Rochester Institute of Technology

Consolidated Financial Statements
June 30, 2009 and 2008

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Report of Independent Auditors

To Board of Trustees
Rochester Institute of Technology

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of the Rochester Institute of Technology (the "University") at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Notes 1 and 3 to the consolidated financial statements, the University adopted SFAS 157, *Fair Value Measurements*, in 2009. Also, as discussed in Notes 1 and 5 to the consolidated financial statements, the University adopted SFAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds.*

PricewaterhouseCoopers LLP

November 13, 2009

Rochester Institute of Technology
Consolidated Balance Sheets
June 30, 2009 and 2008

(in thousands of dollars)	**2009**	**2008**
Assets		
Cash and cash equivalents	$ 3,178	$ 3,556
Cash and cash equivalents, held with trustees	11,145	7,669
Student accounts receivable, net of allowance of $1,748 and $1,680, respectively	14,185	11,413
Inventories and other assets	7,545	6,523
Contributions receivable, net	17,730	25,052
Collateral held under securities lending	10,940	18,362
Investments, at fair value	702,734	802,954
Notes and other accounts receivable, net of allowance of $2,294 and $2,280, respectively	51,687	47,478
Property, plant and equipment, net	472,498	430,115
Total assets	$ 1,291,642	$ 1,353,122
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 42,530	$ 40,689
Deferred revenues and other liabilities	50,695	45,468
Payable under securities lending	11,392	18,362
Accrued postretirement benefits	99,584	98,873
Federal Perkins Loan Program advances	21,659	21,389
Long-term debt	210,922	140,778
Total Liabilities	436,782	365,559
Net assets		
Unrestricted		
Expendable resources	390,174	479,422
Net investment in plant	261,577	289,337
Total unrestricted	651,751	768,759
Temporarily restricted	85,049	104,525
Permanently restricted	118,060	114,279
Total net assets	854,860	987,563
Total liabilities and net assets	$ 1,291,642	$ 1,353,122

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

Rochester Institute of Technology
Consolidated Statements of Activities
Year Ended June 30, 2009
(With comparative totals for the year ended June 30, 2008)

(in thousands of dollars)	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees, net of scholarships of $106,093 and $98,695, respectively	$ 223,764	$ -	$ -	$ 223,764	$ 206,040
Sales and services of auxiliary enterprises	58,497	-	-	58,497	58,265
Government grants and contracts	96,199	-	-	96,199	87,614
Private grants and contracts	11,027	-	-	11,027	11,169
Private gifts	3,080	4,123	-	7,203	6,999
Investment return	18,976	10,085	-	29,061	27,447
Other sources	15,599	-	-	15,599	13,908
Net assets released from restrictions	14,548	(14,548)	-	-	-
Total operating revenues	441,690	(340)	-	441,350	411,442
Operating expenses					
Salaries and wages	222,287	-	-	222,287	204,978
Benefits	63,099	-	-	63,099	57,718
Postretirement benefits	2,582	-	-	2,582	2,885
Purchased services	28,767	-	-	28,767	28,896
Materials and supplies	37,758	-	-	37,758	38,671
Depreciation	27,513	-	-	27,513	25,965
Interest	7,310	-	-	7,310	5,879
Utilities, taxes and insurance	13,674	-	-	13,674	15,031
Travel for scholarship, professional development and recruitment	10,478	-	-	10,478	10,484
Other	9,509	-	-	9,509	9,321
Total operating expenses	422,977	-	-	422,977	399,828
Net operating activities	18,713	(340)	-	18,373	11,614
Nonoperating activities					
Investment return	(135,571)	(19,840)	(1,181)	(156,592)	2,505
Net assets released from restrictions	2,438	(2,438)	-	-	-
Gifts for long-term assets	542	3,628	4,495	8,665	14,976
Government grants and contracts for long-term assets	1,053	-	1,200	2,253	1,167
Postretirement benefit expense	(2,787)	-	-	(2,787)	(5,447)
Beneficiary payments and change in value of deferred giving arrangements	-	(486)	(823)	(1,309)	1,313
Change in value of interest rate swap agreement	(709)	-	-	(709)	(60)
Other	(687)	-	90	(597)	10,732
Net nonoperating activities	(135,721)	(19,136)	3,781	(151,076)	25,186
Increase (decrease) in net assets	(117,008)	(19,476)	3,781	(132,703)	36,800
Net assets at beginning of year	768,759	104,525	114,279	987,563	950,763
Net assets at end of year	$ 651,751	$ 85,049	$ 118,060	$ 854,860	$ 987,563

