized and unrealized gains on investments	(128,479)	(61,195)
Change in pension liability	(21,481)	(9,547)
Unrealized loss (gain), interest rate swap	189	(17,929)
Contributions of equipment and other capital items	(26,315)	(1,859)
Contributions restricted for long term investment	(20,211)	(8,808)
Contributions from external trusts, net of change in value	(1,955)	1,189
Changes in operating assets and liabilities:		
Accounts receivable	(1,416)	(1,428)
Contributions receivable	(2,938)	4,715
Inventories	139	(572)
Prepaid expense and other assets	691	11
Accounts payable and accrued expenses	10,246	(5,274)
Present value of split interest agreements, net of terminations	2,294	856
Deferred revenue and other liabilities	3,657	72
Accrued postretirement benefits	1,004	772
Net cash used in operating activities	(11,613)	(40,395)
Cash flow from investing activities		
Proceeds from sale of investments	234,933	217,182
Purchase of investments	(239,120)	(210,697)
Additional student loans granted	(7,568)	(6,625)
Student loans paid	7,217	8,244
Deposit with bond trustees	35,011	(11,531)
Proceeds from sale of land, building, and equipment	5,874	519
Purchase of land, building and equipment	(59,803)	(61,634)
Net cash used in investing activities	(23,456)	(64,542)
Cash flow from financing activities		
Contributions restricted for endowments	20,211	8,808
Payment of annuity obligations	(1,384)	(1,358)
Proceeds from issuance of bonds	-	62,380
Proceeds from loans/line of credit	55,199	103,250
Repayment of debt/line of credit	(42,243)	(64,689)
Government loan funds	404	298
Net cash provided by financing activities	32,187	108,689
Net (decrease) increase in cash and cash equivalents	(2,882)	3,752
Cash and cash equivalents at beginning of the year	10,492	6,740
Cash and cash equivalents at end of the year	$ 7,610	$ 10,492
Non cash investing activities		
Gifts of equipment and other capital items	$ 26,315	$ 1,859
Cumulative effect of accounting change-plant and equipment	-	394
Purchases of capital assets included in accounts payable	7,396	3,967
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ 18,968	$ 12,837

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

Note A- Organization

Rensselaer Polytechnic Institute (Rensselaer) is a nonsectarian, coeducational institution composed of five schools: Architecture, Engineering, Humanities and Social Sciences, Lally School of Management and Technology, and Science. More than 130 programs and 700 courses lead to bachelor's, master's, and doctoral degrees in all five schools.

Note B- Summary of Significant Accounting Policies

Basis of Consolidation
The accompanying combined financial statements of Rensselaer have been prepared on the accrual basis and include Rensselaer Hartford Graduate Center, Inc. (Center). All significant inter-organizational accounts have been eliminated.

Net Asset Classification
Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions other than those which only obligate Rensselaer to utilize funds to further its educational mission.
Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by Rensselaer which fulfill the restrictions.
Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as "net assets released from restrictions".

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
It is the Institute's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation. For fiscal year 2006, included in the combined statement of activities, research expenses were reclassified from sponsored to unsponsored.

Tax Exempt Status
Rensselaer is a tax exempt 501(c)(3) Corporation under the Internal Revenue Service Code.

Contributions
Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction.. Expenses are generally reported as decreases in unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Rensselaer does not record gifts of the use of a long lived asset if the assets are used for academic or educational research only. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Note B- Summary of Significant Accounting Policies, (continued)

Recently Adopted Accounting Pronouncements

In September 2006, the FASB issued the Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158). FAS 158 requires employers that sponsor defined benefit plans to recognize the funded status of a benefit plan, recognize the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, measure defined benefit plan assets and obligations as of the date of the employer's fiscal year end statement of financial position, and disclose in notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year.

Rensselaer adopted the recognition provisions of FAS 158 for its fiscal year ending June 30, 2007. Rensselaer also elected to adopt early the measurement date provisions of FAS 158 and changed the measurement date for its defined benefit pension plan from March 31 to June 30 for its 2007 financial statements. Rensselaer elected the alternative transition method for the change in measurement date. See Note L for the effect of the adoption.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143, *Accounting for Asset Retirement Obligations.* FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Based on the guidance in FIN 47, management of Rensselaer determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition, a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted. See Note N for the effect of the adoption for Rensselaer.

