



Rice University  
Report of the President  
1981





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Each year in reporting to the Rice constituency—and this is my eleventh such report—-I find it both useful and necessary to examine first the higher educational setting nationally. It is impossible to look at Rice in isolation from its sister institutions and their problems, some of which we share, and some of which we do not. The condition in which education finds itself is very important to all of us.

It is my opinion that education is no worse off today than it was a year ago—despite loud noises from some of my colleagues expressing an opposite view. The federal government's most recent experiment in economics has given us all cause to ponder, just as experiments with the university curriculum in some quarters have caused reflection. It is these matters—the relationship of the federal government to higher education and current trends in the university curriculum—that I want to address in this report. How do such matters affect education in the United States today? How do they affect the educational process at Rice University?

### *Federalization of Higher Education*

Politics aside, the national elections a year ago amounted to a call for economic change. The new administration's program called for a reduction in the federal budget, including cuts in funding levels for most educational grant-making and loan-making entities. With a handful of exceptions, higher education's programs are not being eliminated; rather, requirements for eligibility are being tightened, and total real dollar commitments are being lowered. The education community is being asked to make a sacrifice in the form of belt-tightening comparable to the sacrifices being asked of the rest of the nation. It is here that I have found myself at odds with some of my colleagues about the effect that such reductions will have on the nation's colleges and universities. It is my belief that if the current federal experiment works, education will be the ultimate winner, along with the rest of the nation, in the form of economic stability and greater buying power of the dollar. This should prove especially helpful to private institutions dependent on tuition fees and endowment funds for most of their money.

Yet, many around the nation seem concerned only with the immediate present and appear unwilling to share in the sacrifices required if the economic experiment is to be conducted in a meaningful way. The responses of higher education, if taken for fact, can mean only one thing: the education system of the United States is not a state supported system, nor is it a privately supported system. It is a federally supported system, and we have national universities and colleges.

My observation that higher education is "federalized" is based not only on the loud noises coming from the nation's campuses but also on the multitude of conferences being held on government-university interrelationships. I've participated in a half-dozen or more such conferences this fall. The Department of Defense is interested in making the major universities more responsive to defense requirements, and the National Academy of Sciences and the National Science Foundation seek to make universities and government cooperation more effective. And so it goes. All this clearly tells me that our university system has become almost fully dependent on federal dollars and that the old adage about paying the piper and calling the tune is as true in government-university interrelationships as it is in any other. For this reason, any experiment that cuts down universities' dependence on the federal government may prove beneficial in the long run if it enables them to cope for themselves a little better.

These observations are neither politically motivated nor meant to judge the rightness or wrongness of interrelationships between government and higher education. There are some things too large for localized or even regionalized units to handle: the oceanographic fleet, for example; or research



on the polar regions; or the capacity to look at the atmosphere and beyond-living-space problems. In western New Mexico, the federal government has spent many millions of dollars to set up a sophisticated radio astronomy program that puts the United States in the forefront in this scientific area. It costs many more millions a year to keep it operating. Only the government can afford to spend these amounts of money on such research and related projects. The universities can provide the people with the ability to use such facilities effectively. Unfortunately, the availability of such large sums of money from the government in this area can sometimes lead to using the same kinds of funds for things a university might best do for itself. How can we be weaned away from the federal largess for things that we ought to do ourselves? How can we determine for ourselves what we need and what we want? That we don't know how to do—or at least we seem to have lost the direction.