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

Rochester Institute of Technology
Consolidated Statement of Activities
Year Ended June 30, 2008

(in thousands of dollars)	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees, net of scholarships of $98,695	$ 206,040	$ -	$ -	$ 206,040
Sales and services of auxiliary enterprises	58,265	-	-	58,265
Government grants and contracts	87,614	-	-	87,614
Private grants and contracts	11,169	-	-	11,169
Private gifts	2,817	4,182	-	6,999
Investment return	18,561	8,886	-	27,447
Other sources	13,908	-	-	13,908
Net assets released from restrictions	13,220	(13,220)	-	-
Total operating revenues	411,594	(152)	-	411,442
Operating expenses				
Salaries and wages	204,978	-	-	204,978
Benefits	57,718	-	-	57,718
Postretirement benefits	2,885	-	-	2,885
Purchased services	28,896	-	-	28,896
Materials and supplies	38,671	-	-	38,671
Depreciation	25,965	-	-	25,965
Interest	5,879	-	-	5,879
Utilities, taxes and insurance	15,031	-	-	15,031
Travel for scholarship, professional development and recruitment	10,484	-	-	10,484
Other	9,321	-	-	9,321
Total operating expenses	399,828	-	-	399,828
Net operating activities	11,766	(152)	-	11,614
Nonoperating activities				
Investment return	4,573	(1,200)	(868)	2,505
Net assets released from restrictions	4,005	(4,005)	-	-
Gifts for long-term assets	830	7,307	6,839	14,976
Government grants and contracts for long-term assets	339	-	828	1,167
Postretirement benefit expense	(5,447)	-	-	(5,447)
Beneficiary payments and change in value of deferred giving arrangements	-	793	520	1,313
Change in value of interest rate swap agreement	(60)	-	-	(60)
Other	10,582	-	150	10,732
Net nonoperating activities	14,822	2,895	7,469	25,186
Increase in net assets	26,588	2,743	7,469	36,800
Net assets at beginning of year	742,171	101,782	106,810	950,763
Net assets at end of year	$ 768,759	$ 104,525	$ 114,279	$ 987,563