Non-Operating Activities

Rensselaer considers the change in net assets from operating activities on the combined statement of activities to be its operating indicator. Non-operating activities include realized and unrealized gains or losses on investments not used to support operations, realized and unrealized gains or losses on interest rate swap agreements, changes in the value of split interest agreements, loss on defeasance of debt, adjustment for minimum pension liability, life income and endowment gifts and loss on disposal of fixed assets.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with maturity of three months or less when purchased.

Note B- Summary of Significant Accounting Policies, (continued)

Accounts and Notes Receivable

Accounts and notes receivable arising from tuition fees, Rensselaer Technology Park activity and amounts owed on research contracts are carried net of an allowance for doubtful accounts as follows (in thousands):

	June 30, 2007	June 30, 2006
Student-related receivables	$730	$1,036
Loans to students	1,779	1,739
Hartford Campus	61	67
Other	14	14
Rensselaer Technology Park	36	36
Research, training and other agreements	195	1,146
Total allowances for doubtful accounts	$2,815	$4,038

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition.

Inventories

Inventories consist mainly of bookstore and computer store goods and maintenance supplies and are stated at the lower of cost or current market value, based upon the first-in, first-out method.

Investments

Investments are recorded in the following manner:

Short term investments consisting principally of money market funds and short term notes as well as long term investments consisting principally of equity securities, bonds and notes with readily determinable fair value are recorded at their quoted market prices.

Private equities and certain non-marketable securities (including real assets and certain short term investments) are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds.

Marketable alternatives are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments.

As noted above, the values of certain investments as recorded are based upon estimates regarding their fair value. These values do not necessarily represent the amounts that Rensselaer would realize upon liquidation of these investments.

Purchase and sale transactions are recorded on a trade date basis. Realized gains and losses are recognized on an average cost basis when securities are sold.

Note B- Summary of Significant Accounting Policies, (continued)

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or at the fair market value at the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (50 years) and equipment (3-20 years). All gifts of land, buildings and equipment are recorded as unrestricted operating activity unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the donor restrictions are reported as being released when the donated or acquired long-lived assets are placed in service. Gifts of land, buildings and equipment with explicit donor stipulations specifying how the assets must be used or how long the assets must be maintained are recorded as temporarily restricted operating activity and reported as being released over the period of time required and be maintained as the assets are used for its specified purpose.

Interest Rate Swap Agreements

Rensselaer has entered into various interest rate swap agreements in order to convert variable rate debt to a fixed rate, thereby economically hedging against changes in the cash flow requirements of Rensselaer's variable rate debt obligations. Rensselaer has also entered into an interest rate swap to convert fixed rate debt to variable rate, thereby economically hedging against changes in the fair value of the debt. Accordingly, the interest rate swap contracts are reflected at fair value in Rensselaer's combined statements of financial position and the related portions of variable fixed-rate debt being hedged are reflected at an amount equal to their carrying value.

Net payments or receipts under the swap agreements along with the change in fair value of the swaps are recorded in non-operating activities as realized and unrealized gains or losses on interest rate swap agreements.

Note C- Combined Net Assets

Combined net assets of Rensselaer are comprised of the following (in thousands):

Detail of Net Assets	2007	2006
Operating	$ 23,047	$ 28,983
Funding for facilities	193,785	172,954
Unexpended	3,394	7,213
Funding for student loans	4,809	6,349
Annuity and life income	26,328	24,427
Realized & unrealized losses, interest rate swaps	(11,932)	(11,743)
Adjustment for pension liability	(45,098)	(58,109)
Endowment and other net assets functioning as endowment	735,988	617,846
Total net assets	$930,321	$787,920

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Note D- Tuition Revenue

The undergraduate student discount rate was 45.8% and 44.9% for the years ended June 30, 2007 and 2006, respectively.

