



Rice University

REPORT OF THE PRESIDENT

1985





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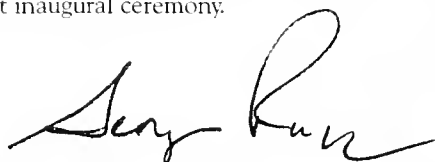


Nancy and George Rupp and daughters; Kathy, 17, with dog (Chutney) and Stephanie, 14

From the President

This annual financial report covers the final year of the presidency of my distinguished predecessor, Norman Hackerman. The figures testify eloquently to careful stewardship of the resources of this university. Accordingly, the publication of this report affords yet one more occasion for us to convey our appreciation to Norman and Gene Hackerman. On behalf of all of us associated with Rice, I express our heartfelt gratitude for faithful and vigorous leadership of this institution over a period of fifteen momentous years.

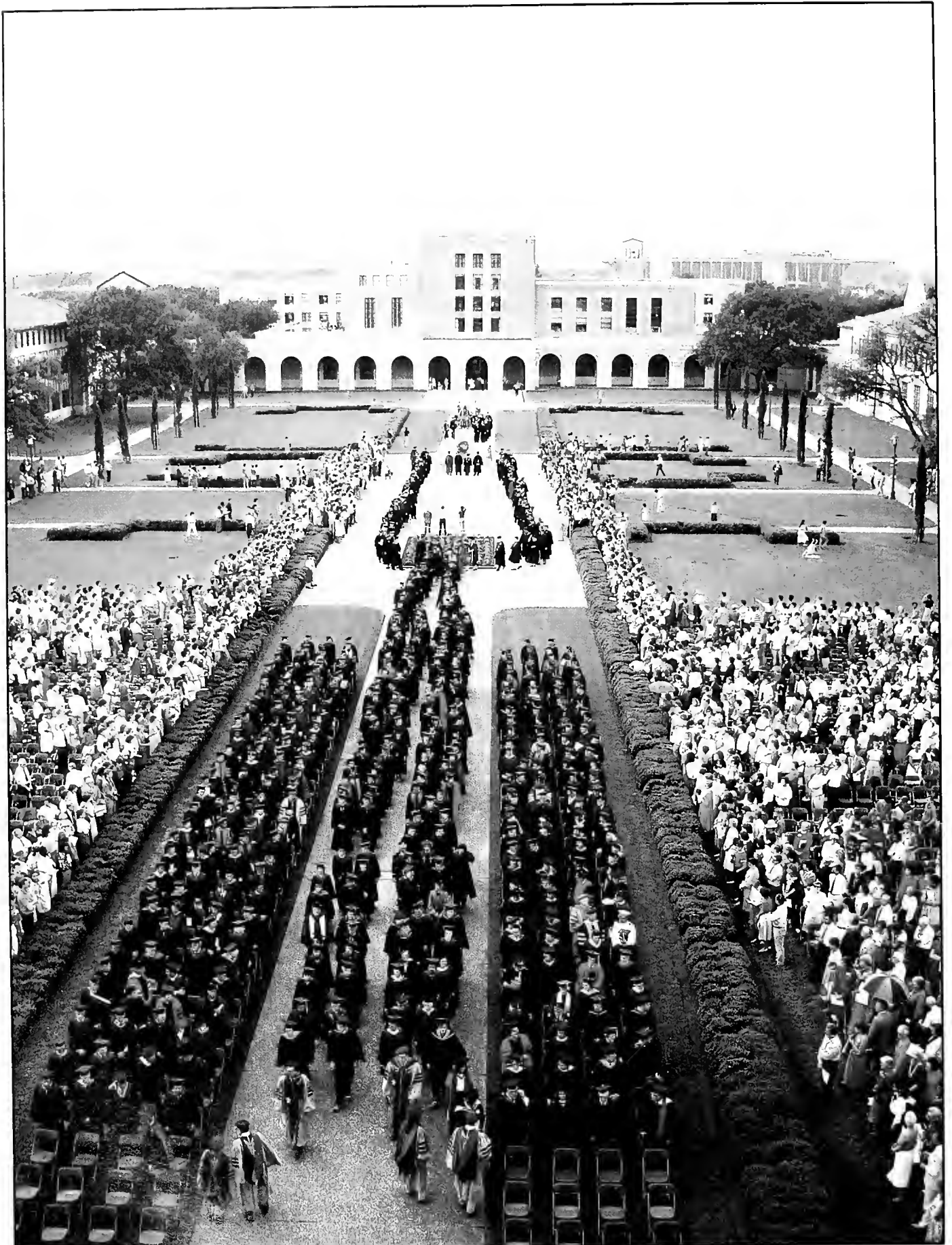
In documenting our financial situation for the past year, this report in effect also marks the point from which we look ahead. In keeping with this theme of continuity leading to new developments, the report includes along with its retrospective financial statements the prospective commitments that I outlined in my remarks in the context of the recent inaugural ceremony.



George Rupp
President



President George Rupp



The Inauguration of President George Rupp, October 25, 1985.

Remarks of George Rupp at his Inauguration OCTOBER 25, 1985

I am deeply honored to be appointed president of this distinguished university; and I pledge myself to continue the proud traditions that we inherit from our predecessors and to work assiduously with all of you who value this institution in developing those traditions further in the years ahead.