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, 2009 and 2008

(in thousands of dollars)	**2009**	**2008**
Cash flows from operating activities		
Change in net assets	$ (132,703)	$ 36,800
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation, amortization and accretion expense	28,188	26,601
Loss on disposal of property, plant and equipment	465	726
Realized and unrealized net (gain) loss on investments	139,388	(13,919)
Unrealized loss on collateral held for securities lending	452	-
Noncash contributions and government grants restricted for long-term purposes	(20,920)	(20,889)
Asset retirement obligation liquidation and adjustment	389	(810)
(Increases) decreases in		
Student accounts receivable	(2,772)	(327)
Inventories, prepaids and deferred charges	135	382
Contributions receivable	7,322	693
Other assets	(2,539)	(3,499)
Increases (decreases) in		
Accounts payable and accrued expenses	1,842	6,712
Deferred revenues and other liabilities	4,335	(1,754)
Accrued postretirement benefits	711	(6,866)
Net cash provided by operating activities	24,293	23,850
Cash flows from investing activities		
Purchases of investments	(210,813)	(261,730)
Proceeds from the sales and maturities of investments	175,710	275,092
Increase in student loans	(1,670)	(1,931)
Increase in cash and cash equivalents held with bond trustees	(3,476)	(2,162)
Acquisition of property, plant and equipment	(70,210)	(42,480)
Net cash used in investing activities	(110,459)	(33,211)
Cash flows from financing activities		
Contributions and government grants restricted for long-term purposes	16,537	15,345
Principal repayments of debt	(14,007)	(4,847)
Proceeds from the issuance of debt	84,352	-
Bond issuance costs	(1,364)	-
Increase in refundable government grants for student loans	270	267
Net cash provided by financing activities	85,788	10,765
Net increase (decrease) in cash and cash equivalents	(378)	1,404
Cash and cash equivalents - beginning of year	3,556	2,152
Cash and cash equivalents - end of year	$ 3,178	$ 3,556
Supplemental disclosures		
Interest paid (including capitalized interest of $2,176 and $870 in 2009 and 2008, respectively)	$ 7,099	$ 6,883
Gifts of property, plant and equipment	319	543
Gifts of marketable securities	4,065	5,000
Increase (decrease) in construction-related payables	(4,479)	6,111
Acquisition of assets under capital lease	57	-

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

(in thousands of dollars)

1. Summary of Significant Accounting Policies

(a) Organization

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

Under an agreement with the U.S. government, the University established NTID in 1968 to provide post-secondary education and technical training for deaf and hard of hearing persons. The federal government pays approximately 74% of total operating costs of NTID including direct operating expenses plus reimbursement to the University for tuition, fees, room and board and indirect costs for NTID students using University facilities. The balance is covered from tuition collected from students and other revenues. The federal appropriation, included in government grants and contracts on the Consolidated Statements of Activities, is applied for on an annual basis and its continuation is subject to the federal government's continued support of the program. Revenues from the federal appropriation total $63,753 and $56,947 at June 30, 2009 and 2008, respectively.

The University, which occupies 1,300 acres in Rochester, New York, has approximately 16,500 full and part-time graduate and undergraduate students and approximately 3,100 employees.

(b) University Affiliates

The financial position and results of operations of the following affiliates are consolidated into the financial results of the University:

- The 5257 West Henrietta Road, LLC (the "Inn" or the "LLC"), doing business as the RIT Inn & Conference Center, is a 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. The Inn is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code ("IRC"), but subject to unrelated business income tax on activities not related to the University's exempt purpose.

- Rochester Institute of Technology Global Delivery Corporation ("GDC") is a not-for-profit subsidiary of the University established to strategically develop global instructional delivery opportunities. Included in the GDC affiliate is the American College of Management and Technology ("ACMT"), a not-for-profit entity that delivers instructional services in Croatia. GDC also operates RIT Dubai in conjunction with the Dubai Silicon Oasis Authority to deliver instructional services and grant degrees in the United Arab Emirates. GDC is exempt from taxation under Section 501(c)(3) of the IRC.

- RIT High Technology Incubator, Inc. ("HTI"), doing business as Venture Creations, is a not-for-profit wholly-owned subsidiary of the University. HTI was established to promote an environment for new and technologically innovative business through the use of research created by the University, its faculty, staff and students. HTI is exempt from taxation under Section 501(c)(3) of the IRC.

- Liban, Inc. ("Liban"), a C corporation incorporated in October 2008, was established by RIT to commercially market vehicle health management systems based on technology developed by RIT's Center for Integrated Manufacturing Studies. The software monitors vehicle health and predicts future failures within the major vehicle subsystems. At June 30, RIT was the majority shareholder with a 74% equity interest in the entity, which the University received in consideration for granting specific-purpose, exclusive-use licenses to Liban. Liban is subject to corporate income taxes of the IRC.