Student tuition by segment and location is as follows (in thousands):

	2007	2006
Undergraduate tuition:		
Troy Campus	$158,975	$143,197
Less institutional aid	(72,805)	(64,378)
Total undergraduate tuition	$86,170	$ 78,819
Graduate tuition:		
Troy Campus	$30,783	$28,651
Hartford Campus	10,611	8,344
Total graduate tuition	$41,394	$36,995
Education for working professionals:		
Troy Campus	$7,333	$8,085
Hartford Campus	873	850
Total education for working professionals	$8,206	$8,935

Note E- Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30 (in thousands):

	2007	2006
In one year or less	$1,179	$ 866
Between one year and three years	13,640	13,215
Greater than three years	27,402	24,663
Less:		
Present value discount (2.27 – 6.43%)	(8,125)	(7,735)
Allowance for uncollectible pledges	(547)	(398)
Total contributions receivable	$33,549	$30,611

Conditional pledges, which are not accrued, approximate $10,953,000 at June 30, 2007, of which $527,000 was unrestricted as to purpose. The remaining conditional pledges are restricted to purpose as follows: $4,011,000 current programs; $6,324,000 endowment; and $91,000 plant. It is anticipated that the conditional pledges will be collected over an average life of three years. Bequest expectancies totaling $76,672,000 have been excluded from these amounts and are not recorded in the financial statements. In compliance with donor stipulations related to the $360,000,000 transformational gift, income is being recognized as cash payments are received.

Note F- Research Grants and Contracts

Rensselaer has been awarded approximately $83,926,000 and $81,535,000 of grants and contracts which have not been advanced or expended as of June 30, 2007 and 2006, respectively, and accordingly, are not recorded in the financial statements.

Note G- Split Interest Agreements

Split interest gift agreements consist primarily of irrevocable charitable remainder trusts, pooled income funds and charitable gift annuities for which Rensselaer is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The value of split interest assets included in the investments at June 30, 2007 and 2006 were $32,974,000 and $30,739,000, respectively. Contribution revenues are recognized at the dates the trusts are established net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Discount rates range from 3.8% to 10.6%. The liability for the present value of deferred gifts of $12,743,000 and $10,449,000 at June 30, 2007 and 2006, respectively, is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Rensselaer is also beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as contributions from external trusts and contribution revenue at the date Rensselaer is notified of the establishment of the trust. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as non-operating gains or losses in temporarily or permanently restricted net assets.

Note H- Natural Expense Classification

The following table compares expenses by type for the years ended June 30, 2007 and 2006, respectively (in thousands):

	2007	2006
Salaries and wages	$144,000	$139,042
Employee benefits excluding retirement	26,619	27,448
Retirement plan expense	19,640	14,796
Subtotal employee benefits	46,259	42,244
Total compensation	$190,259	$181,286
Supplies & services	65,663	65,451
Utilities	12,065	12,541
Employee travel	5,867	6,037
Taxes & insurance	7,253	5,217
Telecommunications	391	455
Library materials	2,057	2,025
Interest on debt	20,246	12,945
Depreciation and amortization	23,798	25,801
Student aid and fellowships	35,733	33,814
Operating lease agreements	3,250	3,173
Provision for uncollectible accounts	128	516
Other	249	3,429
Total non salary	176,700	171,404
Total expenses	$366,959	$352,690

Note I- Investments

The carrying value and cost of investments at June 30 is as follows (in thousands):

	2007		2006	
	Carrying Value	Cost	Carrying Value	Cost
Short-term investments	$ 27,713	$ 27,709	$ 44,804	$ 41,955
Bonds and notes	109,823	102,939	90,853	89,692
Domestic equity securities	184,267	145,237	165,249	143,257
Foreign equity securities	156,174	97,375	144,816	111,672
Real estate	70,010	65,078	30,096	28,095
Marketable alternatives	166,203	131,437	126,617	110,575
Private equity partnerships	121,193	128,115	100,282	148,421
Total investments	$835,383	$697,890	$702,717	$673,667

Approximately $156,174,000 of the investment portfolio at June 30, 2007 is invested in international securities that are subject to the additional risk of currency fluctuation.

At June 30, 2007, Rensselaer has committed to investing an additional $187.9 million in various equity and real asset partnerships.

Rensselaer has reviewed unrealized losses on its investments and has concluded that none represent other than temporary losses from market activities.

Spending from Endowment Funds

Rensselaer has adopted a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the market value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average market value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula. During fiscal year 2007, certain restricted endowment funds did not have sufficient accumulated unspent income or gains to fund their spending allocation or market deficiencies and Rensselaer has borrowed funds from unrestricted endowment to offset the spending allocation.