This university embodies a sustained commitment to excellence in education. Throughout our history we have also aspired to and increasingly achieved distinction in research, scholarship, and professional accomplishment. Finally, from the beginning, our forbears have construed the aim of education here to include contributions to the broader society. I pledge to uphold and to strive to enhance these three proud traditions.

I. Reaching Out to All Students

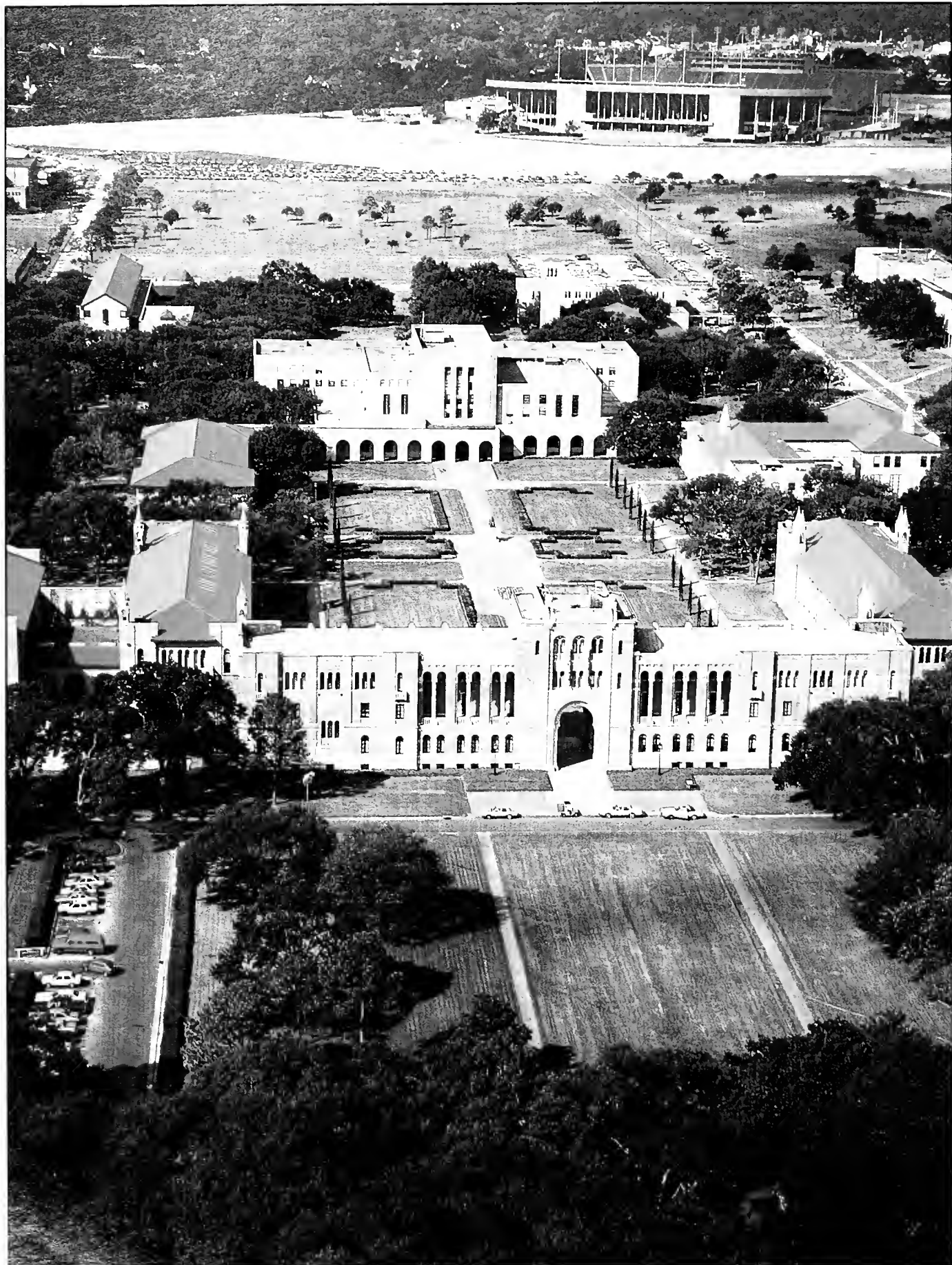
First, we will continue to offer outstanding education to the most capable, students we attract, irrespective of their ability to pay.

This university has a splendid record of providing the opportunity for learning to gifted students whether or not they have sufficient financial resources. In my few months here, I have again and again met alumni and alumnae who are deeply grateful for the opportunity they were offered to learn when they were not able to pay for it. We will continue this commitment as we seek outstanding students—we hope of even greater diversity in background and talents—and provide the financial support required to allow their attendance. We will, in short, maintain a policy of need-blind admissions, all the more so as fewer and fewer institutions of higher education are able to continue this policy.

The access that we offer will, furthermore, continue to be access to education that is excellent by the most stringent standards and that engages the full range of human inquiry. This university is not now and never has been simply a technical school. We have great strength in the natural sciences and engineering. We value that strength enormously, and we will build it further. But Rice has always also been committed to disciplined study in fields that today are represented in the humanities and social sciences. I invite your attention to the words of the stone inscription on the inside of the arch behind me. Carved into the Sallyport—the most prominent architectural feature of our oldest building—is a succinct formulation of the grounding intention of this institution. The words are from our first president, Edgar Odell Lovett, after whom the building is named: “The Rice Institute of liberal and technical learning, founded by William Marsh Rice and dedicated by him to the advancement of letters, science and art.”