### *Rice and Federal Funds*

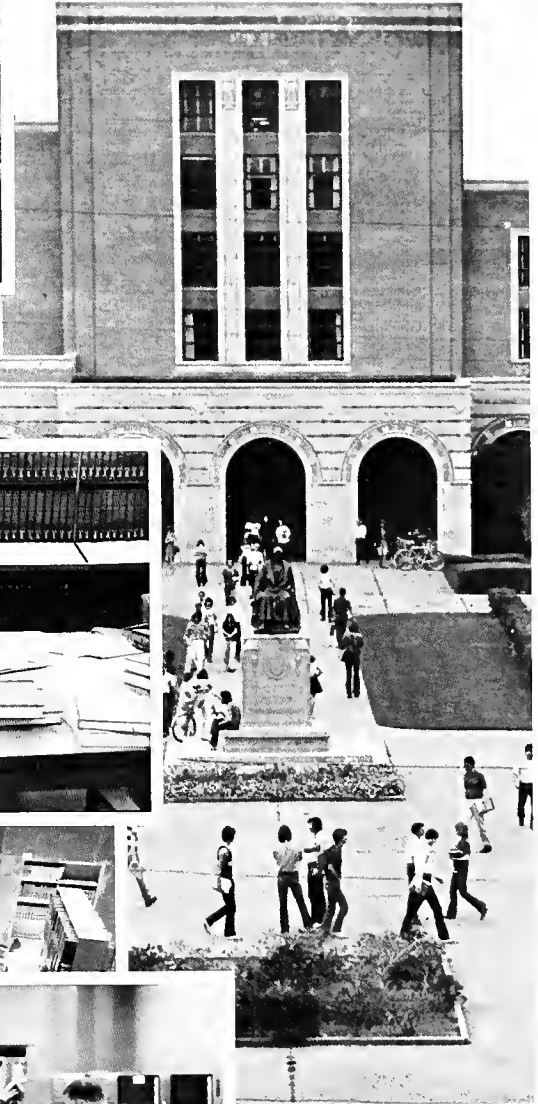
Rice will obviously be affected by Washington's cuts in grants and loan funds to students. We hope to substitute a Rice University parent loan fund for undergraduate students to handle the one problem, and we are intensifying our search for grants and research funds from the corporate and foundation communities. Unfortunately, such private grants do not generally cover the university's indirect costs as do federal grants; still it seems worthwhile to me that we should give the current administration in Washington a chance to succeed in its economic experiment.

Perhaps my sympathy is with this experiment because of experiences gained at Rice during the past eleven years. It was necessary when I took over as president in 1970 to undergo an isolated similar experiment in order to bring about economic stability on this campus. We have had eleven balanced budgets at Rice—and in the process the various members of the university family have tightened, and continue to tighten, their collective belts.

### *Trends in the University Curriculum*

One of higher education's continuing problems is the curriculum and its relationship to learning. For many years most colleges required mastery of a core curriculum of studies before granting a degree. Then, in the late 1950s and early 1960s, higher education's academic leaders decided to eliminate many of its core curriculum requirements, substituting for that a smorgasbord course offering on the premise that the customers, or students, know what's best for themselves. In recent years there has been a trend back to the core curriculum though, certainly, the options available to students are still much greater than was the case a quarter-century ago.

Add to the lessening of core curriculum requirements a trend at many public universities to train students in response to the immediate needs of industry and commerce, and one has the two major impacts on learning that have debilitated it as a process. We stopped worrying about the substance of education and started worrying about the superficialities, i.e., whether a person had a degree and not what it took to get one. We worried about whether we would be able to do something special for our employer on day one and not on day two thousand or five thousand or ten thousand. Our insistence either on specialized training or on superficial liberal education undermined the educational process, and only now are we beginning to be concerned. We are again concerned about the overspecialization of engineers. We are concerned about the inability of our people to converse with foreign people in their native tongue since we are now recognizing the value of trying to understand their problems.





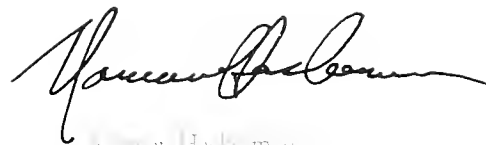
### *Educating, Not Training, at Rice*

Now there are a few bastions in the world that have tried to retard most of those trends, and Rice is one of them. We haven't been wholly successful, but we have had a little success. Our engineers, perhaps, are looked upon as too theoretical, but industry does hire them. Our B.A.'s, surprisingly enough to some, with minimum training do well in commerce and government and other areas outside of the academic world—and we want to enhance those capabilities. We are trying to educate our musicians as well as develop their talents. We seek to imbue our premedical and prelaw students with a desire for continual learning. Fortunately, most of those who come here have these desirable attitudes and aptitudes.