Dividends, Interest and Realized and Unrealized Gains and Losses

Total dividends, interest and realized and unrealized gains (reflected as both operating and non-operating activity) are as follows (in thousands):

	2007	2006
Dividends and interest available for spending	$ 14,193	$11,954
Realized gains	20,161	55,415
Unrealized gains	108,318	5,780
Total return	142,672	73,149
Less: amounts allocated for spending	(28,574)	(28,458)
Net return	$114,098	$44,691

Note I- Investments, (continued)

Investment management fees were $2,350,000 and $2,347,000 in 2007 and 2006, respectively, and are netted against realized and unrealized gains.

In May 2000 Rensselaer's Board of Trustees approved the Rensselaer Plan, a strategic roadmap to achieving greater prominence in the 21st century as a top-tier world-class technological research university with global reach and global impact. The Board also committed to endowment withdrawals in excess of Rensselaer's spending formula, as necessary, to fund investment in Plan initiatives. To date, $182 million has been spent or committed for such initiatives, exclusive of capital expenditures. In fiscal year 2005, an initial withdrawal from quasi-endowment of $20 million was recognized and displayed in the Statement of Activities as "endowment spending for Rensselaer Plan initiatives." For fiscal year 2006 and fiscal year 2007, the amount reflected as "endowment spending for Rensselaer Plan initiatives" equals $34 million and $35.5 million, respectively. These amounts reflect Board approved commitments against the endowment with the residual of $182 million investment being funded from operations.

Derivative Financial Instruments

Investments include derivative financial instruments that have been acquired to reduce overall portfolio risk by hedging exposure to certain assets held in the portfolio. At June 30, 2007, there were approximately $3,059,000 of open or unsettled forward exchange contracts to sell foreign currency and $3,054,000 of open or unsettled forward exchange contracts to purchase foreign currency. These contracts are denominated in eleven North American, European, Asian and Australian currencies and will settle at various dates through July, 2007. The impact on the combined statement of activities is not significant.

Forward contracts are marked to market monthly. The market and credit risks related to these derivative investments are not materially different from the risks associated with similar underlying assets in the portfolio. These derivative financial instruments are recorded at estimated fair value in investments.

Note J- Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30 (in thousands):

	2007	2006
Land and improvements	$ 20,790	$ 20,601
Buildings	488,418	487,809
Equipment	211,097	180,076
Construction in progress	155,529	105,088
Total land, buildings & equipment	875,834	793,574
Less accumulated depreciation	(298,810)	(280,561)
	$577,024	$513,013

As of June 30, 2007, Rensselaer had $14,617,000 of open commitments to contractors for construction on work being performed.

Note K- Debt Outstanding

The following table and footnotes illustrate Rensselaer's various debt obligations, all of which are repaid from the general operations of Rensselaer and the Center, as appropriate.

Outstanding bonds and notes payable of Rensselaer are comprised of the following (in thousands):

Debt:

	Year of Final Maturity	Weighted Average Annual Interest Rate	June 30 2007	June 30 2006
U.S. Department of Education Dormitory Bonds and 1988 Mortgage Loan	2018	3.0%	$ 1,794	$ 1,923
Rensselaer County IDA – Industrial Development Facility Issue:				
Series 1997A (1)	2022	4.34%	9,334	9,666
Series 1999A and B (2)	2030	5.11%	36,608	37,788
Series 2006 (10)	2036	4.84%	62,480	62,523
Troy Industrial Development Authority Civic Facility Issue:				
Series 2002A (3)	2015	5.43%	16,410	16,496
Series 2002B-E (3)	2042	Variable	197,535	197,572
2004 Bank of America Term Loan (5)	2019	4.57%	27,938	29,587
2006 Bank of America Term Loan (8)	2011	5.57%	35,000	35,000
2006 Bank of America Term Loan (9)	2011	5.57%	13,000	10,000
2007 Bank of America Term Loan (11)	2027	5.55%	14,250	-
Student Loan Program Debt				
DASNY 1992 CUEL	2009	6.78%	1,601	2,276
New York State Urban Development Corporation (UDC) CII mortgage loan (4)	2026	11.1% (imputed)	3,660	3,784
Rensselaer Technology Park Debt:				
2005 Bank of America Term Loan (7)	2013	5.82%	8,322	9,426
State of Connecticut Health and Educational Facilities Authority – 1985 Mortgage Agreement (6)	2006	4.5%	-	525
Capital Lease Agreements	2007	Various	177	236
			$428,109	$416,802

Debt principal outstanding is reflected net of bond discount and/or capitalized issuance cost where applicable in the amount of $6,038,000 and $5,955,000 at June 30, 2007 and 2006, respectively. Such costs are being amortized on the straight-line method over the term of the related indebtedness.