Education here is, then, not only in the sciences but also in arts and letters. Across that entire range, we are firmly committed to the crucial importance of technical competence, whether that competence is in music or in the use of language or in engineering or in designing experiments or in architecture or in public policy analysis. But we are also aware that technical competence alone is not enough. Every exercise of such competence occurs in a context of meaning that shapes the purposes to which it is directed. To engage this dimension of meaning and purpose is to stand with Edgar Odell Lovett in insisting on liberal as well as technical learning.

We are extraordinarily fortunate in the setting provided for our pursuit of liberal as well as technical learning. We all too often take this wonderful campus for granted. Yet so much of our life together depends on the gift of this marvelous place. Both in the residential colleges and on the campus as a whole we are able to be a community of inquiry that allows, encourages, even requires the collaboration among students and faculty that characterizes education at its best. Learning in this vital and full and intimate sense will continue to flourish at this university. That is the first tradition I pledge to uphold and extend further.



Leslie Hall - Quad, Spring 1985

II. Reaching Our Full Potential in Advancing Knowledge

Secondly, we will continue and intensify our efforts in research, scholarship, and professional accomplishment. We are not only a liberal arts college but also a major university that invests substantial human and financial resources in the advancement of knowledge. These two dimensions of our identity mutually support each other: we provide excellent educational opportunities for students because we attract faculty who are themselves intensely involved in their own research or scholarship or professional practice. Accordingly, it is crucial both to the education we offer and to our contributions to the advancement of knowledge that we continue to develop our capacity for distinguished research, scholarship, and professional accomplishment.

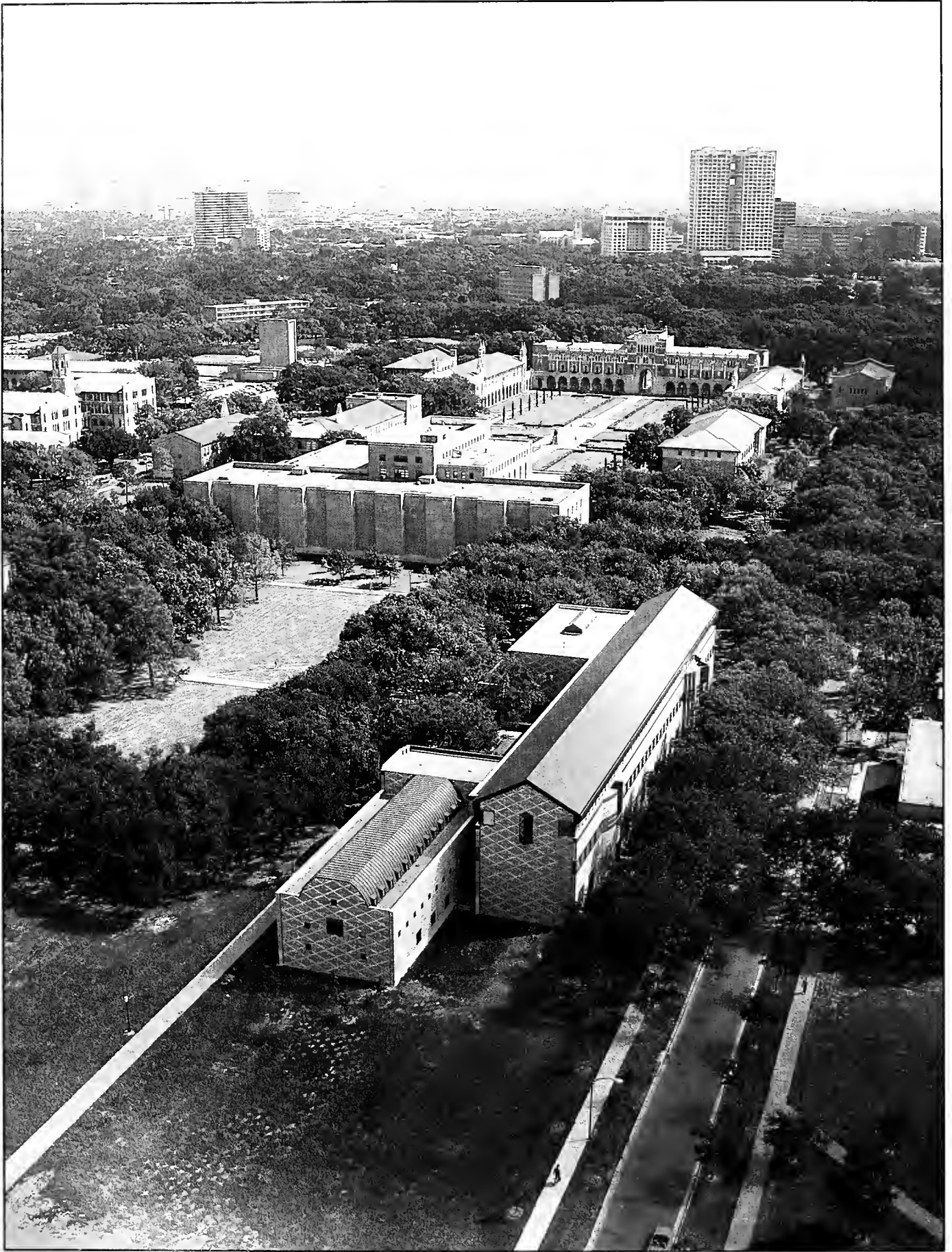
In intensifying our efforts, we will resist the temptation to try to do everything at once. Instead, we will identify areas in which clusters of our faculty and students are able to produce research and scholarship and professional achievements that are incontestably of the first rank. In principle, every area can and should aspire to such excellence. But in practice, we will begin where we already have established strength or where special needs arise that we are well situated to address.