(in thousands of dollars)

(c) Basis of Accounting

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

(d) Classifications of Net Assets

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

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

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

Contributions to acquire property, plant and equipment are recorded as temporarily restricted net assets and are released from restrictions at the time the asset is placed in service. As a result, $16,426 and $21,434 of assets contributed to acquire property, plant and equipment are recorded as temporarily restricted net assets as of June 30, 2009 and 2008, respectively.

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

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

(e) Operations

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

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 and research activities.

(in thousands of dollars)

(f) Cash and Cash Equivalents

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

(g) 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.

(h) 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 using a risk-free interest rate, which ranges from 2.3% to 5.1%, based upon the fiscal year in which the contribution is to be received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for potentially uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions of property, plant and equipment are recognized as revenues and assets at their estimated fair value at the date of receipt based upon appraisals or similar valuations. The assets are depreciated over their estimated useful lives.

Contributions of works of art, historical treasures and similar assets held as part of a collection, for education, research or public exhibition rather than for sale, are recognized as revenues and assets at their estimated fair value at the date of receipt based upon appraisals or similar valuations. In addition, purchased works of art, historical treasures and similar assets that are held as part of a collection have been capitalized.

(i) Investments

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

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

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

(in thousands of dollars)

(j) Property, Plant and Equipment

Land, site improvements, buildings, building improvements, equipment, gifts of software and construction-in-progress are stated at cost or fair value (if donated), less accumulated depreciation. 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, works of art, historical treasures and similar assets are not depreciated. The cost and accumulated depreciation of property, plant and equipment sold or retired have been eliminated. Costs incurred for maintenance, repairs and renewals of relatively minor items are expensed as incurred.

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

(k) 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 Services debit card balances which are included in deferred revenue until spent.

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.

(l) Classification of Operating Expenses

Operating expenses are reported in the Consolidated Statements of Activities by natural classification.

(m) Income Taxes

The University, a not-for-profit organization, is generally exempt from income taxes on related income under Section 501(c)(3) of the IRC.

(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 in the Consolidated Balance Sheets and measured at fair value. Changes in the fair value of derivative instruments are included in nonoperating activities in change in value of interest rate swap agreement on the Consolidated Statements of Activities.

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

(in thousands of dollars)

(p) Accounting Pronouncements

Financial Accounting Standards Board Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes
Effective July 1, 2007, the University adopted FIN 48, an interpretation of Statement of Financial Accounting Standards 109 (SFAS 109) *Accounting for Income Taxes.* As a tax-exempt organization, the University has a very limited number of tax positions subject to FIN 48, and believes its tax positions meet the more-likely-than-not recognition threshold in FIN 48 and, as such, has included the effects of those tax positions in its financial statements.

Statement of Financial Accounting Standards No. 157 ("SFAS 157"), Fair Value Measurements
On July 1, 2008, the University adopted SFAS 157. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a framework for measuring fair values.

In October 2008, FASB issued FASB Staff Position FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* which was effective immediately. FSP FAS 157-3 clarifies the application of SFAS 157 in cases where the market for a financial instrument is not active. The University has considered the guidance provided by FSP FAS 157-3 in its determination of estimated fair values.

Financial Accounting Standards Board Staff Position No. 117-1 ("FAS 117-1"), Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds
In August 2008, FSP 117-1 was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of FSP 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA); however, for the fiscal year ended June 30, 2009, the University adopted the disclosure requirements of FSP 117-1.

Financial Accounting Standards No. 165 ("SFAS 165"), Subsequent Events
In June 2009, the FASB issued SFAS No. 165 which addresses the accounting for, and disclosure of, events occurring after the balance sheet date, but before the financial statements are issued or available that are not addressed in other applicable generally accepted accounting principles. Financial statements are considered issued when they are widely distributed to financial statement users, or considered available to be issued when they are complete in a form and format that complies with generally accepted accounting principles and all approvals necessary for issuance have been obtained. Organizations are required to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. The University is required to disclose the date through which subsequent events have been evaluated as well as whether that date is the date the financial statements were issued or available to be issued.