Note K- Debt Outstanding, (continued)

Long-term debt and notes payable are collateralized by certain physical properties with a carrying value of $71,447,000 and by pledges of specified portions of tuition, fees and revenues from various facilities. At June 30, 2007, Rensselaer had $21,930,000 of assets held by trustees for construction, student loans, debt service and other project-related expenses. Certain of the long term debt and notes payable contain restrictive covenants including the maintenance of specified deposits with trustees.

Notes to Debt Outstanding

1. On March 12, 1997, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, providing for the issuance of $13,240,000 in revenue bonds for the purpose of financing the renovation of three of Rensselaer's buildings and the acquisition of a new student record system. The bonds bear a variable interest rate that resets weekly, but in no event may exceed 12% per annum.

2. On June 30, 1999, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $41,110,000 in revenue bonds. Proceeds from the issue in the amount of $24,196,000 were used for the construction and/or renovation of three buildings, issuance costs, and to legally defease Dormitory Authority Series 1991 Bonds.

3. On May 1, 2002, Rensselaer entered into an agreement with the Troy Industrial Development Authority, which provided for the issuance of $218,875,000 in Series 2002 A-E revenue bonds, including $202,975,000 in variable rate mode. The transaction also generated a $1,125,000 premium on the Series 2002A bonds. Proceeds from the issue in the amount of $203,150,771 were utilized for the construction costs of two buildings, related campus-wide infrastructure improvements, issuance costs and to legally defease Dormitory Authority Series 1993 Bonds.
   In fiscal year 2002, Rensselaer entered into an interest rate swap agreement, with a term of 35 years, on $150,000,000 (notional) of the Series 2002 B-D bonds issued, in order to convert variable rate borrowings to a fixed rate liability. This swap effectively locks in a fixed rate liability of 5.0325%. In February 2006, Rensselaer entered into an amendment with the counterparty which, in effect, altered the fixed rate liability to 4.30% until June 2011, at which point it converts to 4.593%. In addition, on May 11, 2006 the Series 2002E bonds were remarketed and converted from variable to a 5-year put option, with interest during the period ending September 1, 2011 set at 4.05%. The impact on the combined statement of activities as it relates to the fair market value of the interest rate swap was $56,000.

4. The NYS Urban Development Corporation (UDC) mortgage loan has a face amount of $33,500,000, without interest, and resulted from the provision of assistance by New York State, through the UDC, toward the construction of the George M. Low Center for Industrial Innovation (CII). Approximately $28,654,000, the difference between the total of all payments and the net present value of the liability discounted at a rate of 11.12%, has been recorded as an addition to unrestricted net assets. The facility is leased to the State of New York and, in turn, subleased to Rensselaer. Current annual payments amount to $900,000 with increasing annual amounts through maturity. As of June 30, 2007, the discount associated with the UDC mortgage loan is approximately $14,240,000.

Note K- Debt Outstanding, (continued)

5. On March 4, 2004, Rensselaer entered into an agreement with Bank of America for a $30,000,000 15-year term loan for the purpose of financing a portion of its pension obligations and to fund the costs of certain capital improvements. The note bears an interest rate of 4.57% for eight years, at which point it will convert to a floating rate based on the one month LIBOR plus 40 basis points. The loan agreement requires compliance with certain financial ratio covenants.

6. On October 28, 1985, the Hartford Graduate Center entered into an agreement with the State of Connecticut Health and Educational Facilities Authority for a $5,700,000 mortgage loan for the purpose of constructing a parking garage on the Rensselaer at Hartford campus. The loan bears a floating interest rate set on December 15th and June 15th of each year at 75% of the prime rate, and matured on July 1, 2006. The debt was a general obligation of the Center. This loan was paid off in the current year.

7. On December 31, 2005, Rensselaer entered into an agreement with Bank of America for a $9,834,734 term loan for purposes of refinancing of Rensselaer Technology Park 1995 and 1998 term loans with Bank of America, as successor to Fleet Bank. The fully amortizing loan matures on December 31, 2013. The note bears interest at LIBOR plus one quarter of one percent. In conjunction with this refinancing, on July 19, 2005 Rensselaer entered into a forward starting interest rate swap of $9,835,000 (notional) with Bank of America beginning January 1, 2006, effectively paying a fixed rate of 5.82% for term of the swap, which is contiguous with the loan's term. The loan agreement requires compliance with certain financial ratio covenants.