In developing further our capacity for research, scholarship, and professional accomplishment, we will be mindful of how great an asset is the relatively small scale of this institution. Consequently, we will seek out collaborative arrangements that may enhance the efforts of all involved and allow a scale of activity that this university alone cannot readily sustain. Examples that come to mind are the cooperation between our faculty in biochemistry and bioengineering and researchers at the Texas Medical Center; the sharing of personnel between our Shepherd School of Music and the Houston Symphony; and the collaboration among Texas A&M, the University of Houston, The University of Texas at Austin, and Rice that the Houston Area Research Center represents.

Both through collaboration with other institutions and through increased investment in faculty, facilities, graduate students, and support staff, we will, then, intensify our efforts to contribute to the advancement of letters, science, and art. That is the second tradition I pledge to maintain and develop further.



Rice University's Engineering Buildings and sculpture, 1985



Herring Hall, 1985

III. Reaching the Broader Community

The third tradition I pledge to uphold and extend is integral to the very conception of education that animated the founder of this institution. William Marsh Rice considered several alternative institutional forms as the vehicles for expressing his intentions. In each case, his concern was to contribute through educational opportunity to the broader society—a concern evident in his emphasis, when he settled on this institution, both on including a library open to the public and on assuring access to formal education for those without sufficient funds of their own.

Today we continue this tradition of service to the broader society in the first instance through the education that we offer to our formally enrolled students and the research, scholarship, and professional accomplishment that we support. Through our continuing studies program, we also provide courses to over 5000 Houston residents each year—more than the total of our students in degree programs. Beyond that are thousands upon thousands of colleagues and friends and neighbors of the university who attend lectures, concerts, athletic events, dramatic presentations, social occasions, gallery exhibits, movies, conferences and so on.

In the years ahead, we will attend to opportunities to continue and expand this tradition of service both to our surrounding communities and to the broader society. In the case of our surrounding communities, I have the impression that the substantial traffic moves mostly in one direction. The hedges that set the campus off from the neighboring streets provide a perhaps too comfortable retreat. The neatly numbered entrances to the campus too seldom serve as exits. We are solid citizens and charter members, for example, in the South Main Center Association. But we are not as integrally involved in our surrounding communities as might be helpful for them and certainly would be educational for us. I am confident that there are larger opportunities both for learning and for service here, and I am delighted that a number of initiatives are now getting under way to enlist the participation of Rice students, staff, and faculty in local agencies, neighboring hospitals, and area schools.

Similarly, I think that we have a great opportunity for service to the broader society in helping to meet the challenge of conversation across what has become a chasm right through our society—the chasm between what have come to be called the two cultures. Our capacity for such conversation is in part a function of small scale. It is also related to the relatively even division of labor in both our faculty and our student body between the two cultures: roughly equal numbers in engineering and the natural sciences on the one hand and in the humanities and social sciences on the other. This capacity for conversation across the two cultures of course also depends on the impressive ability of our students, which allows us to insist on serious work on both sides of the divide. In any case, as those of us who are students move on into future professional responsibilities and as those of us who are on the faculty and staff think and write, we will over time render a distinctive contribution from this institution—a contribution that this society sorely needs.

We face both challenges and opportunities ahead. I welcome them and look forward to working with all of you who value this institution in rising to meet them. To that end, I pledge my best efforts to preserve and enhance the quality of this university in our educational programs, in our research, scholarship, and professional accomplishment, and in our other contributions to the broader society.



Rice University, 1985

Auditors' Report

To the Board of Governors, William Marsh Rice University:

We have examined the balance sheet of William Marsh Rice University (a nonprofit Texas corporation) as of June 30, 1985, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of William Marsh Rice University as of June 30, 1985, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.
Houston, Texas
September 30, 1985

WILLIAM MARSH RICE UNIVERSITY

Balance Sheet

June 30, 1985, with Comparative Totals at June 30, 1984 (Dollars in Thousands)

