

# **Rochester Institute of Technology**

**Consolidated Financial Statements  
June 30, 2018 and 2017**

**Rochester Institute of Technology**  
**Index**  
**June 30, 2018 and 2017**

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## Report of Independent Auditors

To the Board of Trustees  
Rochester Institute of Technology

We have audited the accompanying consolidated financial statements of the Rochester Institute of Technology and its subsidiaries (the University), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Rochester Institute of Technology and its subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

November 9, 2018

**Rochester Institute of Technology**  
**Consolidated Balance Sheets**  
**June 30, 2018 and 2017**  
*(in thousands)*

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 47,556	\$ 60,861
Cash and cash equivalents, held with trustees	14,488	14,295
Accounts receivable, net	33,431	29,176
Inventories and other assets	8,930	6,181
Contributions receivable, net	52,849	14,631
Student loans receivable, net	32,621	38,067
Investments, at fair value	1,117,125	1,019,772
Property, plant and equipment, net	654,508	642,847
<b>Total assets</b>	<b>\$ 1,961,508</b>	<b>\$ 1,825,830</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 51,069	\$ 46,536
Deferred revenues and other liabilities	61,746	52,996
Accrued postretirement benefits	118,269	202,616
Federal Perkins Loan Program advances	22,820	22,508
Long-term debt, net	275,115	272,517
Total liabilities	529,019	597,173
<b>Net assets</b>		
Expendable resources	524,731	409,549
Net investment in plant	393,880	384,626
Unrestricted	918,611	794,175
Temporarily restricted	316,774	268,520
Permanently restricted	197,104	165,962
Total net assets	1,432,489	1,228,657
<b>Total liabilities and net assets</b>	<b>\$ 1,961,508</b>	<b>\$ 1,825,830</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Consolidated Statements of Activities**  
**For the fiscal year ended June 30, 2018**  
**(With summarized financial information for the year ended June 30, 2017)**  
*(in thousands)*

				2018	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenues</b>					
Tuition and fees, net of scholarships of \$204,699 and \$188,224, respectively	\$ 301,797	\$ -	\$ -	\$ 301,797	\$ 297,779
Sales and services of auxiliaries	87,163	-	-	87,163	82,953
Government grants and contracts	112,041	-	-	112,041	110,104
Private grants and contracts	4,189	-	-	4,189	4,728
Private contributions	1,150	10,152	-	11,302	8,511
Investment return	22,574	17,283	-	39,857	32,983
Other sources	22,994	-	-	22,994	21,443
Net assets released from restrictions	24,554	(24,554)	-	-	-
<b>Total operating revenues</b>	<b>576,462</b>	<b>2,881</b>	<b>-</b>	<b>579,343</b>	<b>558,501</b>
<b>Operating expenses</b>					
Salaries and wages	299,324	-	-	299,324	288,972
Benefits	93,880	-	-	93,880	89,394
Postretirement benefits	5,860	-	-	5,860	5,479
Purchased services	40,251	-	-	40,251	38,683
Materials and supplies	45,471	-	-	45,471	44,475
Depreciation	40,585	-	-	40,585	39,737
Interest	7,825	-	-	7,825	8,424
Utilities, taxes and insurance	13,275	-	-	13,275	12,546
Travel for scholarship, professional development and recruitment	9,970	-	-	9,970	9,711
Other	12,224	-	-	12,224	12,525
<b>Total operating expenses</b>	<b>568,665</b>	<b>-</b>	<b>-</b>	<b>568,665</b>	<b>549,946</b>
Net operating activities prior to gain on sale	7,797	2,881	-	10,678	8,555
Gain on the sale of property	7,353	-	-	7,353	-
<b>Net operating activities</b>	<b>15,150</b>	<b>2,881</b>	<b>-</b>	<b>18,031</b>	<b>8,555</b>
<b>Nonoperating activities</b>					
Investment return, net	\$ 25,198	\$ 20,988	\$ 867	\$ 47,053	\$ 79,150
Net assets released from restrictions	1,454	(1,454)	-	-	-
Contributions for long-term assets	1,726	26,073	30,674	58,473	6,930
Government grants and contracts for long-term assets	813	-	116	929	941
Net periodic postretirement benefit cost other than service cost	(9,451)	-	-	(9,451)	(10,864)
Other postretirement benefit changes	94,748	-	-	94,748	(10,519)
Beneficiary payments and change in value of deferred giving arrangements	-	(220)	(473)	(693)	(605)
Other	(5,202)	(14)	(42)	(5,258)	620
<b>Net nonoperating activities</b>	<b>109,286</b>	<b>45,373</b>	<b>31,142</b>	<b>185,801</b>	<b>65,653</b>
Increase in net assets	124,436	48,254	31,142	203,832	74,208
<b>Net assets at beginning of year</b>	<b>794,175</b>	<b>268,520</b>	<b>165,962</b>	<b>1,228,657</b>	<b>1,154,449</b>
<b>Net assets at end of year</b>	<b>\$ 918,611</b>	<b>\$ 316,774</b>	<b>\$ 197,104</b>	<b>\$ 1,432,489</b>	<b>\$ 1,228,657</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Consolidated Statement of Activities**  
**For the fiscal year ended June 30, 2017**  
*(in thousands)*