8. On April 14, 2006, Rensselaer entered into an agreement with Bank of America for a $35,000,000 term loan, which matures on July 1, 2011. The note bears interest at LIBOR plus .48 of one percent. In conjunction with this transaction, on March 20, 2006, Rensselaer entered into a forward starting interest rate swap of $35,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements'. The loan agreement requires compliance with certain financial loan covenants.

9. On May 15, 2006, Rensselaer entered into an agreement with Bank of America for a $10,000,000 term loan, which matures on July 1, 2011. The loan has a revolving feature which permits additional draws up to a total of $13,000,000 if completed prior to July 1, 2010. The note bears interest at LIBOR plus .48 of one percent. On June 15, 2006, Rensselaer completed a $10,000,000 advance on this revolving loan. In conjunction with this transaction, on March 20, 2006 Rensselaer entered into a forward starting interest rate swap of $10,000,000 (notional) with Bank of America beginning January 1, 2007, effectively paying a fixed rate of 5.57% on the term loan. The maturity date of the swap is June 1, 2021. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements'. The loan agreement requires compliance with certain financial loan covenants. On April 13, 2007 Rensselaer advanced the remaining $3,000,000 under this agreement bringing the total principal amount outstanding to $13,000,000.

Note K- Debt Outstanding, (continued)

10. On June 15, 2006, Rensselaer entered into an agreement with the Rensselaer County Industrial Development Agency, which provided for the issuance of $62,380,000 in Series 2006 fixed rate revenue bonds. The transaction generated a $1,616,000 premium. Proceeds from the issue in the amount of $63,996,000 will be utilized for the construction costs of one building, related campus-wide infrastructure improvements, and issuance costs.

11. On May 23, 2007, Rensselaer entered into an agreement with Bank of America for a $41,400,000 term loan, which matures on May 22, 2012. The note bears interest at LIBOR plus .43 of one percent. In conjunction with this transaction, on April 24, 2007, Rensselaer entered into a forward starting interest rate swap of $41,400,000 (notional) with the Bank of America beginning April 1, 2008, effectively paying a fixed rate of 5.55% on the term loan. The maturity date of the swap is June 1, 2022. The fair value of the future swap is recorded on the statement of financial position in the caption, 'Liability on interest rate swap agreements.' The loan agreement requires compliance with certain financial loan covenants.

As of June 30, 2007, Rensselaer had a standby letter of credit with Bank of America totaling $1,509,000 for workers compensation insurance security purposes. In addition, Rensselaer had standby letters of credit with Bank of America totaling $1,440,000 and $250,000 for general liability insurance and professional liability insurance security purposes, respectively, related to current construction projects on the Troy, New York campus. There were no draws against these letters of credit during the fiscal year. Rensselaer also has a mortgage loan guarantee in place for one loan made by HSBC Bank USA in 1996 to finance construction and renovation costs for an on-campus fraternity residential facility. The balance of the mortgage loan, which totaled $600,000 at inception, was $360,000 on June 30, 2007.

The Institute has an unsecured line of credit with Bank of America valued at $30,000,000, with interest calculated on the outstanding balance at a daily rate of term LIBOR plus .30%. There was no outstanding balance on the line of credit at June 30, 2007.

Principal and interest payments due on all long-term debt as of June 30, 2007 for each of the next five fiscal years are (in thousands):

Year	Amount
2008	$31,067
2009	33,327
2010	31,391
2011	34,380
2012	42,320
Thereafter	$691,420

The fair value of Rensselaer's fixed rate financial debt instruments based on the borrowing rates currently available for loans with similar terms and average maturities was estimated at $254,471,000 as of June 30, 2007.

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Note L- Retirement Plans

Defined Benefit Plans

The following table sets forth Rensselaer's defined benefit and postretirement plans' change in projected benefit obligation, change in plan assets, funded status (the postretirement plans are unfunded) and amounts recognized in Rensselaer's balance sheet at June 30, 2007 and 2006. The defined benefit plan calculations were based upon data as of or projected to June 30, 2007 and April 1, 2006. Postretirement benefit plan calculations were based upon data as of July 1, 2006 and 2005. Rensselaer's funding policy is based upon and is in compliance with ERISA requirements.