	Current Funds	Endowment and Similar Funds	1985		1984	
			Plant Funds	Loan Funds	Combined	Combined
ASSETS						
CASH, RECEIVABLES AND OTHER ASSETS:						
Cash	\$ 2,049	\$ —	\$ —	\$ —	\$ 2,049	\$ 543
Accounts receivable	1,251	9,848	—	—	11,099	3,439
Loans, net of allowance for doubtful accounts of \$419 in 1985 and \$423 in 1984	—	—	—	7,789	7,789	8,231
Other assets	1,347	132	—	2	1,481	1,611
	4,647	9,980	—	7,791	22,418	13,824
INTERFUND RECEIVABLE (PAYABLE):						
Interest-bearing endowment fund advances (Note 6)	(219)	14,336	(9,557)	(4,560)	—	—
Noninterest-bearing advances	12,140	(7,863)	(5,380)	1,103	—	—
	11,921	6,473	(14,937)	(3,457)	—	—
INVESTMENTS (Note 3)	302	401,373	187	17	401,879	377,891
EDUCATIONAL PLANT (Note 5)	—	—	142,456	—	142,456	128,115
Total assets	\$16,870	\$417,826	\$127,706	\$ 4,351	\$566,753	\$519,830
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 3,463	\$ 6,606	\$ —	\$ 1	\$ 10,070	\$ 5,451
Deferred income and deposits	676	—	—	—	676	743
Retirement funds (Note 4)	—	275	—	—	275	484
Total liabilities	4,139	6,881	—	1	11,021	6,678
COMMITMENTS AND CONTINGENCIES (Note 7)						
FUND BALANCES:						
U. S. Government and private grants refundable	—	—	—	2,976	2,976	3,206
University funds —						
Unrestricted	4,305	—	—	—	4,305	4,305
Internally designated	2,821	—	—	—	2,821	3,665
Restricted	5,605	—	—	1,374	6,979	7,155
Income unrestricted endowment	—	185,964	—	—	185,964	168,503
Income restricted endowment	—	96,187	—	—	96,187	83,801
Unrestricted funds functioning as endowment	—	104,666	—	—	104,666	101,791
Restricted funds functioning as endowment	—	24,128	—	—	24,128	22,005
Unexpended plant funds	—	—	2,018	—	2,018	3,762
Net investment in plant	—	—	125,688	—	125,688	114,959
Total fund balances	12,731	410,945	127,706	4,350	555,732	513,152
Total liabilities and fund balances	\$16,870	\$417,826	\$127,706	\$ 4,351	\$566,753	\$519,830

See notes to financial statements.

WILLIAM MARSH RICE UNIVERSITY
Statement of Changes in Fund Balances

For the Year Ended June 30, 1985, with Comparative Totals for 1984 (Dollars in Thousands)

	1985								1984	
	Current Funds			Endowment and Similar Funds		Plant Funds			Combined	Combined
	Unrestricted	Internally Designated	Restricted	Endowment	Functioning as Endowment	Unexpended	Investment in Plant	Loan Funds		
REVENUES AND OTHER ADDITIONS:										
Investment income	\$27,532	\$ 17	\$ 7,683	\$ 5,472	\$ 1,868	\$ 394	\$ —	\$ 86	\$ 43,052	\$ 39,034
Realized gains on investments	—	—	—	10,807	6,340	33	—	—	17,180	42,185
Gifts and bequests (Note 2)	2,074	—	4,450	13,141	—	3,946	110	163	23,884	23,581
Tuition and fees	13,619	2,118	—	—	—	—	—	—	15,737	14,955
Grants and contracts	3,207	—	15,326	—	—	—	—	—	18,533	17,806
Unrestricted revenue of auxiliary enterprises	13,447	255	—	—	—	—	—	—	13,702	12,701
Additions to investment in plant-										
Direct expenditures (including \$4,072 charged to current funds expenditures)	—	—	—	—	—	—	13,065	—	13,065	11,741
Repayment of advances from endowment funds	—	—	—	—	—	—	536	—	536	533
Interest on loans receivable	—	—	—	—	—	—	—	616	616	655
Other	1,772	892	146	6	—	216	5	50	3,087	2,978
Total revenues and other additions	61,651	3,282	27,605	29,426	8,208	4,589	13,716	915	149,392	166,169
EXPENDITURES AND OTHER DEDUCTIONS:										
Educational and general expenditures	44,886	3,648	24,311	—	—	54	—	—	72,899	64,199
Auxiliary enterprises expenditures	15,354	1,002	471	—	—	—	—	—	16,827	14,502
Indirect costs recovered	—	—	3,207	—	—	—	—	—	3,207	2,985
Refunded to grantors	—	—	20	—	—	—	—	—	20	24
Expended for plant facilities	—	—	—	—	1,669	7,324	—	—	8,993	8,553
Repayment of advances from endowment funds	—	—	—	—	—	536	—	—	536	533
Interest on endowment fund advances	—	—	—	—	—	749	—	519	1,268	1,383
Amortization of auxiliary and educational service facilities	—	—	—	—	—	—	536	—	536	533
Retirement of plant assets	—	—	—	—	—	—	2,451	—	2,451	1,957
Loan cancellations and collection costs	—	—	—	—	—	—	—	75	75	8
Total expenditures and other deductions	60,240	4,650	28,009	—	1,669	8,663	2,987	594	106,812	94,677
TRANSFERS AMONG FUNDS—ADDITIONS (DEDUCTIONS):										
Mandatory-										
Undesignated gifts (Note 2)	(78)	—	—	78	—	—	—	—	—	—
Provision for plant improvements (Note 5)	(2,718)	—	—	—	2,718	—	—	—	—	—
Funding of unrestricted current expenditures for equipment	1,843	—	—	—	(1,843)	—	—	—	—	—
Funding of principal and interest payments for plant additions	(1,285)	—	—	—	—	1,285	—	—	—	—
Other voluntary transfers, net	827	524	(336)	343	(2,416)	1,045	—	13	—	—
Total transfers	(1,411)	524	(336)	421	(1,541)	2,330	—	13	—	—
NET INCREASE (DECREASE) FOR THE YEAR	—	(844)	(740)	29,847	4,998	(1,744)	10,729	334	42,580	71,492
FUND BALANCE AT BEGINNING OF YEAR	4,305	3,665	6,345	252,304	123,796	3,762	114,959	4,016	513,152	441,660
FUND BALANCE AT END OF YEAR	\$ 4,305	\$ 2,821	\$ 5,605	\$ 282,151	\$ 128,794	\$ 2,018	\$ 125,688	\$ 4,350	\$ 555,732	\$ 513,152

See notes to financial statements.