	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Operating revenues</b>				
Tuition and fees, net of scholarships of \$188,224	\$ 297,779	\$ -	\$ -	\$ 297,779
Sales and services of auxiliaries	82,953	-	-	82,953
Government grants and contracts	110,104	-	-	110,104
Private grants and contracts	4,728	-	-	4,728
Private contributions	2,555	5,956	-	8,511
Investment return	16,780	16,203	-	32,983
Other sources	21,443	-	-	21,443
Net assets released from restrictions	22,326	(22,326)	-	-
Total operating revenues	558,668	(167)	-	558,501
<b>Operating expenses</b>				
Salaries and wages	288,972	-	-	288,972
Benefits	89,394	-	-	89,394
Postretirement benefits	5,479	-	-	5,479
Purchased services	38,683	-	-	38,683
Materials and supplies	44,475	-	-	44,475
Depreciation	39,737	-	-	39,737
Interest	8,424	-	-	8,424
Utilities, taxes and insurance	12,546	-	-	12,546
Travel for scholarship, professional development and recruitment	9,711	-	-	9,711
Other	12,525	-	-	12,525
Total operating expenses	549,946	-	-	549,946
Net operating activities	8,722	(167)	-	8,555
<b>Nonoperating activities</b>				
Investment return, net	\$ 43,932	\$ 33,953	\$ 1,265	\$ 79,150
Net assets released from restrictions	2,275	(2,275)	-	-
Contributions for long-term assets	848	1,367	4,715	6,930
Government grants and contracts for long-term assets	553	-	388	941
Net periodic postretirement benefit cost other than service cost	(10,864)	-	-	(10,864)
Other postretirement benefit changes	(10,519)	-	-	(10,519)
Beneficiary payments and change in value of deferred giving arrangements	-	377	(982)	(605)
Other	668	(495)	447	620
Net nonoperating activities	26,893	32,927	5,833	65,653
Increase in net assets	35,615	32,760	5,833	74,208
<b>Net assets at beginning of year</b>	<b>758,560</b>	<b>235,760</b>	<b>160,129</b>	<b>1,154,449</b>
<b>Net assets at end of year</b>	<b>\$ 794,175</b>	<b>\$ 268,520</b>	<b>\$ 165,962</b>	<b>\$ 1,228,657</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Consolidated Statements of Cash Flows**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 203,832	\$ 74,208
<b>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</b>		
Depreciation, amortization and accretion expense	39,796	38,801
(Gain) loss on disposal of property, plant and equipment	(6,511)	539
Realized and unrealized net gains on investments	(76,754)	(103,855)
Contributions and government grants restricted for long-term purposes	(23,827)	(8,383)
Noncash contributions of property, plant, equipment and securities	(577)	(720)
Asset retirement obligation liquidation and adjustment	3,319	(599)
Changes in assets and liabilities:		
Accounts receivable	(3,954)	(2,660)
Inventories, prepaids and deferred charges	(2,749)	2,004
Contributions receivable	(38,218)	2,321
Student loans receivable	344	432
Accounts payable and accrued expenses	4,404	1,309
Deferred revenues and other liabilities	6,226	3,527
Accrued postretirement benefits	(84,347)	21,891
Net cash provided by operating activities	20,984	28,815
<b>Cash flows from (used in) investing activities</b>		
Purchases of investments	(202,689)	(249,167)
Proceeds from the sales and maturities of investments	181,938	260,693
Proceeds from the sale of property	6,049	-
Loans made to students	(1,246)	(1,646)
Payments received on student loans	6,348	6,106
Increase in cash and cash equivalents held with trustees	(193)	(176)
Acquisition of property, plant and equipment	(52,559)	(46,716)
Net cash used in investing activities	(62,352)	(30,906)
<b>Cash flows from (used in) financing activities</b>		
Contributions and government grants restricted for long-term purposes	21,941	8,144
Proceeds from sale of contributed securities	2,027	2,297
Payments of long-term debt	(8,862)	(8,498)
Proceeds from the issuance of debt	12,645	12,355
Debt issuance costs	-	(17)
Increase in refundable government grants for student loans	312	206
Net cash provided by financing activities	28,063	14,487
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(13,305)</b>	<b>12,396</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>60,861</b>	<b>48,465</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 47,556</b>	<b>\$ 60,861</b>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid (including capitalized interest of \$1,792 and \$1,076 in 2018 and 2017, respectively)	\$ 11,473	\$ 11,436
Contributions of long-term assets	426	720
Contributions of marketable securities	2,324	2,617
(Decrease) increase in construction-related payables	(12)	2,851
Assets exchanged under capital lease	504	-

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

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**1. Summary of Significant Accounting Policies**

***a. Organization***

Rochester Institute of Technology (University, RIT) is a privately endowed, co-educational university comprised of nine colleges and two degree-granting academic units. The University, which occupies 1,300 acres in Rochester, New York, has approximately 18,963 full and part-time undergraduate and graduate students and 4,022 employees.

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

- 5257 West Henrietta Road, LLC (Inn), doing business as the RIT Inn & Conference Center, is a not-for-profit single member limited liability company with the University as its sole member. The Inn is a dual-use 304-room full service hotel with 125 rooms available for student housing during the academic year.
- Magic Spell Studios, LLC (MAGIC Spell) is a not-for-profit single member limited liability company with the University as its sole member. MAGIC Spell operates a center for research and development of digital media directly supporting the charitable and educational activities of the University.
- RIT Campus Club, Inc. (Campus Club) is a not-for-profit subsidiary of the University. Campus Club was established to support certain aspects of the University's dining operations.
- RIT Global Delivery Corporation, Inc. (GDC) is a wholly owned not-for-profit subsidiary of the University established to develop and deliver global instruction. RIT Croatia, a subsidiary of GDC, delivers instructional services in Croatia. GDC also delivers instructional services in the United Arab Emirates where it operates RIT Dubai in conjunction with the Dubai Silicon Oasis Authority; in Kosovo through the American University in conjunction with the Kosovo Foundation; and in Beijing and Weihai, China through a partnership with Beijing Jiatong University.
- RIT Venture Fund I, LLC (Fund I) is a for-profit limited liability company; the University is its investor member and sole investor. The Fund was formed to make investments in seed, venture and growth-stage companies that involve students, faculty, alumni and/or technologies owned or developed by the University.