(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 2008 have been reclassified to conform to the current year presentation.

(in thousands of dollars)

2. Contributions Receivable

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

	2009	2008
Unconditional promises expected to be collected in		
Less than one year	$ 7,752	$ 10,991
One year to five years	12,236	16,044
Over five years	200	1,006
	20,188	28,041
Less:		
Allowance for uncollectible contributions receivable	(1,599)	(1,456)
Discount for present value	(859)	(1,533)
	$ 17,730	$ 25,052

At June 30, the University had also received certain other conditional promises to give totaling $3,129. These intentions and conditional promises are not recognized as assets.

3. Investments

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

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 43,740	$ 43,740	$ 43,080	$ 43,080
Fixed income	229,886	237,954	188,222	203,282
Equity securities	196,079	171,325	223,707	260,354
Hedge funds	123,174	154,551	129,621	176,305
Private placements	104,978	95,164	101,830	119,933
Total investments	$ 697,857	$ 702,734	$ 686,460	$ 802,954

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

Level 2 – Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. Investments within Level 2 may include investment-grade corporate bonds, comingled funds, less liquid listed equities, options contracts, and certain mortgage products, bank loans, and U.S. government investments.

(in thousands of dollars)

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 and 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.

The following is a summary of the inputs used as of June 30 to value the University's investments, based on the SFAS 157 hierarchy:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 30,745	$ 12,995	$ -	$ 43,740
Fixed income	80,529	157,068	357	237,954
Equity securities	92,286	79,039	-	171,325
Hedge funds	-	-	154,551	154,551
Private placements	-	-	95,164	95,164
Total investments at fair value	$ 203,560	$ 249,102	$ 250,072	$ 702,734
Interest rate swap[1]	-	(1,415)	-	(1,415)
Total	$ 203,560	$ 247,687	$ 250,072	$ 701,319

[1] The fair value of the interest rate swap is included in "Deferred revenues and other liabilities" on the Consolidated Balance Sheet for the year ended June 30, 2009.

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

	Level 3			
	Fixed Income	Hedge Funds	Private Placements	Total
Balance as of July 1, 2008	$ 343	$ 176,305	$ 119,933	$ 296,581
Gains (losses) on investments, net [1]	14	(15,418)	(32,936)	(48,340)
Purchases and sales, net	-	(6,336)	8,167	1,831
Transfers in (out) of Level 3	-	-	-	-
Balance as of June 30, 2009	$ 357	$ 154,551	$ 95,164	$ 250,072

[1] Realized and unrealized gains and losses are included in investment return in the Statement of Activities. Total unrealized losses included in Level 3 investments held at June 30 was $40,807.

The fair value of certain hedge fund and private placement 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. (The total number of managers in the alternative asset category was 52 and 51 at June 30, 2009 and 2008, respectively.) 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, 2009 and 2008, 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.

(in thousands of dollars)

Total Investment Return

The following is a summary of the total investment return and its classification in the Consolidated Statements of Activities for the fiscal years ended June 30:

	2009	2008
Total Investment Return:		
Interest and dividends	$ 15,865	$ 20,861
Realized and unrealized gain (loss) on investments, net of investment management fees and other expenses	(143,396)	9,091
Total investment return	$ (127,531)	$ 29,952
Consolidated Statements of Activities Classification:		
Spending policy allocated for operating activities	$ 24,130	$ 21,629
Interest and dividends on working capital and facilities reserves	4,931	5,818
Total operating investment return	29,061	27,447
Nonoperating investment return	(156,592)	2,505
Total investment return	$ (127,531)	$ 29,952

4. Securities Lending

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

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

At June 30, the aggregated market value of securities on loan was $10,969. In connection therewith, the University received cash collateral of $11,392, which is invested in the Collateral Fund. During the fiscal year ended June 30, the University recorded an unrealized loss of $452 primarily attributable to impaired securities held by the Collateral Fund. The impaired securities were issued by Sigma Finance Corporation (“Sigma”) which was put in receivership in October 2008. The impaired Sigma securities were subsequently removed from the Collateral Fund and transferred to a liquidating trust.