Meanwhile, we are engaged in a program designed to promote the value of the B. A. degree in the marketplace. The B. A., after all, is not the pointless degree many people believe it to be but is indeed the degree that indicates education and learning as contrasted to narrower training. So we started last year a program of recruiting good liberal arts majors, asking them to take a little bit of training to get some idea of the sharpness that training requires—training in accounting or arithmetic for that matter—and then interning them to companies both in Houston and outside the city. If this program is successful, the Rice interns will discover that their career options are broader than first expected while the cooperating businesses will see advantages to allocating certain positions to the liberally educated college graduate—even though initially more on-the-job training might be required for them than for their B. S. classmates.

### *The University Community*

In closing, I'd like to call attention to the many photographs adorning the pages of this report. They attempt to show the diversification of individuals and activities that make up the Rice University community by focusing on the faculty and the students and the learning process. I would be remiss, however, not to observe that these resident faculty and students at any given time are able to pursue their activities effectively because of the larger nonresident community of alumni and friends. I am reminded of this fact daily, but occasionally the point is driven home in a sad manner as when highly dedicated Rice volunteers are taken from us. On consecutive days in mid-October, Rice board chairman Robert R. Herring and former governor and alumnus John W. Mecom died. While Mr. Mecom's strongest contributions in leadership to Rice during his tenure as term governor preceded my presidency, Mr. Herring's service to the university was generous and vital throughout my eleven years here. His loss is not only a great personal one but also a professional one because of the quality of his mind and his ability to focus on problems and see their solutions so quickly and effectively. Though not an alumnus of Rice, Mr. Herring saw its value to both the local community and the world. He did much toward moving the university into its present sound position.



Samuel Hays  
President



STUDENT AND ALUMNI FACTS

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Enrollment (fall 1981)	2,300	1,333	3,633
<b>Undergraduate</b>	<b>1,568</b>	<b>913</b>	<b>2,481</b>
Humanities/Social Sciences	372	325	697
Architecture	75	51	126
Engineering	512	176	688
Music	22	40	62
Science	336	195	531
Double, Triple, Area Majors	251	126	377
<b>Graduate</b>	<b>687</b>	<b>343</b>	<b>1,030</b>
Humanities/Social Sciences	162	154	316
Accounting	4	3	7
Administration	46	34	80
Architecture	48	27	75
Engineering	183	28	211
Music	23	19	42
Science	221	78	299
<b>Special</b>	<b>45</b>	<b>77</b>	<b>122</b>
Degrees Awarded (May 9, 1981)	605	296	901
<b>Undergraduate</b>	<b>399</b>	<b>227</b>	<b>626</b>
Bachelor of Arts	255	184	439
Bachelor of Science in Chemical Engineering	26	9	35
Bachelor of Science in Civil Engineering	14	6	20
Bachelor of Science in Electrical Engineering	55	7	62
Bachelor of Science in Materials Science	4	3	7
Bachelor of Science in Mechanical Engineering	28	5	33
Bachelor of Music	8	7	15
Bachelor of Architecture	9	4	13
Bachelor of Fine Arts	0	2	2
<b>Graduate</b>	<b>593</b>	<b>310</b>	<b>903</b>
Master of Accounting	1	9	10
Master of Business and Public Management	13	4	17
Master in Applied Mathematical Sciences	5	0	5
Master of Architecture	15	5	20
Master of Architecture in Urban Design	1	1	2
Master of Arts in Teaching	0	1	1
Master of Chemical Engineering	8	1	9
Master of Civil Engineering	7	0	7
Master of Electrical Engineering	17	0	17
Master of Materials Science	0	1	1
Master of Mechanical Engineering	1	0	1
Master of Music	14	19	33
Master of Arts	30	16	46
Master of Science	26	7	33
Doctor of Philosophy	56	19	75

