2017-18 FINANCIAL REPORT
REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of The George Washington University:
We have audited the accompanying consolidated financial statements of The George Washington University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of unrestricted activities, consolidated statement of activities, and consolidated statements of 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 George Washington University and its subsidiaries as of June 30, 2018 and 2017, and the changes of 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.

September 18, 2018
### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2018 and 2017  
*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$122,808</td>
<td>$243,149</td>
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<td>Short-term investments</td>
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<td>75,054</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
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<td>74,082</td>
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<tr>
<td>Pledges receivable, net</td>
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<td>56,446</td>
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<td>Investments</td>
<td>2,253,953</td>
<td>2,165,852</td>
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<tr>
<td>Loans and notes receivable, net</td>
<td>48,251</td>
<td>35,649</td>
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<tr>
<td>Property, plant, and equipment, net</td>
<td>1,708,079</td>
<td>1,712,115</td>
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<tr>
<td>Other assets</td>
<td>18,625</td>
<td>21,633</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,567,631</td>
<td>$4,383,980</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>$198,173</td>
<td>$185,875</td>
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<td>Deferred revenue:</td>
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</tr>
<tr>
<td>Tuition and other deposits</td>
<td>$64,697</td>
<td>$67,416</td>
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<td>Grants and contracts payments</td>
<td>$24,050</td>
<td>$17,138</td>
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<tr>
<td>Bonds and notes payable, net</td>
<td>$1,855,973</td>
<td>$1,761,945</td>
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<td>Funds advanced for student loans</td>
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<td>$29,761</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>$2,172,514</td>
<td>$2,062,135</td>
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<td><strong>NET ASSETS</strong></td>
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<tr>
<td>Unrestricted net assets:</td>
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<tr>
<td>Unrestricted operating (deficit)</td>
<td>$(33,881)</td>
<td>$(31,659)</td>
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<tr>
<td>Unrestricted capital and investing</td>
<td>$1,714,570</td>
<td>$1,609,371</td>
</tr>
<tr>
<td><strong>Total unrestricted</strong></td>
<td>$1,680,689</td>
<td>$1,577,712</td>
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<td>$427,847</td>
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<td>$279,246</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td>$2,395,117</td>
<td>$2,321,845</td>
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<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$4,567,631</td>
<td>$4,383,980</td>
</tr>
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</table>

*The accompanying notes are an integral part of these consolidated financial statements.*
# CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2018 and 2017  
*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>Operating</th>
<th>Capital and Investing</th>
<th>Total Unrestricted</th>
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<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees</td>
<td>$ 1,067,678</td>
<td>$ -</td>
<td>$ 1,067,678</td>
</tr>
<tr>
<td>Less: University funded scholarships</td>
<td>(317,030)</td>
<td>-</td>
<td>(317,030)</td>
</tr>
<tr>
<td><strong>Net student tuition and fees</strong></td>
<td>750,648</td>
<td>-</td>
<td>750,648</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Program funds</td>
<td>170,326</td>
<td>-</td>
<td>170,326</td>
</tr>
<tr>
<td>Indirect cost recoveries</td>
<td>31,362</td>
<td>-</td>
<td>31,362</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>18,454</td>
<td>19,286</td>
<td>37,740</td>
</tr>
<tr>
<td>Investment real property rents and appreciation</td>
<td>-</td>
<td>128,704</td>
<td>128,704</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>118,733</td>
<td>-</td>
<td>118,733</td>
</tr>
<tr>
<td>Contributions, net</td>
<td>20,160</td>
<td>901</td>