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

	2009	2008
Investments loaned to brokers	$ 10,969	$ 17,658
Investments collateral	11,392	18,362
Income from securities lending	88	109

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

(in thousands of dollars)

5. Endowment

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

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

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

(1) The duration and preservation of the fund
(2) The purposes of the University and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policies of the University

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

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

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

Pool I – The University has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 20 quarters through March of the preceding fiscal year in which the distribution is planned. The distribution excludes those funds with deficiencies due to unfavorable market fluctuations. Effective as of March 2006 the University amended its spending policy to ensure that the total spending distribution is at least equal to 3.50% but not greater than 5.25% of the beginning of year portfolio market value. 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.

(in thousands of dollars)

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 1). At June 30, 2009 and 2008, the federal endowment was comprised of 34,909 and 29,119 units of Pool I, respectively, and 46,908 and 49,902 units of Pool II, respectively.

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

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

Changes in endowment net assets for the fiscal year ended June 30, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 499,788	$ 63,637	$ 108,057	$ 671,482
Investment return:				
Investment income	4,154	4,528	-	8,682
Net depreciation	(127,795)	(11,044)	(2)	(138,841)
Total investment return	(123,641)	(6,516)	(2)	(130,159)
Contributions	-	1,998	9,695	11,693
Amounts appropriated for expenditure	(11,738)	(12,393)	-	(24,131)
Other changes:				
Transfers to create board-designated endowment funds	1,527	-	-	1,527
Releases	715	(715)	-	-
Total other changes	2,242	(715)	-	1,527
Endowment net assets, end of year	$ 366,651	$ 46,011	$ 117,750	$ 530,412

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the SPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, reported in unrestricted net assets, were $101 as of June 30, 2009. 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. There were no such deficiencies as of June 30, 2008.

(in thousands of dollars)

6. Property, Plant and Equipment

Property, plant and equipment at June 30 are as follows:

	2009	2008
Land and site improvements	$ 46,393	$ 44,240
Buildings and building improvements	598,398	544,775
Equipment, library, software and works of art	123,888	118,501
Construction-in-progress	15,486	12,808
	784,165	720,324
Less: Accumulated depreciation	(311,667)	(290,209)
Property, plant and equipment, net	$ 472,498	$ 430,115

7. Asset Retirement Obligations

In accordance with FASB Interpretation No. 47 ("FIN 47")*, Accounting for Conditional 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 shows the changes in ARO from June 30, 2008 to June 30, 2009:

ARO balance as of June 30, 2008	$ 14,863
Change in estimate	988
Abatement liability settled	(824)
Accretion expenses	727
ARO balance as of June 30, 2009	$ 15,754

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

	Asset Retirement Cost	Accumulated Depreciation
Balance as of June 30, 2008	$ 4,814	$ 3,267
Change in estimate	(101)	123
Depreciation expense	-	79
Balance as of June 30, 2009	$ 4,713	$ 3,469

8. Benefit Plans

Pension Plan

The University participates in contributory, defined contribution pension plans that are in accordance with IRC Section 403(b). These plans are administered by the Teachers Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments for substantially all full-time employees. It is the University's policy to currently fund defined contribution pension costs as they are incurred. Total pension contribution expense for 2009 and 2008 was $16,484 and $15,298, respectively.

Postemployment Benefits

The accrued postemployment benefits of the University were $2,425 and $2,392 at June 30, 2009 and 2008, respectively.

(in thousands of dollars)

Postretirement Benefits

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

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

For the fiscal year ending June 30, $2,582 and $2,787 in postretirement benefit expense was allocated to operating and non-operating activities, respectively, on the University's Consolidated Statements of Activities.