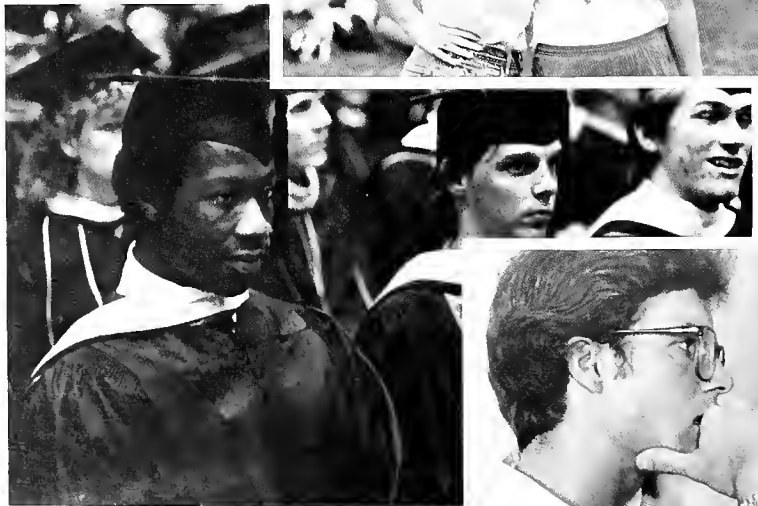
Geographic Distribution (December 1981)

<u>State</u>	<u>Student</u>	<u>Alumni</u>	<u>Foreign*</u>	<u>Students</u>	<u>Alumni</u>
Ala.	30	97	Argentina		5
Alaska	8	29	Australia		12
Ariz.	12	134	Austria	1	5
Ark.	27	112	Bangladesh	3	0
Calif.	100	1,255	Belgium	4	4
Colo.	32	287	Bolivia	2	3
Conn.	37	147	Brazil	1	24
Del.	11	35	Canada	8	70
D. C.	16	78	Chile	3	1
Fla.	68	280	China	12	1
Ga.	43	141	Colombia	3	5
Hawan	7	39	Costa Rica	2	6
Idaho	3	18	Egypt	3	2
Ill.	74	269	England	13	38
Ind.	34	80	France	9	23
Iowa	12	40	Germany	17	19
Kan.	28	79	Greece	6	5
Kv.	14	66	Guatemala	1	3
La.	92	457	Honduras	1	5
Me.	10	10	Hong Kong	10	15
Md.	44	205	India	27	18
Mass.	46	189	Iran	10	4
Mich.	32	120	Israel	1	5
Minn.	21	82	Japan	14	18
Miss.	15	90	Korea	7	2
Mo.	66	204	Lebanon	7	4
Mont.	6	21	Libya	3	3
Neb.	9	3	Malaysia	2	4
Nev.	6	22	Mexico	15	54
N. H.	8	15	Netherlands	1	8
N. J.	61	193	New Zealand	0	4
N. M.	34	218	Nigeria	0	3
N. Y.	131	399	Norway	5	7
N. C.	10	156	Pakistan	3	1
N. D.	1	4	Panama	1	3
Ohio	64	180	Peru	7	8
Okla.	106	287	Saudi Arabia	7	12
Ore.	10	84	Singapore	0	3
Pa.	69	223	Spain	4	2
R. I.	5	18	Switzerland	2	10
S. C.	8	56	Taiwan	38	10
S. D.	7	8	Thailand	8	2
Tenn.	44	185	Turkey	8	4
Tex.	1,731	14,309	South Africa	4	7
Utah	6	43	U.S.S.R.	3	0
Vt.	2	14	Venezuela	7	18
Va.	41	349			
Wash.	19	150			
W. Va.	9	33			
Wis.	24	55			
Wyo.	1	18			
Guam	1	0			
P.R.	6	9			
V.I.	1	5			

\*36 countries from which both our current students and alumni number two or less are not listed.