WILLIAM MARSH RICE UNIVERSITY
Statement of Current Funds Revenues, Expenditures and Other Changes
For the Year Ended June 30, 1985, with Comparative Totals for 1984 (Dollars in Thousands)

	1985				1984
	Unrestricted	Internally Designated	Restricted	Combined	Combined
REVENUES:					
Educational and general-					
Endowment income (Note 3)	\$27,532	\$ 17	\$ 7,683	\$35,232	\$34,313
Tuition and fees	13,619	2,118	—	15,737	14,955
Government grants and contracts	2,547	—	8,898	11,445	10,274
Private grants and contracts	660	—	3,705	4,365	4,102
Gifts and bequests (Note 2)	2,074	—	3,889	5,963	4,872
Departmental sales and services	1,590	806	116	2,512	2,478
Other sources	182	86	20	288	322
Total educational and general	48,204	3,027	24,311	75,542	71,316
Auxiliary enterprises	13,447	255	471	14,173	13,077
Total revenues	61,651	3,282	24,782	89,715	84,393
EXPENDITURES:					
Educational and general-					
Instruction and departmental research	18,566	2,782	8,848	30,196	26,238
Sponsored research	—	—	11,517	11,517	10,377
Other sponsored programs	—	—	1,183	1,183	1,111
Library	3,273	491	178	3,942	3,639
Scholarships and fellowships	6,317	—	2,236	8,553	7,526
Student services	2,136	53	8	2,197	1,964
Operation and maintenance of plant	7,592	—	136	7,728	6,662
General administration	4,544	205	204	4,953	4,221
Institutional development	2,458	117	1	2,576	2,461
Total educational and general	44,886	3,648	24,311	72,845	64,199
Auxiliary enterprises expenditures	15,354	1,002	471	16,827	14,502
Total expenditures	60,240	4,650	24,782	89,672	78,701
TRANSFERS AND ADDITIONS (DEDUCTIONS):					
Mandatory transfers-					
Undesignated gifts (Note 2)	(78)	—	—	(78)	(210)
Provision for plant improvements (Note 5)	(2,718)	—	—	(2,718)	(2,789)
Voluntary transfers, net	1,385	524	(336)	1,573	(1,379)
Other additions (deductions)-					
Amount of restricted receipts over (under) transfers to revenues	—	—	(384)	(384)	1,455
Refunded to grantors	—	—	(20)	(20)	(24)
Net transfers and additions (deductions)	(1,411)	524	(740)	(1,627)	(2,947)
Net increase (decrease) in fund balances	\$ —	\$ (844)	\$ (740)	\$ (1,584)	\$ 2,745

See notes to financial statements.

WILLIAM MARSH RICE UNIVERSITY NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1985

(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 1984 in the accompanying financial statements is included to provide a basis for comparison with 1985 and presents summarized totals only. Certain reclassifications have been made to the 1984 account balances to conform with the 1985 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 and for certain resources which have been designated for specific purposes by the University administration. These latter items are presented under the internally designated caption. With the exception of the internally designated fund balance, it is the policy of the board of governors to transfer any net increase in the unrestricted current 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 when expended.

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 5).

Endowment and similar funds—

Endowment funds are generally subject to the restrictions of gift instruments requiring 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 is retained in the endowment funds for the purpose of asset recovery. In addition, 27½% (\$1,966,000 for 1985) of the net receipts from oil and gas royalties are retained in the income unrestricted endowment fund 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 6²/₃% 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.

Life income funds—

Life income funds arise from gifts which are subject to the requirement that the University periodically pay the income earned on the assets to designated beneficiaries. Such payments terminate at a time specified in the agreements, usually upon the deaths of the designated beneficiaries. The amount and timing of the ultimate distribution to the University of its remainder interest in the assets is therefore not determinable, and the assets are not recorded in the accompanying financial statements.

At June 30, 1985, the assets (valued at market) and liabilities in the various trusts in which Rice has a remainder interest are as follows:

Marketable securities	\$22,415,000
Real estate	4,927,000
Other assets	573,000
Less- Related liabilities	(1,788,000)
	<u>\$26,127,000</u>

In 1985, \$216,000 of income was distributed from these trusts to the unexpended plant fund.

(2) Gifts and bequests—

It is the policy of the University to include gifts as revenues or additions to the appropriate fund balances only when received.

Gifts and bequests without any designated obligatory use are required to be added to endowment, according to a legal interpretation of the University's charter. These gifts are recorded as revenues of the unrestricted current fund and as mandatory transfers to the endowment funds.

Pledges outstanding at June 30, 1985, which will be recorded as revenues upon receipt of the gifts, are as follows:

Current funds—	
Unrestricted	\$ 44,000
Restricted	484,000
Total current funds	528,000
Endowment funds	617,000
Plant funds	4,704,000
Total pledges	\$5,849,000

(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 are recorded at nominal values and investments in wholly owned corporations. These corporations are accounted for in the endowment funds under the equity method. Property taxes and maintenance costs on the donated real estate interests have been capitalized (accumulated costs of approximately \$1,285,000 at June 30, 1985).

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.