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

	2009	2008
Change in projected benefit obligation		
Postretirement benefit obligation at beginning of year	$ 98,873	$ 105,739
Service cost	2,498	2,826
Interest cost	5,779	6,069
Participants' contributions	381	327
Actuarial gain	(4,206)	(12,594)
Benefits paid	(3,629)	(3,494)
Plan change	(112)	-
Postretirement benefit obligation at end of year	$ 99,584	$ 98,873
Amounts recognized in unrestricted net assets consist of		
Net transition obligation (asset)	$ -	$ -
Net prior service credit	(2,793)	(3,560)
Net gain	(4,400)	(2,223)
Accumulated gains in unrestricted net assets	$ (7,193)	$ (5,783)
Discount rates		
Net periodic benefit cost	6.82%	6.33%
Year-end benefit obligation	6.20%	6.82%

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

	2009	2008
Service cost	$ 2,498	$ 2,826
Interest cost	5,779	6,069
Amortization of unrecognized prior service benefit	(879)	(879)
Amortization of net loss (gain)	(2,029)	316
Net periodic postretirement benefit cost	$ 5,369	$ 8,332

As of the end of the measurement period, 9% was assumed as the annual rate of increase for the per capita cost of covered medical and prescription drug benefits, respectively for fiscal year 2010 with a 1% decrease each subsequent year to 5% in 2014 and remaining at that level thereafter.

(in thousands of dollars)

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:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components	$ 1,381	$ (1,114)
Effect on postretirement benefit obligation	15,955	(13,576)

Benefit Payments
At June 30, the aggregated future estimated postretirement benefit payments, which reflect future services, are as follows:

Fiscal Year(s)	Employer Payments
2010	3,318
2011	3,694
2012	4,043
2013	4,427
2014	4,742
2015-2019	28,628

The University expects to recognize postretirement benefit amortization in fiscal 2010 of $1,495, comprised of $894 for prior service credit and $601 for actuarial gain.

Contributions
The University's contributions to the postretirement benefit plan, net of participant contributions, are estimated to be $3,318 for fiscal year 2010.

Self-insurance Plans
The University is self-insured for prescription drug and dental benefits. Additionally, on January 1, 2009 the University adopted a self-insured benefit plan for health care. Based on estimates provided by actuaries, the University's obligation for incurred but not reported claims was $1,343 as of June 30. The University is also self-insured for workers compensation and has established a liability for asserted and unasserted claims totaling $3,150 and $2,960 as of June 30, 2009 and 2008, respectively. These amounts are included in accounts payable and accrued expenses on the Consolidated Balance Sheets.

9. Student Loan Advances

Federal Perkins Loan Program advances of $21,659 and $21,389 at June 30, 2009 and 2008, respectively, are ultimately refundable to the U.S. government and are classified as liabilities on the University's Consolidated Balance Sheets. Additionally, for the year ended June 30, 2009, RIT advanced $1,122 to provide additional loans to qualified students under the program. Due to the nature and terms of student loans that are subject to significant restrictions, it is not practicable to determine the fair value of such receivables.

10. Student Aid

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

	2009	2008
Institutional support	98,447	90,366
Sponsored support	7,646	8,329
	$ 106,093	$ 98,695

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

(in thousands of dollars)

11. 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	2009	2008
Tax - exempt revenue bonds:					
Dormitory Authority of the State of New York (DASNY)					
Series 1999	4.50% - 5.25%	Fixed	7/1/2014	$ 9,825	$ 11,214
Series 2002A	5.25%	Fixed	7/1/2032	41,137	41,186
Series 2002B	4.00% - 5.00%	Fixed	7/1/2032	14,594	14,981
Series 2006	4.00% - 5.25%	Fixed	7/1/2022	58,180	61,192
Series 2008A	4.00% - 6.25%	Fixed	7/1/2033	84,370	-
Taxable bonds:					
Rochester Institute of Technology					
Series 2004A	2.00%[1]	Variable	11/1/2013	2,576	11,995
Capital leases	5.58%-13.99%	Fixed	Various	240	210
				$ 210,922	$ 140,778