ERRATA, page 9: totals for degrees awarded and graduate degrees awarded in 1981 should read as follows:

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Degrees Awarded (May 9, 1981)	593	310	903
<b>Graduate</b>	<b>194</b>	<b>83</b>	<b>277</b>





**BALANCE SHEET**

UNIVERSITY OF CALIFORNIA, BERKELEY DEPARTMENT OF PLANT AND ANIMAL HUSBANDRY AT JUNE 30, 1980

(Continued)

(Page 1)

	<u>Current Funds</u>
<b>Cash, Receivables and Other Assets:</b>	
Cash	\$ 722,818
Accounts receivable, net of allowance for doubtful accounts of \$2,000,000	1,532,545
Prepaid expenses and insurance for doubtful accounts of \$495,000 in 1980 and \$495,000 in 1980	—
Other receivables	637,083
	<u>2,892,446</u>
<b>Investments (Note 3):</b>	
Common stock in the regulated market of \$387,023,000 in 1981 and \$341,251,000 in 1980	259,070
Developed real estate, less accumulated amortization of \$5,712,000 in 1981 and \$5,316,000 in 1980	—
Undeveloped real estate	—
Mortgage and collateral loans	—
Wholly owned corporations, at underlying equity (Note 4)	—
Oil and gas properties, less accumulated amortization of \$2,126,000 in 1981 and \$28,984,000 in 1980	—
Other bearing endowment fund advances (Note 8)	(113,364)
	<u>145,706</u>
<b>Interfund Receivable (Payable)</b>	<u>9,551,255</u>
<b>Educational Plant, at cost:</b>	
Land	—
Buildings and improvements	—
Equipment, furniture and library books	—
Construction in progress	—
Accumulated depreciation on auxiliary and educational plant facilities	—
	<u>—</u>
<b>Total assets</b>	<b><u>\$12,589,407</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 1,774,711
Deferred income tax deposits	857,383
Deposits collateral for securities loaned (Note 5)	—
Retirement funds (Note 6)	—
Other accrued liabilities	—
	<u>2,632,094</u>
<b>Total liabilities</b>	<b><u>2,632,094</u></b>
<b>Commitments and Contingencies (Note 9)</b>	
<b>Fund Balances:</b>	
Federal Government of private grants refundable	452,710
University fund —	
Restricted	5,199,258
Unrestricted	4,305,345
Income restricted endowment	—
Income unrestricted endowment	—
Restricted funds functioning as endowment	—
Unrestricted funds functioning as endowment	—
Unrestricted plant funds	—
Investment in plant	—
	<u>9,957,313</u>
<b>Total fund balances</b>	<b><u>9,957,313</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$12,589,407</u></b>