Investments of endowment and similar funds at June 30, 1985, are as follows:

	Recorded Amount
Marketable securities (\$570,678,000 market value)	\$371,825,000
Developed real estate	16,663,000
Undeveloped real estate	4,466,000
Mortgage loans	4,881,000
Wholly owned corporations, at underlying equity	2,655,000
Oil and gas properties (net of accumulated amortization of \$26,674,000)	883,000
	\$401,373,000

The following tabulation summarizes investment performance (excluding unrealized gains from market appreciation) for the year ended June 30, 1985:

	Investment Income		Realized Gains (Losses), net
	Current Funds	Endowment and Similar Funds	Endowment and Similar Funds
Marketable securities	\$27,815,000	\$1,341,000	\$16,679,000
Wholly owned corporations	50,000	3,556,000	—
Oil and gas properties	5,360,000	2,266,000	216,000
Other investments	2,007,000	177,000	252,000
	\$35,232,000	\$7,340,000	\$17,147,000

(4) Retirement plans—

Substantially all employees are eligible to participate in a defined contribution retirement plan which is administered by an outside agency. The University's contributions to the plan of \$1,925,000 in 1985 were recorded as expenditures of the unrestricted current fund. The contributions of the University and the plan participants, who are fully vested, are applied to individual annuities issued to each participant.

The University also has a defined benefit retirement plan administered by the same outside agency covering participants who began receiving retirement benefits prior to July 1, 1976, and certain other employees. The University's contributions to this plan were \$298,000 in 1985, which includes amortization over a 10-year period of prior service costs and certain guaranteed minimum benefits. As of the most recent benefit information date, June 30, 1984, the actuarially computed value of vested benefits of \$1,252,000 exceeded the sum of the plan's assets and the recorded liability by \$112,000. The assumed rate of return used in determining the actuarial present values of vested plan benefits was 7%.

(5) Educational plant and provision for plant improvements—

Property and equipment of the educational plant at June 30, 1985, were as follows:

Land	\$ 8,499,000
Buildings and improvements	98,386,000
Equipment, furniture and library books	41,475,000
Construction in progress	2,007,000
Less- Allowance for amortization of auxiliary and educational service facilities	(7,911,000)
	\$142,456,000

As a provision for plant improvements, a transfer equal to approximately 10% of unrestricted endowment income has been made from unrestricted current funds to unrestricted funds functioning as endowment. The portion of the unrestricted funds functioning as endowment fund balance that applies to this provision is \$5,125,000 at June 30, 1985.

(6) Interest-bearing endowment fund advances—

Certain capital projects, major maintenance projects for auxiliary enterprises and student loans are funded with interest-bearing advances from unrestricted funds functioning as endowment. The advances for capital and major maintenance projects bear interest at rates from 4% to 19%. The interest received on student loans financed by these endowment fund advances is repaid to the endowment funds.

(7) Commitments and contingencies—

There are several suits and claims pending against the University, the effect of which cannot be estimated at this time; however, officials of the University and legal counsel believe that the ultimate liability, if any, will not be material to the University's financial position.

The University was committed under contracts at June 30, 1985, for capital improvements of approximately \$4,880,000 to be financed primarily from funds functioning as endowment and gifts. Commitments of \$863,000 in the unrestricted current fund and \$974,000 in the restricted current fund were outstanding at June 30, 1985.

The fund balance of unrestricted funds functioning as endowment includes a \$5,000,000 provision for contingencies at June 30, 1985. If funds are expended from this balance, it is replenished by transfers of unrestricted endowment income to maintain the balance at \$5,000,000.

Administration July 1, 1985

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President

William E. Gordon
Provost and Vice-President
(retired)

Neal F. Lane
Provost and Vice-President

John L. Margrave
Vice-President for Advanced
Studies and Research

Ronald F. Stebbings
Vice-President for Undergraduate
Affairs

William W. Akers
Vice-President for Administration

O. Jack Mitchell
Dean of the School of
Architecture

J.D. Hellums
Dean of the George R. Brown
School of Engineering

G. King Walters
Dean of the Wiess School of
Natural Science

Francis D. Tuggle
Dean of the Jesse H. Jones Graduate
School of Administration

Allen J. Matusow
Dean of the School of Humanities

Larry J. Livingston
Dean of the Shepherd School of
Music

Joseph Cooper
Dean of the School of Social
Sciences

Richard Stabell
Dean of Admissions and Records

Joseph Nalle
Treasurer-Secretary

J.F. White
Assistant Secretary

Scott W. Wise
Comptroller

Board of Governors July 1, 1985

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Governors
Chairman of the Board
Duncan, Cook & Co.

Josephine E. Abercrombie
Vice-Chairman of Rice Board of
Governors
Director
J.S. Abercrombie Mineral Co.

John L. Cox
Oil Operator

C.M. Hudspeth
Partner
De Lange, Hudspeth, Pitman and
Katz

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Chairman
Investment Advisors, Inc.

Ralph S. O'Connor
Chairman of the Board, President
and Chief Executive Officer
HRI Resources, Inc.

Jack T. Trotter
Investments

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Judy Ley Allen
Investments

J. Evans Attwell
Managing Partner
Vinson and Elkins

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President
Halliburton Company

J. Thomas Eubank
Partner
Baker and Botts

James W. Glanville
Partner
Lazard Freres & Co.

Paul N. Howell
Chairman of the Board
Howell Corporation

George R. Miner
President
Miner-Dederick Construction
Corp.

M. Kenneth Oshman
President
ROLM Corporation

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Partner
PLM Design

Jerry McCleskey
Director of Planning
Chemicals & Pigment Dept.
E.I. DuPont de Nemours
& Company

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Senior Vice-President
Raymond International, Inc.