***b. Basis of Accounting***

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

***c. Classifications of Net Assets***

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

***Unrestricted Net Assets***

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

***Temporarily Restricted Net Assets***

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



**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

***Permanently Restricted Net Assets***

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

Temporarily and permanently restricted net assets as of June 30 are summarized as follows:

	2018		2017	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Designated for program services	\$ 29,625	\$ -	\$ 27,494	\$ -
Endowment funds	251,616	193,381	230,793	162,507
Deferred giving arrangements	322	3,597	284	3,331
Loan funds	4	126	4	124
Net investment in plant	44	-	44	-
Pledges for long-lived assets	35,163	-	9,901	-
<b>Total</b>	<b>\$ 316,774</b>	<b>\$ 197,104</b>	<b>\$ 268,520</b>	<b>\$ 165,962</b>

***d. Operations***

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

Nonoperating activities consist primarily of realized and unrealized gains and losses on investments and other longer term revenue and expenses associated with education and training programs, or research activities.

***e. Revenue Recognition***

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

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

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

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

***g. Cash and Cash Equivalents***

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

***h. Inventories***

The University's computer and photo 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.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

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***i. Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions due after one year are discounted at a range from 1.7% to 3.7%, to their fair value, based upon the fiscal year in which the contribution is to be received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for potentially uncollectible contributions receivable is provided based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

***j. Investments***

Investments are recorded at fair value based on quoted market prices where available. The estimated fair value for certain investments in private equity, real asset, hedge and other externally managed funds are based on valuations provided by external investment managers. These investments are generally less liquid than other investments, and the values reported by the general partner or investment manager may differ from the values that would have been reported, had a ready market for these securities existed. The valuations necessarily involve estimates, appraisals, assumptions and methods which are reviewed by the University and external investment management.

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 such funds is limited to the amount invested with each manager.

The University's interest rate risk management strategy 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; however, the Board of Trustees has authorized investments in derivatives to maintain asset class ranges, hedge non-U.S. dollar investments and currencies, and provide for defensive portfolio strategies. Derivative investments are recorded at fair value and valuation gains and losses are included on the Consolidated Statements of Activities.

Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from the University's pooled endowments, as well as income and realized gains and losses on investments from working capital and a trust of which the University is a partial beneficial owner. Any difference between total return and amounts appropriated for expenditure from the pooled endowments and income and realized gains reinvested per donor restrictions are reported within non-operating activities.

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

The University's split-interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in the trusts are included in investments and total \$14,719 and \$14,464 at June 30, 2018 and 2017, respectively. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. Discount rates are used to calculate the net present value of the obligations, and are based on market rates commensurate with the beneficiary's life expectancy. As of June 30, 2018 and 2017 liabilities associated with split interest agreements total \$9,974 and \$10,064, respectively. The University is also the beneficiary of certain perpetual trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized in investments and as contribution revenue. The carrying value of the investments is adjusted annually for changes in fair value.

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

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

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

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

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

Depreciation is recognized using the straight-line method with useful lives of 30 to 50 years for buildings, 8 to 30 years for building improvements, 10 to 30 years for site improvements, 4 to 15 years for automobiles, furniture, fixtures and equipment, and 3 to 10 years for software. Land, special collections and construction-in-progress are not depreciated. The cost and accumulated depreciation of property, plant and equipment sold or retired have been eliminated. Costs incurred for maintenance, repairs and renewals of relatively minor items are expensed as incurred.

***m. Income Taxes***

The University and its consolidated U.S. subsidiaries, except for Fund I, are not-for-profit organizations, and generally exempt from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code (IRC) but are subject to unrelated business income tax on activities not related to their exempt purposes. Fund I, a limited liability company of which RIT is the investor member, is classified as a disregarded entity for federal income tax purposes. As of November 2017, RIT Croatia was no longer subject to the assessment of Corporate Profit Tax in Croatia and in March 2018, RIT Croatia was re-entered into the Croatian Ministry of Finance non-profit registry. The accounting for income taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification addresses the determination of whether certain tax positions result in benefits claimed or expected to be claimed on a tax return and whether they should be recorded in the Consolidated Financial Statements. For tax-exempt entities, tax positions include the entity's tax-exempt status and assumptions used to determine unrelated business taxable income. The University believes its tax positions meet the more-likely-than-not recognition threshold referenced in the Topic.

***n. Use of Estimates***

The preparation of financial statements in conformity with GAAP 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. Premium and Discount on Long-Term Debt***

Premiums and discounts arising from the original issuance of long-term debt are amortized on either the effective interest method or the straight-line basis, which approximates the effective interest method, over the life of the debt. The unamortized portion of these premiums and discounts is included in long-term debt on the Consolidated Balance Sheets.

***p. Accounting Pronouncements***

The FASB issues Accounting Standards Updates (ASU) that are applicable to and have an impact on the University's Consolidated Financial Statements. The University evaluates and implements pronouncements by the effective fiscal year end date or prior if early adoption is permitted and deemed appropriate. The adoption of certain ASUs is pending further evaluation as noted. No standards were required to be implemented in the year ended June 30, 2018.

***Under Evaluation***

ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" requires that the recognition of revenue from customer contracts be determined using a principles-based framework. This ASU was issued in May 2014 and is effective for the fiscal year ended June 30, 2019.

ASU No. 2016-02, "Leases (Topic 842)" increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU was issued in February 2016 and is effective for the fiscal year ended June 30, 2020.

**Rochester Institute of Technology**  
**Notes to Consolidated Financial Statements**  
**For the fiscal years ended June 30, 2018 and 2017**  
*(in thousands)*

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ASU No. 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities" requires that the existing three-category classification of net assets be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification and elimination of the disclosure of investment expenses that are netted against investment returns. This ASU was issued in August 2016 and is effective for the fiscal year ended June 30, 2019.

ASU No. 2016-18, "Statement of Cash Flows (Topic 230)" requires presentation of the total change in cash, cash equivalents, restricted cash and restricted cash equivalents for the period of the statement of cash flows. This ASU was issued in November 2016 and is effective for the fiscal year ended June 30, 2020.

ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" clarifies and improves the scope and accounting guidance in ASU No. 2014-09 related to revenue recognition for grants and contributions. The definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional have been clarified. This ASU was issued in June 2018 and is effective for the fiscal year ended June 30, 2019.

**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 2017 have been reclassified for consistency with the current year presentation. The University concluded that it was appropriate to classify certain cash and cash equivalents held within Level 1 investments as domestic fixed income and global fixed income. Accordingly, \$33,839 and \$19,269 of Level 1 investments have been reclassified from cash and cash equivalents to domestic fixed income and global fixed income, respectively. This change in classification does not affect previously reported investments at fair value on the Consolidated Balance Sheets.

**2. Accounts Receivable**

Accounts receivable as of June 30 are summarized as follows:

	<b>2018</b>	<b>2017</b>
Grants and contracts:		
Government	\$ 19,048	\$ 16,581
Private	681	777
<b>Total grants and contracts</b>	<b>19,729</b>	<b>17,358</b>
Student accounts	8,533	12,501
Other	8,041	2,393
<b>Total student accounts and other</b>	<b>16,574</b>	<b>14,894</b>
<b>Total accounts receivable</b>	<b>36,303</b>	<b>32,252</b>
Less: allowance for doubtful accounts	(2,872)	(3,076)
<b>Accounts receivable, net</b>	<b>\$ 33,431</b>	<b>\$ 29,176</b>

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**3. Contributions Receivable**

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

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	\$ 17,027	\$ 7,534
One year to five years	36,609	6,414
Over five years	2,306	1,302
Contributions receivable	55,942	15,250
Less: allowance and discount	(3,093)	(619)
<b>Contributions receivable, net</b>	<b>\$ 52,849</b>	<b>\$ 14,631</b>

At June 30, 2018, the University has not received any conditional promises to give.

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, \$35,163 and \$9,902 of assets contributed to acquire property, plant and equipment are recorded as temporarily restricted net assets as of June 30, 2018 and 2017, respectively.

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

On September 30, 2017, the Federal Perkins Loan Program expired when it was not extended by the U.S. Congress. Students did not receive new loans after that date unless the student had received a disbursement before October 1, 2017 for the 2017-2018 award year. Under current federal guidelines, the University will continue to service existing Perkins Loans through a third-party administrator.

At June 30, student loans included on the Consolidated Balance Sheets consisted of the following:

	2018	2017
Federal Perkins Loan Program	\$ 36,986	\$ 42,274
Less: allowance for doubtful accounts	(4,365)	(4,207)
<b>Student loans receivable, net</b>	<b>\$ 32,621</b>	<b>\$ 38,067</b>

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

Program advances of \$22,820 and \$22,508 at June 30, 2018 and 2017, respectively, are refundable to the U.S. government and are classified as liabilities on the Consolidated Balance Sheets. In addition, from 2009 through 2016, the University advanced \$12,811 in excess of the federal matching requirement. For the years ended June 30, 2018 and 2017, respectively, loan repayments of \$5,950 and \$5,295 that were in excess of program advances reduced the University's cumulative overmatch to \$1,566 at June 30, 2018. Beginning in 2019, the federal share of Perkins Loans will be remitted to the Federal Government.

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The student loans receivable aging analysis at June 30 is as follows:

	2018	2017
Current	\$ 30,272	\$ 34,829
1-60 days past due	965	1,410
61-90 days past due	395	572
>91 days past due	5,354	5,463
<b>Total student loan receivables</b>	<b>\$ 36,986</b>	<b>\$ 42,274</b>

**5. Investments**

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 42,872	\$ 42,872	\$ 44,517	\$ 44,517
Domestic fixed income	166,268	164,440	173,283	172,676
Global fixed income	38,763	40,325	48,601	51,457
Domestic equity securities	103,065	143,104	104,027	129,832
Global equity securities	139,214	179,318	142,874	176,208
Hedge funds	156,797	267,135	91,384	195,993
Private equity	163,837	208,749	146,918	180,069
Real assets	64,937	71,182	65,416	69,020
<b>Total investments</b>	<b>\$ 875,753</b>	<b>\$ 1,117,125</b>	<b>\$ 817,020</b>	<b>\$ 1,019,772</b>

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

**Level 1**

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

**Level 2**

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

**Level 3**

Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments within Level 3 primarily consist of the University's ownership in closely held private companies and the cash surrender value of insurance contracts.

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***Net Asset Value***

The University is permitted as a practical expedient under GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) without further adjustment unless the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. The University's investments in commingled funds, hedge funds, and private equity and real asset limited partnerships are recorded at fair value based on the most recent NAV reported by the investment manager. The NAV of these investments is determined by the investment manager, and is based on appraisal or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager, taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30 and has concluded that these valuations are a reasonable estimate of fair value as of June 30, 2018 and 2017, 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.

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.

Following is a summary of the University's investments carried at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents	\$ 1,113	\$ 41,759	\$ -	\$ -	\$ 42,872
Domestic fixed income	109,520	54,748	172	-	164,440
Global fixed income	24,423	-	-	15,902	40,325
Domestic equity securities	39,112	-	-	103,992	143,104
Global equity securities	14,930	-	-	164,388	179,318
Hedge funds	-	-	-	267,135	267,135
Private equity	-	-	3,162	205,587	208,749
Real assets	8,994	-	-	62,188	71,182
<b>Total investments at fair value</b>	<b>\$ 198,092</b>	<b>\$ 96,507</b>	<b>\$ 3,334</b>	<b>\$ 819,192</b>	<b>\$ 1,117,125</b>