UNIVERSITY OF CALIFORNIA  
PLANT AND ANIMAL HUSBANDRY

June 30, 1981

Endowment and Similar Funds	Plant Funds	Loan Funds	Total	1980-1981 Total
\$ —	\$ —	\$ —	\$ 722,818	\$ 51,990
1,371,068	—	2,115	1,905,728	3,000,649
—	—	6,272,590	6,272,590	5,092,706
139,400	—	—	776,283	773,810
1,510,468	—	6,274,705	10,677,619	8,919,215
248,358,917	—	17,491	248,635,478	236,261,715
5,178,400	—	—	5,178,400	5,488,205
4,874,753	—	—	4,874,753	4,076,013
1,603,714	—	—	1,603,714	1,743,151
980,199	—	—	980,199	979,726
2,087	—	—	2,087	17,927
13,315,991	(9,673,776)	(3,528,851)	—	—
274,314,061	(9,673,776)	(3,511,360)	261,274,631	248,566,737
(10,274,778)	80,788	642,735	—	—
—	340,525	—	340,525	340,525
—	70,029,252	—	70,029,252	64,661,982
—	30,750,942	—	30,750,942	28,720,674
—	2,516,994	—	2,516,994	3,243,229
—	103,637,713	—	103,637,713	96,346,410
—	6,007,047	—	6,007,047	5,364,579
—	97,630,666	—	97,630,666	92,981,831
<b>\$265,549,751</b>	<b>\$ 88,037,678</b>	<b>\$3,406,080</b>	<b>\$369,582,916</b>	<b>\$348,467,783</b>
\$ 1,273,061	\$ —	\$ 2,716	\$ 3,050,488	\$ 4,103,238
37,162	—	—	894,545	838,099
10,157,534	—	—	10,157,534	11,830,700
976,293	—	—	976,293	1,116,110
340,124	—	—	340,124	468,176
12,784,174	—	2,716	15,418,984	18,356,323
—	—	2,825,237	3,277,947	3,082,115
—	—	578,127	5,777,385	4,615,044
—	—	—	4,305,345	4,305,345
60,796,409	—	—	60,796,409	58,851,311
106,415,151	—	—	106,415,151	96,611,282
13,767,786	—	—	13,767,786	11,473,396
71,786,231	—	—	71,786,231	69,829,903
—	80,788	—	80,788	680,722
—	87,956,890	—	87,956,890	80,662,342
252,765,577	88,037,678	3,403,364	354,163,932	330,111,460
<b>\$265,549,751</b>	<b>\$ 88,037,678</b>	<b>\$3,406,080</b>	<b>\$369,582,916</b>	<b>\$348,467,783</b>





Endowment	Endowment and Similar Funds			
\$ —	\$ —			
—	—			
6,622,084	—			
—	—			
(207,324)	—			
2,031,155	—			
2,757,243	—			
—	—			
—	—			
—	—			
—	—			
<u>11,203,158</u>	<u>1,624,488</u>	<u>1,674,547</u>	<u>9,811,665</u>	<u>422,796</u>
—	—			
—	—			
—	—			
—	—			
—	—			
—	—			
—	—			
—	—			
—	—			
<u>—</u>	<u>2,673,842</u>	<u>4,403,270</u>	<u>2,517,117</u>	<u>300,790</u>
508,684	—			
—	—			
—	—			
—	—			
37,125	—			
<u>545,809</u>	<u>5,300,072</u>	<u>2,128,789</u>	<u>—</u>	<u>(900)</u>
<u>11,748,967</u>	<u>4,250,718</u>	<u>(599,934)</u>	<u>7,294,548</u>	<u>121,106</u>
<u>155,462,593</u>	<u>81,303,299</u>	<u>680,722</u>	<u>80,662,342</u>	<u>3,282,258</u>
<u>\$167,211,560</u>	<u>\$85,554,017</u>	<u>\$ 80,788</u>	<u>\$87,956,890</u>	<u>\$3,403,364</u>

**STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES AND OTHER CHANGES**

For the year ended June 30, 1981  
 and for the year ended June 30, 1980

	Year Ended June 30, 1981			Year Ended June 30, 1980
	Unrestricted	Restricted	Total	Total
<b>Revenues:</b>				
State	\$21,156,297	\$ 4,035,219	\$25,191,516	\$20,765,552
State	8,948,185	1,161,529	10,109,714	9,463,436
State	1,971,054	6,617,091	8,588,145	7,389,034
State	2,193,796	3,400,906	5,594,702	4,428,008
State	1,694,007	681,120	2,375,127	2,389,844
State	65,338	54,216	119,554	399,537
State	36,028,677	15,950,081	51,978,758	44,835,411
State	9,124,565	566,960	9,691,525	8,524,969
<b>Total revenues</b>	<b>45,153,242</b>	<b>16,517,041</b>	<b>61,670,283</b>	<b>53,360,380</b>
<b>Expenditures and Mandatory Transfers:</b>				
Educational and general—				
Instructional department (research)	13,087,477	5,287,564	18,375,041	16,476,907
Sponsored research	—	7,745,094	7,745,094	6,616,735
Other special programs	—	993,412	993,412	750,589
Libraries	2,082,853	383,866	2,466,719	2,362,049
Student	3,763,219	1,207,167	4,970,386	4,909,308
Student	1,309,663	96,910	1,406,573	1,213,223
Operation and maintenance of plant	4,476,461	196,591	4,673,052	3,363,581
General administration	3,222,102	27,136	3,249,238	2,765,442
General institutional	1,661,797	10,341	1,672,138	1,485,277
Educational and general expenditures	29,603,572	15,950,081	45,553,653	39,943,111
Auxiliary enterprise expenditures	8,846,124	566,960	9,413,084	8,406,132
<b>Total expenditures</b>	<b>38,449,696</b>	<b>16,517,041</b>	<b>54,966,737</b>	<b>48,349,243</b>
Mandatory transfers—				
Undesignated gifts	508,684	—	508,684	139,272
Provision for plant improvements (Note 7)	2,131,008	—	2,131,008	1,676,769
<b>Total expenditures and mandatory transfers</b>	<b>41,089,388</b>	<b>16,517,041</b>	<b>57,606,429</b>	<b>50,165,284</b>
<b>Revenues over Expenditures and Mandatory Transfers</b>	<b>4,063,854</b>	<b>—</b>	<b>4,063,854</b>	<b>3,195,096</b>
<b>Other Transfers and Additions (Deductions):</b>				
Amalgamation of restricted receipts over transfers to revenues	—	2,562,209	2,562,209	905,786
Refunded to grantors	—	(54,918)	(54,918)	(45,076)
Funding of unrestricted current expenditures for equipment	1,143,708	—	1,143,708	928,728
Funding of principal and interest payments for plant additions	(1,302,788)	—	(1,302,788)	(1,224,771)
Other voluntary transfers, net	(3,904,774)	(1,270,224)	(5,174,998)	(3,203,827)
<b>Net other transfers and additions (deductions)</b>	<b>(4,063,854)</b>	<b>1,237,067</b>	<b>(2,826,787)</b>	<b>(2,639,160)</b>
<b>Net increase in fund balances</b>	<b>\$ —</b>	<b>\$ 1,237,067</b>	<b>\$ 1,237,067</b>	<b>\$ 555,936</b>

See Note 7 for additional information

**(1) Summary of significant accounting policies—  
Basis of accounting—**

The financial statements of William Marsh Rice University (the University) have been prepared in accordance with generally accepted accounting principles for colleges and universities. Accordingly, the financial statements have been prepared on the accrual basis of accounting except for depreciation of educational plant facilities, as explained below. Limitations and restrictions placed on the use of available resources are recognized in the financial statements through the use of fund accounting. Fund accounting is a procedure by which resources are classified for accounting and reporting purposes into separate funds in accordance with specified objectives or activities. Funds having similar characteristics together with all related financial transactions have been combined into fund groups in the accompanying financial statements.

The financial information shown for 1980 in the accompanying financial statements is included to provide a basis for comparison with 1981 and presents summarized totals only. Certain of the 1980 financial information has been reclassified to conform with current year presentation.

**Current funds—**

The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

The unrestricted current fund is used to account for those transactions related to the University's operating budget as approved by the board of governors. It is the policy of the board of governors to transfer any net increase in the fund balance for the year to unrestricted funds functioning as endowment.

The restricted current fund is used to account for funds expended for current operations but restricted by donors or other external sources for specific purposes. Restricted current fund receipts are reported as revenues and expenditures when expended.

The restricted current fund is also used to account for certain resources which have been designated for specific purposes by the University administration. The restricted current fund balance at June 30, 1981, includes approximately \$555,000 of administratively designated funds. Approximately \$2,022,000 of administratively designated funds are presented as restricted revenues and expenditures for 1981 in the statement of current funds revenues, expenditures and other changes.

Current funds used to purchase equipment are accounted for as expenditures of the current funds. Equipment expenditures of the unrestricted current fund are funded by a transfer from unrestricted funds functioning as endowment (Note 7).