[1] Weekly variable rate at June 30, 2009

The required principal payments for long-term debt for each of the years in the five-year period ending June 30, 2014 and thereafter are presented below. The schedule has been prepared based on the contractual maturities as of the debt outstanding at June 30:

2010	$ 5,739
2011	11,382
2012	6,239
2013	6,070
2014	6,394
Thereafter	175,098
	$ 210,922

The estimated fair value of the University's debt was $217,353 and $139,986 at June 30, 2009 and 2008, respectively. Estimated fair value is based on quoted market prices for the same or similar issues. The University is not required to settle its debt obligations at fair value.

Tax-Exempt Bonds
The University's tax-exempt bonds are issued through DASNY, a New York State agency serving as a conduit issuer of tax-exempt debt. The total net unamortized premium of tax-exempt revenue bonds was $3,935 and $4,858 at June 30, 2009 and 2008, 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 $60,076 and $7,678 are included in cash and cash equivalents on deposit with bond trustees and investments in the Consolidated Balance Sheets as of June 30, 2009 and 2008, respectively.
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.

(in thousands of dollars)

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

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

DASNY 2008A Series – During the fiscal year ended June 30, the University entered into an agreement with DASNY whereby DASNY issued $85,000 in revenue bonds (Series 2008A). This agreement is a general, unsecured obligation of the University. These bonds are comprised of 15 serial bonds and 2 term bonds, issued at a discount of $648. Proceeds are being used for the construction of a new mixed-use residential on-campus housing complex and retail complex, the renewal, replacement and expansion of existing heating and cooling infrastructure and energy management on the University's campus, and the renovation of academic and administrative buildings.

Taxable Adjustable Rate Bonds
Rochester Institute of Technology Series 2004A taxable adjustable rate bonds were issued to refinance a note payable for the University's subsidiary, The 5257 West Henrietta Road, LLC. The Series 2004 bonds are variable rate demand bonds bearing interest determined weekly by a remarketing agent.

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

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

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

The total net unamortized premium of taxable adjustable rate bonds was $54 and $70 at June 30, 2009 and 2008, respectively.

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

Interest Rate Swap
In fiscal year 2006 the University entered into an interest rate swap agreement, with a notional amount of $40,000, to reduce the effective interest rate on its fixed rate debt without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the University a quarterly interest payment based on 70.6% of the weighted average of weekly resets of 5-year LIBOR. The University pays the counterparty a weighted average of weekly resets of the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

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

(in thousands of dollars)

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

12. Consolidated Statements of Activities – Operating Expenses by Function

	2009	2008
Instruction	$ 193,022	$ 179,707
Research	32,640	28,438
Public service	15,108	15,155
Academic support	40,744	38,763
Student services	39,416	37,446
Institutional support	29,364	30,224
Auxiliary enterprises	72,314	70,095
Independent organizations	370	-
	$ 422,978	$ 399,828

Institutional support includes fundraising expenses of $6,248 and $5,438 in 2009 and 2008, respectively. For purposes of reporting fundraising expenses, the University includes costs incurred by its Development Office and a portion specifically identifiable as fundraising expenses within its Alumni Relations Office.

13. 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 is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions will be determined by the general partners. Such commitments were approximately $107,680 and $102,565 at June 30, 2009 and 2008, respectively.

The University was committed under several construction contracts amounting to approximately $32,686 and $42,260 at June 30, 2009 and 2008, respectively. These contracts relate to the renovation and construction of various on-campus facilities including projects totaling $18,151 funded by the University's 2008A Series debt issue.

14. Subsequent Event

Subsequent events have been evaluated through November 13 2009, which is the date the financial statements were available to be issued.