Change in projected benefit obligation (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Benefit obligation at beginning of year	($262,670)	($255,709)	($13,068)	($14,096)
Service cost	(4,713)	(4,631)	(668)	(584)
Interest cost	(15,332)	(14,307)	(817)	(664)
Changes in discount rate	6,367	6,054	-	-
Plan participants' contributions	(319)	(273)	(1,175)	(1,656)
Amendments/curtailments/special termination	-	-	1,375	-
Actuarial (loss)/gain	(4,099)	(8,008)	(925)	1,855
Expenses paid	1,586	760	-	-
Benefits paid	18,295	13,444	1,588	2,077
Adjustment due to change in measurement date	(5,011)	-	-	-
Benefit obligation at end of year	($265,896)	($262,670)	($13,690)	($13,068)

The accumulated benefit obligation for the defined benefit pension plan was $260,974,000 and $256,754,000 as of June 30, 2007 and 2006, respectively.

Change in plan assets (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Fair value of plan assets at beginning of year	$198,645	$180,960	$-	$-
Actual expense	(1,586)	(760)	-	-
Actual return on plan assets	30,114	23,416	-	-
Employer contribution	7,709	8,200	413	421
Plan participant's contribution	319	273	1,175	1,656
Benefits paid	(18,295)	(13,444)	(1,588)	(2,077)
Adjustment due to change in measurement date (three months expected return)	3,892	-	-	-
Fair value of plan assets at end of year	$220,798	$198,645	$ -	$ -

Note L- Retirement Plans, (continued)

Funded status and amount recognized (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Funded status plan assets at beginning of year	($45,098)	($64,024)	($13,690)	($13,068)
Unrecognized net actuarial (gain)/loss	-	100,100	-	(306)
Transition assets	-	-	-	-
Unrecognized prior service cost	-	594	-	(9)
Prepaid/(accrued) benefit cost	(45,098)	36,670	(13,690)	(13,383)
Minimum pension liability	-	(94,779)	-	-
Total liability	($45,098)	($58,109)	($13,690)	($13,383)

Amounts recognized in the statement of financial position consist of (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Prepaid benefit cost				
Accrued benefit liability	N/A	$(58,109)	N/A	$(13,383)
Intangible asset	N/A	594	N/A	N/A
Cumulative reduction in unrestricted assets	N/A	94,185	N/A	N/A
Net amount recognized	N/A	$36,670	N/A	$(13,383)

Amounts recognized in the statement of financial position consist of (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Current liability	-	-	$(750)	N/A
Non-current liability	$(45,098)	N/A	(12,940)	N/A

Amounts recognized in unrestricted net assets (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Net transition obligation/(asset)				
Net prior service cost/(credit)	$359	N/A	$1,318	N/A
Net actuarial (gain)/loss	73,260	N/A	(620)	N/A

In recognizing the effects of the change in measurement date, Rensselaer's actuary prepared a 15-month projection of net periodic pension cost for April 1, 2006, to June 30, 2007. Rensselaer allocated the net periodic cost proportionately between amounts to be recognized in unrestricted net assets ($3,189,000) and net periodic pension cost ($12,670,000) for 2007, as illustrated below in the following two tables. The latter is reported within the defined benefit pension and postretirement line item on the combined statement of activities.

Note L- Retirement Plans, (continued)

Other changes in plan assets and benefit obligations recognized in unrestricted net assets (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Change in additional minimum liability under FAS 87	$(25,848)	$(10,153)	N/A	N/A
Change in measurement date under FAS 158	3,189	N/A	N/A	N/A
FAS 158 change in accounting principle	5,281	N/A	$(698)	N/A
New prior service cost/(credit)	N/A	N/A	N/A	N/A
New actuarial loss/(gain)	N/A	N/A	N/A	N/A
Amortization of:				
Transition obligation/(asset)	N/A	N/A	N/A	N/A
Prior service cost/(credit)	N/A	N/A	N/A	N/A
Actuarial loss/(gain)	N/A	N/A	N/A	N/A
Total recognized in non-operating (income)/expense	$(17,378)	$(10,153)	$(698)	N/A

Net periodic benefit cost is included in the following components (in thousands):