**Endowment and similar funds—**

Endowment funds are generally subject to the restrictions of gift agreements requiring in perpetuity that the principal be invested and only the income be expended. Gains and losses arising from the disposition of the investments are accounted for as changes in principal. Endowment funds are either income restricted or income unrestricted as stipulated by the donor. Investment income from income restricted endowments may be expended only for the purpose specified by the donor, unrestricted endowment income may be expended for any purpose approved by the board of governors.

The board of governors has designated certain restricted and unrestricted funds to function as endowment funds. Restricted funds functioning as endowment are comprised of (1) restricted current gifts transferred to this fund by the board of governors and (2) any excess of restricted investment income over current expenditures. The principal of these funds may be expended, but only in accordance with the original specifications of the donor. Investment income from these funds is also subject to the same restrictions as the original gifts. The principal of unrestricted funds functioning as endowment is spendable at the discretion of the board of governors.

Generally, income from unrestricted endowment and similar funds is reported as revenue of the unrestricted current fund, and income from restricted endowment and similar funds is reported in the fund to which it is restricted. However, investment income from developed real estate and oil and gas properties equal to amortization of the properties are retained in the endowment funds for the purpose of asset recovery. In addition, 27.5% of the net receipts from oil and gas royalties are retained in the income unrestricted endowment funds after the related properties are fully amortized.

**Plant funds—**

Plant funds consist of the total invested in the educational plant together with unexpended gifts, grants, income and administratively designated funds which are held for acquisition, replacement or construction of physical properties. The educational plant is stated at cost for purchased assets and fair market value at the date of donation in the case of gifts. Auxiliary and educational service facilities financed with advances from endowment funds are depreciated over their estimated useful lives. Although no other educational plant assets are depreciated, it is the University's policy to retire capitalized equipment at the rate of 6.0% per year.

**Loan funds—**

Loan funds include (1) gifts and grants which are limited by donors to the purpose of making loans to students or faculty, (2) the National Direct Student Loan Program financed primarily by the federal government and administered by the University and (3) advances to the loan funds from unrestricted funds functioning as endowment.

**(2) Gifts and bequests—**

	1981	1980
Gifts of real estate	1,000,000	1,000,000
Gifts of personal property	500,000	500,000
Bequests of real estate	2,000,000	2,000,000
Bequests of personal property	1,000,000	1,000,000
Total	4,500,000	4,500,000

**(3) Investments—**

Investments are recorded at cost at date of acquisition or fair market value at date of donation in the case of gifts, except for donated interests in certain undeveloped real estate which were recorded at nominal values and investments in wholly owned corporations (Note 4). Taxes and maintenance on these donated real estate interests (accumulated costs of approximately \$601,000 at June 30, 1981) have been capitalized, subsequent to the date of donation.

Most income restricted endowment funds, restricted funds functioning as endowment and some unrestricted funds functioning as endowment participate in a common investment pool which is operated on a market value basis. Those income restricted funds which by the terms of the gifts may not participate in such a pool are maintained on a separate investment basis. Other endowment funds are commingled for investment purposes in the general investment pool for unrestricted funds.

The University recorded approximately \$18,214,000 in investment income from marketable securities in 1981. Income from oil and gas properties recognized as endowment income in the current funds was \$6,558,000 in 1981. Realized gains (losses) in endowment and similar funds in 1981 were \$(463,000) from marketable securities (using the average-cost method) and \$438,000 from the sale of other investments.

**(4) Investments in wholly owned corporations—**

The financial statements include all assets, liabilities and fund balances of the University except those of certain separately incorporated or related entities for which the University is fiscally responsible. These corporations are included in the endowment funds at underlying equity. In 1981, these corporations distributed approximately \$2,757,000 to the unrestricted endowment fund and \$36,000 to the unrestricted current fund.

**(5) Deposits of collateral for securities loaned—**

The University received collateral deposits for certain securities temporarily loaned to brokers. As of June 30, 1981, the securities on loan had aggregate market values of \$9,776,000 (\$6,270,000 at cost) and the collateral deposits of \$10,158,000 were invested in commercial paper.



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