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Following is a summary of the University's investments carried at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Net Asset Value	Total
Cash and cash equivalents	\$ 21,036	\$ 23,481	\$ -	\$ -	\$ 44,517
Domestic fixed income	132,278	40,236	162	-	172,676
Global fixed income	19,269	-	-	32,188	51,457
Domestic equity securities	34,977	-	-	94,855	129,832
Global equity securities	14,650	-	-	161,558	176,208
Hedge funds	-	-	-	195,993	195,993
Private equity	-	-	3,162	176,907	180,069
Real assets	7,704	-	-	61,316	69,020
<b>Total investments at fair value</b>	<b>\$ 229,914</b>	<b>\$ 63,717</b>	<b>\$ 3,324</b>	<b>\$ 722,817</b>	<b>\$ 1,019,772</b>

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

Level 3						
	Balance June 30, 2017	Realized Gains	Unrealized Gains	Sales	Balance June 30, 2018	
Domestic fixed income	\$ 162	\$ -	\$ 10	\$ -	\$ 172	
Private equity	3,162	-	-	-	3,162	
<b>Total</b>	<b>\$ 3,324</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 3,334</b>	

Level 3						
	Balance June 30, 2016	Realized Gains	Unrealized Gains	Sales	Balance June 30, 2017	
Domestic fixed income	\$ 152	\$ -	\$ 10	\$ -	\$ 162	
Private equity	3,162	-	-	-	3,162	
<b>Total</b>	<b>\$ 3,314</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 3,324</b>	

The following table provides additional information concerning the University's investments that are recorded at NAV as of June 30, 2018:

Asset Class	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Redemption Restrictions <sup>1</sup>
Global fixed income	\$ 15,902	\$ -	Monthly	1 to 15 days	Lock up provisions expired
Domestic equity securities	103,992	-	Monthly	1 to 15 days	Lock up provisions expired
Global equity securities	164,388	-	Monthly	1 to 15 days	Lock up provisions expired
Hedge funds	267,135	-	30 to more than 365 days	35 to 90 days	12 month lock up <sup>2</sup>
Private equity	205,587	148,965	NA <sup>3</sup>	NA <sup>3</sup>	NA
Real assets	62,188	44,718	NA <sup>3</sup>	NA <sup>3</sup>	NA
<b>Total</b>	<b>\$ 819,192</b>	<b>\$ 193,683</b>			

<sup>1</sup> Represents status of initial investment lock-up restrictions. No other material redemption restrictions, such as redemption gates, were in place at year end.

<sup>2</sup> 12 month lock up effective for \$32,941 of the hedge fund portfolio.

<sup>3</sup> The University does not have redemption rights in these investments; the remaining lives are between 1 and 10 years.



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***Total Investment Return***

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

	<b>2018</b>	<b>2017</b>
<b>Total investment return</b>		
Interest and dividends	\$ 16,723	\$ 13,563
Realized and unrealized gains on investments, net of investment management fees and other expenses	70,187	98,570
<b>Total investment return</b>	<b>\$ 86,910</b>	<b>\$ 112,133</b>
<b>Consolidated Statements of Activities classification</b>		
Allocated for operating activities per spending policy	\$ 34,317	\$ 29,099
Interest and dividends	5,540	3,884
Total operating investment return	39,857	32,983
Nonoperating investment return	47,053	79,150
<b>Total investment return</b>	<b>\$ 86,910</b>	<b>\$ 112,133</b>

**6. 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 GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure.

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

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

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

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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 the National Technical Institute for the Deaf (NTID). Each pool has a separate investment and spending policy.

*Pool I* – The University has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 20 quarters through March of the preceding fiscal year in which the distribution is planned. The total spending distribution should be at least equal to 3.50% but not greater than 5.25% of the beginning of year portfolio market value. The distribution excludes those funds with deficiencies due to unfavorable market fluctuations. 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 1994, the University's Board of Trustees established a quasi-endowment fund within Pool I to finance a portion of the University's postretirement medical obligations. Distributions had been reinvested in the fund each year since inception, and, accordingly, were not available to support the general operations of the University. In November 2013, the University's Board of Trustees approved a resolution allowing, with the approval of the chair of the Finance Committee, a portion or all of a year's distributions related to the postretirement quasi-endowment fund to be allocated to support the general operations of the University. During the year ended June 30, 2018, \$3,000 was distributed in accordance with this resolution. No distributions were made during the year ended June 30, 2017. The market value for this quasi-endowment fund was \$118,269 and \$152,528 at June 30, 2018 and 2017, respectively.

*Pool II* – The University established 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 program stipulates that the investment of annual additions to Pool II is restricted to IRC 501(f) investment organizations. The federal guidelines authorize a spending distribution from Pool II of not more than 50% of current year's investment income (interest and dividends only). After a period of 10 years, the University can elect to invest the funds consistent with the University's overall long-term investment strategy (Pool I).

At June 30, 2018, the endowment net asset composition by type of fund consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 251,009	\$ 193,381	\$ 444,390
Board-designated funds	493,165	607	-	493,772
<b>Total funds</b>	<b>\$ 493,165</b>	<b>\$ 251,616</b>	<b>\$ 193,381</b>	<b>\$ 938,162</b>

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Following are changes in endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017	\$ 453,911	\$ 230,793	\$ 162,507	\$ 847,211
Investment return:				
Investment income	5,609	4,832	-	10,441
Net appreciation	39,001	33,207	40	72,248
Total investment return	44,610	38,039	40	82,689
Contributions	-	129	30,836	30,965
Amounts appropriated for expenditure	(17,033)	(17,216)	(2)	(34,251)
Other changes:				
Transfers to create board-designated endowment funds	11,548	-	-	11,548
Endowment net asset reclassification	129	(129)	-	-
Total other changes	11,677	(129)	-	11,548
<b>Endowment net assets, June 30, 2018</b>	<b>\$ 493,165</b>	<b>\$ 251,616</b>	<b>\$ 193,381</b>	<b>\$ 938,162</b>