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Cameron Iron Works

E.D. Butcher
President (retired)
American Commercial Lines,
Incorporated

Harry J. Chavanne
Banker and Investor
Chavanne Enterprises

Oveta Culp Hobby
Chairman of the Executive
Committee
H & C Communications,
Incorporated

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Chairman of the Board (retired)
First City National Bank

Theodore N. Law
Chairman
Falcon Seaboard Drilling Company

H. Malcolm Lovett
Partner
Baker and Botts

James U. Teague
Retired

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Senior Member, Technical Staff
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President and Director (retired)
General Package Corporation and
Automatic Canteen Company of
America

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First City National Bank

William S. Farish III
President
W.S. Farish and Company

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Financial Consultant

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Atlantic Richfield Company

Wendel D. Ley
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Chief, Energy Division
Office of Texas Attorney General

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Senior Vice-President
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Ralph W. Noble
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Milchem, Inc.

Haylett O'Neill, Jr.
Exxon (retired)

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Chairman of the Board (retired)
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Taylor Ray
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David L. Rooke
Director and Senior Consultant
Dow Chemical Company

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Superior Dairies

Harry K. Smith
Chairman of the Board and Chief
Executive Officer
Big Three Industries

Louis D. Spaw, Jr.
Vice Chairman of the Board
Spaw-Glass, Inc.

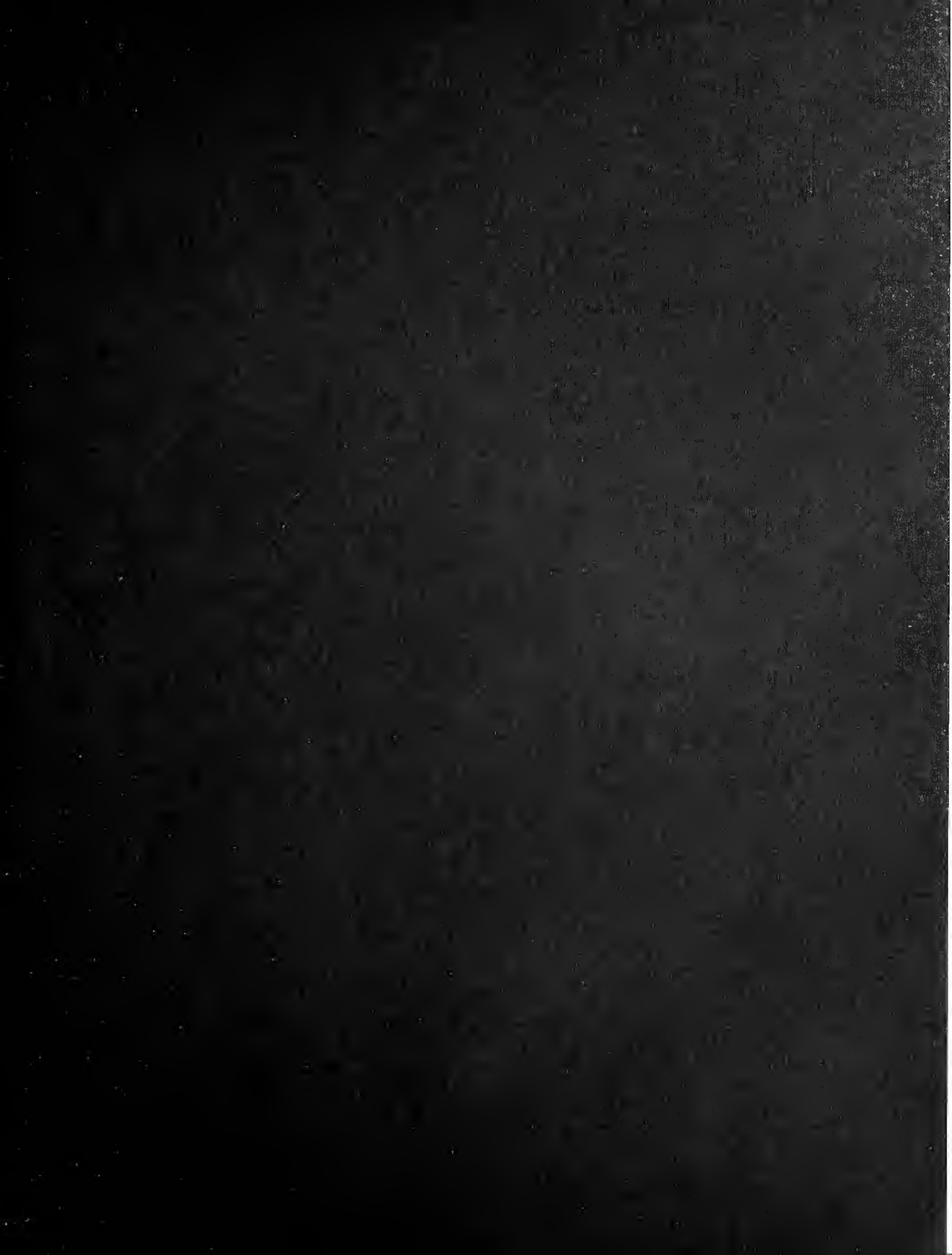
Karl C. ten Brink
General Manager (retired)
Texaco, Inc.

Talbott Wilson
Architect
Talbott Wilson/Associates

James O. Winston, Jr.
Former Director
Rowles, Winston and Company

Benjamin N. Woodson
Chairman of the Board (retired)
American General Companies

Helen S. Worden



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