	Defined Benefit		Postretirement	
	2007	2006	2007	2006
Service cost	$4,714	$4,631	$668	$584
Interest cost	15,332	14,307	817	664
Expected return on plan assets	(15,567)	(15,155)	-	-
Amortization of gain/(loss) from earlier periods	8,020	7,727	(1)	-
Amortization of unrecognized net asset at transition	-	(2,705)	-	-
Amortization of prior service cost	171	293	(66)	(55)
Net periodic benefit cost	$12,670	$9,098	$1,418	$1,193

Weighted average asset allocation at June 30, 2007 and 2006, by asset category are as follows:

	Defined Benefit	
Asset Category	2007	2006
Domestic Equity	31.0%	39.2%
International Equity	16.9%	19.0%
Private Equity	0.2%	-
Marketable Alternatives	31.6%	27.4%
Real Assets	8.2%	2.9%
Fixed income	11.7%	9.6%
Cash	0.4%	1.9%
	100.0%	100.0%

The Plan contains features that allow participants to have a percentage of their benefits fluctuate based on the return of a S&P 500 index account. Rensselaer maintains assets in that index fund to hedge those liabilities that are not part of the above asset allocation.

Note L- Retirement Plans, (continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Fiscal Year Beginning July 1	Defined Benefit	Postretirement
2007	$16,613	$750
2008	$17,535	$816
2009	$17,965	$907
2010	$18,466	$962
2011	$19,026	$1,007
2012-2016	$103,576	$6,195

As of the measurement date, the weighted average rates forming the basis of net periodic benefit cost and amounts recognized in Rensselaer's statement of financial position were:

	Defined Benefit		Postretirement	
	June 30 Measurement	March 31 Measurement	June 30 Measurement	June 30 Measurement
Benefit obligations	2007	2006	2007	2006
Discount rate	6.25%	6.00%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-
Net periodic benefit cost				
Discount rate	6.00%	5.75%	6.25%	5.25%
Expected return on plan assets	8.25%	8.25%	-	-
Rate of compensation increase	4.00%	4.00%	-	-

For measurement purposes, a 10.0 percent, 9.0 percent and 13.0 percent annual rate of increase in the per capita cost of covered pre-65 medical, post-65 medical benefits and prescription drug benefits, respectively, was assumed for fiscal year 2007. These rates were assumed to decrease gradually to 5 percent for fiscal year 2016 and remain at that level thereafter. A plan amendment established a maximum of $85 per month for retired employees who retire after normal retirement age. Once Rensselaer's share of medical premiums for Medicare eligible retirees reaches the $85 per month maximum, the health care cost trend rate will no longer have any effect except for grandfathered participants not subject to the cap and pre-65 coverage.

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

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$101	($87)
Effect on postretirement benefit obligation	$652	($571)

Based upon service at retirement date, Rensselaer pays for a portion of health care benefits for retired employees. In addition, Rensselaer Hartford Graduate Center, Inc. pays for dental and life insurance benefits for employees who had retired prior to July 1, 1997.

Note L- Retirement Plans, (continued)

Defined Contribution Plan

Rensselaer and the Center also have non-contributory Defined Contribution Plans open to full-time employees who have met minimum service requirements. Contributions to these plans (8% of employee salary) were $6,693,000 and $5,676,000 in fiscal 2007 and 2006, respectively.

In addition, the Center has its own pension plan in association with Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a money purchase plan so there is no past service cost. The Center's contributions to this plan (8% of employee salary) were $277,000 and $292,000 in fiscal 2007 and 2006, respectively.

Note M- Contingencies

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

Note N- Asset Retirement Obligations

Upon adoption of FIN 47 on June 30, 2006, Rensselaer recognized asset retirement obligations related to asbestos contamination in buildings, decommissioning expenses and tank disposals and recorded a non-cash transition impact of $6,541,000 which is reported as a cumulative effect of a change in accounting principle in the statement of activities and changes in net assets, an asset of $393,000 included in land, buildings and equipment, and a liability for conditional asset retirement obligations of $6,935,000 included in other liabilities. In fiscal year 2007, $383,000 of accretion expense and $18,000 of depreciation expense was recorded.

The following table illustrates the effect on the change in net assets as if this interpretation had been applied for the year ended June 30 (in thousands):

	2006
Change in net assets, as reported	$30,937
Less: Total depreciation and interest accretion costs	(382)
Proforma change in net assets	$30,555