At June 30, 2017, the endowment net asset composition by type of fund consists of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ 48	\$ 230,077	\$ 162,507	\$ 392,632
Board-designated funds	453,863	716	-	454,579
<b>Total funds</b>	<b>\$ 453,911</b>	<b>\$ 230,793</b>	<b>\$ 162,507</b>	<b>\$ 847,211</b>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 396,558	\$ 197,155	\$ 157,182	\$ 750,895
Investment return:				
Investment income	4,858	4,306	-	9,164
Net appreciation	53,925	45,541	212	99,678
Total investment return	58,783	49,847	212	108,842
Contributions	-	928	5,114	6,042
Amounts appropriated for expenditure	(12,896)	(16,162)	(1)	(29,059)
Other changes:				
Transfers to create board-designated endowment funds	10,491	-	-	10,491
Endowment net asset reclassification	975	(975)	-	-
Total other changes	11,466	(975)	-	10,491
<b>Endowment net assets, June 30, 2017</b>	<b>\$ 453,911</b>	<b>\$ 230,793</b>	<b>\$ 162,507</b>	<b>\$ 847,211</b>

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the NYPMIFA requires the University to retain as a fund of perpetual duration. Subsequent gains that restore the fair value of the assets of such endowment funds to the required level are classified as an increase in unrestricted net assets. There are no deficiencies of this nature as of June 30, 2018 and 2017.

**7. Property, Plant and Equipment**

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

	<b>2018</b>	<b>2017</b>
Buildings and capital improvements	\$ 999,589	\$ 959,806
Equipment and software	157,104	156,739
Less: accumulated depreciation	(560,838)	(530,444)
Depreciable property, plant and equipment, net	595,855	586,101
Land	10,881	11,041
Special collections	12,380	12,128
Construction-in-progress	35,392	33,577
<b>Property, plant and equipment, net</b>	<b>\$ 654,508</b>	<b>\$ 642,847</b>

Total depreciation expense for 2018 and 2017 was \$40,585 and \$39,737, respectively.

In August 2017, the University sold Racquet Club, a 102 unit off-campus student housing apartment complex, to a third party. The gain on the sale of the facility and land was \$7,353.

**8. Asset Retirement Obligations**

The University accounts for asset retirement obligations in accordance with asset retirement and environmental obligations guidance which primarily affects the way asbestos-related removal costs are recognized. The University accrues for asset retirement obligations in the period incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

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

The following schedule reflects changes in asset retirement obligations:

	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 20,458	\$ 20,528
Change in estimate	5,680	(195)
Abatement liability settled	(2,348)	(704)
Accretion expenses	901	829
<b>Ending balance</b>	<b>\$ 24,691</b>	<b>\$ 20,458</b>

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**9. Benefit Plans**

***a. Retirement Benefit Plan***

The Rochester Institute of Technology Retirement Savings Plan (Plan) is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and IRC Section 403(b). The Plan is available to all employees who meet certain eligibility requirements. Plan contributions are invested in one or more of the funding vehicles made available to participants under the Plan. Contributions may be allocated to annuity contracts offered by Teachers Insurance Annuity Association (TIAA) and/or custodial accounts which are invested in regulated investment companies (mutual funds) offered by Fidelity Investments (Fidelity). In addition, employees may choose to invest in a self-directed brokerage account through which they can access additional mutual fund options. TIAA and Fidelity are recordkeepers of the Plan. It is the University's policy to currently fund defined contribution pension costs as they are incurred. Total retirement contribution expense for 2018 and 2017 was \$21,457 and \$20,800, respectively.

***b. Postemployment Benefits***

The accrued postemployment benefits of the University were \$2,538 and \$3,260 at June 30, 2018 and 2017, respectively.

***c. Postretirement Benefits***

The University sponsors a defined benefit medical plan that covers substantially all employees.

As of April 30, 2018, RIT made changes to retiree healthcare benefits including eligibility requirements and the delivery of medical benefits to pre-Medicare and Medicare-eligible retirees effective January 1, 2019. The decision to adopt the provision changes were reviewed by the University's Board of Trustees in April 2018 and communicated to participants soon thereafter. The benefit cost for the fiscal year ending June 30, 2018 reflects a remeasurement as of April 30, 2018 to incorporate changes to the plan that were adopted by that date.

***Eligibility***

***Prior to January 1, 2019:***

Employees hired prior to January 1, 1995 are eligible for retiree medical benefits if they are at least 50 years old, with at least 10 years of service (5 years if hired prior to July 1, 1990) and age plus service total at least 70 at retirement. Employees hired on or after January 1, 1995 are eligible for retiree medical benefits if they are at least 55 years old, with at least 10 years of service, and age plus service totals at least 70 at retirement.

***On or after January 1, 2019:***

Employees hired prior to January 1, 2019 who are at least 45 years of age or have at least 10 years of full-time service or 15 years of eligible part-time service as of January 1, 2019 are grandfathered into the pre-January 1, 2019 retirement eligibility conditions. For employees who are not grandfathered or are hired on or after January 1, 2019, retirement eligibility is at least age 62 with 15 years of full-time service (20 years of eligible part-time service).

***Delivery of Medical Benefits***

***Employees hired prior to January 1, 2004 who were 35 or older on January 1, 2008:***

***Pre-Medicare retirees:***

On or after January 1, 2019, retirees will continue to contribute towards the cost of coverage based on the plan option selected and salary at retirement, but will be required to pay a larger contribution than active employees.

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**Medicare-eligible retirees:**

Prior to January 1, 2019, retirees contributed to the cost of medical coverage for a University-selected benchmark plan. If the retiree chose a plan that cost more than the benchmark plan, the retiree would pay the benchmark plan contribution, as well as the difference between the benchmark plan and the plan the retiree elected. On or after January 1, 2019, retirees and spouses will receive an annual health reimbursement account (HRA) allocation from the University to obtain healthcare coverage via a private healthcare exchange.

**Employees hired on or after January 1, 2004 or hired before January 1, 2004 who were less than 35 years old on January 1, 2008:**

Prior to January 1, 2019, participants were able to access funds in an employer funded retiree medical account (RMA) that could be applied to Medicare and private medical insurance premiums upon retirement. On or after January 1, 2019, RMAs have been eliminated.

**Pre-Medicare retirees:**

On or after January 1, 2019, retirees will contribute towards the cost of coverage based on the plan option selected and salary at retirement, but will be required to pay a larger contribution than active employees.

**Medicare-eligible retirees:**

On or after January 1, 2019, retirees and spouses will receive an annual HRA allocation from the University to obtain healthcare coverage from a private healthcare exchange.

HRA allocations vary based on the retiree classifications described above, with earlier hire dates receiving a greater HRA allocation. Coverage from the healthcare exchange includes reimbursement for drug claims in the catastrophic tier under Medicare Part D.

The postretirement medical plan's obligations and applicable discount rates as of June 30 are as follows:

	2018	2017
<b>Change in projected benefit obligation</b>		
Postretirement benefit obligation at beginning of year	\$ 202,616	\$ 180,725
Service cost	5,860	5,479
Interest cost	7,410	7,119
Participants' contributions	1,998	1,823
Actuarial (gains) losses	(12,016)	14,264
Benefits paid	(6,908)	(6,794)
Plan amendments	(80,691)	-
<b>Postretirement benefit obligation at end of year</b>	<b>\$ 118,269</b>	<b>\$ 202,616</b>
<b>Amounts recognized in unrestricted net assets consist of:</b>		
Net prior service credit	\$ (79,545)	\$ (28)
Net losses	20,591	35,822
<b>Accumulated (income) loss in unrestricted net assets</b>	<b>\$ (58,954)</b>	<b>\$ 35,794</b>
<b>Discount rates</b>		
Net periodic benefit cost - beginning of fiscal year	3.96%	3.84%
Net periodic benefit cost - April 30, 2018 remeasurement date	4.21%	N/A
Year-end benefit obligation	4.31%	3.96%

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

	<b>2018</b>	<b>2017</b>
Operating activities:		
Service cost	\$ 5,860	\$ 5,479
Nonoperating activities:		
Interest cost	7,410	7,119
Amortization of unrecognized prior service benefit	(1,174)	(10)
Amortization of net losses	3,215	3,755
Total nonoperating activities	9,451	10,864
<b>Net periodic postretirement benefit cost</b>	<b>\$ 15,311</b>	<b>\$ 16,343</b>

Postretirement benefit changes of \$94,748 and \$(10,519) for the fiscal years ending June 30, 2018 and 2017, respectively, consisting of prior service cost amortization, net actuarial gain amortization, experience gains (losses) and plan amendments are included in nonoperating activities on the Consolidated Statements of Activities.

The University expects to recognize a postretirement benefit amortization gain in fiscal year 2019 of \$5,209 relating to \$6,990 of prior service credits partially offset by \$1,781 of net actuarial losses. Amortization of prior service costs or credits which result from changes to plan provisions and amortization of actuarial net gains or losses which result from experience different from assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) are included as components of Net Periodic Postretirement Benefit Cost/(Income) for a year. The amortization of actuarial net gain or loss is the net gain or loss divided by the average remaining service period to full eligibility for participating employees expected to receive benefits under the postretirement medical plan.

The postretirement medical plan's health care cost trend rate assumptions are as follows at June 30:

	<b>2018</b>	<b>2017</b>
Initial rate	6.5%	6.5%
Ultimate rate	5.0%	5.0%
Fiscal year of ultimate rate	2022	2022

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

	<b>1% Point Increase</b>	<b>1% Point Decrease</b>
Effect on total of service and interest cost components	\$ 1,501	\$ (1,226)
Effect on postretirement benefit obligation	\$ 3,807	\$ (3,221)

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***Benefit Payments***

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

2019	\$	5,594
2020		5,699
2021		5,911
2022		6,116
2023		6,223
2024-2028		34,640

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

The University is self-insured for medical, prescription drug and dental benefits. Based on estimates provided by its actuaries, the University's obligation for health care claims incurred but not reported is \$1,517 and \$2,016 as of June 30, 2018 and 2017, respectively. The University is also self-insured for workers compensation and has established a liability for asserted and unasserted claims totaling \$3,773 and \$3,760 as of June 30, 2018 and 2017, respectively. These amounts are included in accounts payable and accrued expenses on the Consolidated Balance Sheets.

**10. Long-Term Debt**

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

Issue	Interest Rate(s) <sup>1</sup>	Type of Rate	Maturity	2018	2017
Tax-exempt revenue bonds:					
Dormitory Authority of the State of New York (DASNY)					
Series 2006A	5.25%	Fixed	7/1/22	\$ 23,775	\$ 27,935
Series 2008A	5.00%	Fixed	7/1/19	1,000	1,500
Series 2010	4.13% - 5.00%	Fixed	7/1/40	66,110	69,100
Series 2012	4.00% - 5.00%	Fixed	7/1/42	143,460	144,520
Taxable bank loan <sup>2</sup>	3.58%	Variable	7/12/26	25,000	12,355
Other debt	1.67%-3.56%	Variable	Various	827	475
Total long-term debt, principal				260,172	255,885
Bond premium/discount, net				16,670	18,589
Unamortized debt issuance costs, net				(1,727)	(1,957)
<b>Total long-term debt, net</b>				<b>\$ 275,115</b>	<b>\$ 272,517</b>

<sup>1</sup> Represents interest rates on debt outstanding as of June 30, 2018

<sup>2</sup> Total amount available to borrow is \$25,000



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The required principal payments for long-term debt for each of the years in the five-year period ending June 30, 2023 and thereafter are presented below. The schedule has been prepared based on the contractual maturities of the debt outstanding at June 30:

2019	\$	11,354
2020		11,875
2021		12,399
2022		12,956
2023		13,549
Thereafter		198,039
	<b>\$</b>	<b>260,172</b>

***Tax-Exempt Revenue 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.

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 \$14,488 and \$14,295 are included in cash and cash equivalents held with trustees and investments on the Consolidated Balance Sheets as of June 30, 2018 and 2017, respectively.

Proceeds from tax-exempt revenue bonds outstanding as of June 30, 2018 were used as follows:

***DASNY 2006A Series***

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

***DASNY 2008A Series***

Unsecured bonds were issued to construct a new mixed-use residential on-campus housing and retail complex, the renewal, replacement and expansion of existing heating and cooling infrastructure and energy management, and the renovation of academic and administrative buildings. During fiscal year 2013, the University advance refunded and legally extinguished a substantial portion of 2008A Series bonds. A portion of the proceeds from the DASNY 2012 Series bonds were deposited into an irrevocable trust solely for the purpose of making debt service payments on the 2008A Series bonds.

***DASNY 2010 Series***

Secured revenue bonds were issued for the construction of a new academic building, the construction of a green data center, the expansion of athletic facilities, various other campus-wide improvements and the advance refunding of DASNY 2002A Series bonds.

***DASNY 2012 Series***

Secured revenue bonds were issued to advance refund a portion of DASNY 2002B Series bonds and a portion of DASNY 2008A Series bonds and for the construction of a new athletic and multi-purpose facility, renovations and improvements to academic facilities, replacement of electrical infrastructure and the acquisition of University Commons Project II on-campus residential housing.

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***Taxable Bank Loan***

The University entered into a loan agreement and related variable-rate multiple draw term note with a commercial bank to finance several capital projects, including the construction of new student housing. The loan is an unsecured general obligation of the University and may be prepaid at any time without penalty.

***Other Debt***

Other debt consists of amounts borrowed from the Power Authority of the State of New York to fund improvements to the University's energy systems and amounts associated with agreements the University has entered into with respect to capital leases of equipment and furniture.

**11. Student Aid**

For the fiscal year ending June 30, aid provided to students is summarized as follows:

<b>2018</b>			
	<b>Institutional Support<sup>1</sup></b>	<b>Sponsored Support<sup>2</sup></b>	<b>Total</b>
Financial aid and merit-based scholarships	\$ 192,799	\$ 11,900	\$ 204,699
Student salaries and wages	20,725	7,642	28,367
<b>Total student aid</b>	<b>\$ 213,524</b>	<b>\$ 19,542</b>	<b>\$ 233,066</b>
<b>2017</b>			
	<b>Institutional Support<sup>1</sup></b>	<b>Sponsored Support<sup>2</sup></b>	<b>Total</b>
Financial aid and merit-based scholarships	\$ 177,350	\$ 10,874	\$ 188,224
Student salaries and wages	20,381	6,837	27,218
<b>Total student aid</b>	<b>\$ 197,731</b>	<b>\$ 17,711</b>	<b>\$ 215,442</b>

<sup>1</sup> Institutional support includes student aid from unrestricted operating resources.

<sup>2</sup> Sponsored support includes student aid funded from restricted and University designated resources and external sources, including federal, state or private grants and/or contributions.

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

Under an agreement with the U.S. Department of Education (Department), the University established NTID in 1968 to provide post-secondary education and technical training for deaf and hard of hearing persons. NTID is the world's first and largest technical college for deaf students with approximately 1,262 students from the United States and other countries. The Federal Government provides funding through an appropriation, currently covering approximately 72% of NTID's total operating costs, and provides matching funds for NTID's Federal Endowment Fund. Funding is applied for annually and is subject to the Federal Government's continued support of the program.

***Operating Revenues***

The federal appropriation partially covers direct operating expenses and reimbursement to the University for tuition, fees, room and board and indirect costs for NTID students using RIT facilities. Appropriation revenues are included in government grants and contracts on the Consolidated Statements of Activities and totaled \$69,882 and \$69,354 at June 30, 2018 and 2017, respectively. The remaining operating expenses are funded by tuition and fees collected from NTID students and other revenues.

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Beginning in fiscal year 2016, NTID has received funds in its annual appropriation from the Department to support a regional partnership with the Alabama Institute for the Deaf and Blind (AIDB). The NTID Southeast Regional STEM Center was established to expand the geographic reach of activities and services supported by NTID consistent with its mission and strategic plan. Of the amount included in government grants and contracts on the Consolidated Statements of Activities, \$1,341 and \$204 at June 30, 2018 and 2017 respectively, was appropriated for the AIDB regional partnership.

***Nonoperating Activities***

The federal appropriation may also be used to match qualifying contributions received from donors for NTID's Federal Endowment Fund. Included in permanently restricted nonoperating government grants and contracts for long-term assets on the Consolidated Statements of Activities are federal matching funds totaling \$116 and \$388 at June 30, 2018 and 2017, respectively.

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

	<b>2018</b>	<b>2017</b>
Instruction	\$ 262,220	\$ 256,647
Research	44,770	44,936
Public service	16,167	14,060
Academic support	61,357	57,398
Student services	49,201	45,821
Institutional support <sup>1</sup>	47,725	46,653
Auxiliary enterprises	86,864	84,174
Independent organizations	361	257
<b>Operating expenses by function</b>	<b>\$ 568,665</b>	<b>\$ 549,946</b>

<sup>1</sup> Includes fundraising expenses of \$10,815 and \$10,877 in 2018 and 2017, respectively.

**14. Commitments and Contingencies**

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

The University is committed under several construction contracts amounting to approximately \$17,746 and \$34,996 at June 30, 2018 and 2017, respectively. These contracts relate to the renovation and construction of various on-campus facilities including projects totaling \$3,139 funded by federal and state grants and \$1,234 funded by private donors.

**15. Subsequent Events**

Subsequent events have been evaluated through November 9, 2018, the date the Consolidated Financial Statements were issued.