<td>21,061</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>17,852</td>
<td>58,584</td>
<td>76,436</td>
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<tr>
<td>Medical education agreements</td>
<td>64,814</td>
<td>40</td>
<td>64,854</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>28,796</td>
<td>2,669</td>
<td>31,465</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>1,221,145</td>
<td>210,186</td>
<td>1,431,331</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>576,590</td>
<td>-</td>
<td>576,590</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>125,363</td>
<td>-</td>
<td>125,363</td>
</tr>
<tr>
<td>Purchased services</td>
<td>252,304</td>
<td>550</td>
<td>252,854</td>
</tr>
<tr>
<td>Supplies</td>
<td>15,522</td>
<td>88</td>
<td>15,610</td>
</tr>
<tr>
<td>Equipment</td>
<td>10,551</td>
<td>3,554</td>
<td>14,105</td>
</tr>
<tr>
<td>Bad debt</td>
<td>3,610</td>
<td>-</td>
<td>3,610</td>
</tr>
<tr>
<td>Occupancy</td>
<td>48,639</td>
<td>89,888</td>
<td>138,527</td>
</tr>
<tr>
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<td>-</td>
<td>35,969</td>
<td>35,969</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>16,941</td>
<td>-</td>
<td>16,941</td>
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<tr>
<td>Communications</td>
<td>4,064</td>
<td>-</td>
<td>4,064</td>
</tr>
<tr>
<td>Travel and training</td>
<td>26,918</td>
<td>2</td>
<td>26,920</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>62,329</td>
<td>62,329</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>-</td>
<td>14,042</td>
<td>14,042</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>38,362</td>
<td>2,661</td>
<td>41,023</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,118,864</td>
<td>209,083</td>
<td>1,327,947</td>
</tr>
<tr>
<td><strong>OTHER INCREASES (DECREASES) IN NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service and mandatory purposes</td>
<td>(99,598)</td>
<td>99,598</td>
<td>-</td>
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<tr>
<td>Endowment support</td>
<td>76,861</td>
<td>(78,781)</td>
<td>(1,920)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(10,545)</td>
<td>10,545</td>
<td>-</td>
</tr>
<tr>
<td>Postretirement related changes</td>
<td>-</td>
<td>(1,704)</td>
<td>(1,704)</td>
</tr>
<tr>
<td>Support/investment</td>
<td>(71,221)</td>
<td>74,438</td>
<td>3,217</td>
</tr>
<tr>
<td><strong>Total other changes in net assets</strong></td>
<td>(104,503)</td>
<td>104,096</td>
<td>(407)</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS</strong></td>
<td>(2,222)</td>
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<td>102,977</td>
</tr>
<tr>
<td><strong>NET ASSETS (DEFICIT) AT THE BEGINNING OF THE YEAR</strong></td>
<td>(31,659)</td>
<td>1,609,371</td>
<td>1,577,712</td>
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<td><strong>NET ASSETS (DEFICIT) AT THE END OF THE YEAR</strong></td>
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<td>Capital and Investing</td>
<td>Unrestricted</td>
</tr>
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<td>$1,680,689</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>$ -</td>
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<tr>
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<td>-</td>
<td>63,861</td>
</tr>
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<td>Investment real property rents and appreciation</td>
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<td>-</td>
<td>-</td>
<td>128,704</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
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<td>990</td>
<td>1,018</td>
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<td>-</td>
<td>118,733</td>
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<tr>
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<td>Net assets released from restrictions</td>
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<td>64,854</td>
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<td>-</td>
<td>64,854</td>
</tr>
<tr>
<td>Other income</td>
<td>31,465</td>
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<td>-</td>
<td>31,485</td>
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<tr>
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<td>1,402,923</td>
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<td><strong>EXPENSES</strong></td>
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<td>15,610</td>
<td>-</td>
<td>-</td>
<td>15,610</td>
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<tr>
<td>Equipment</td>
<td>14,105</td>
<td>-</td>
<td>-</td>
<td>14,105</td>
</tr>
<tr>
<td>Bad debt</td>
<td>3,610</td>
<td>-</td>
<td>-</td>
<td>3,610</td>
</tr>
<tr>
<td>Occupancy</td>
<td>138,527</td>
<td>-</td>
<td>-</td>
<td>138,527</td>
</tr>
<tr>
<td>Investment real property expense</td>
<td>35,969</td>
<td>-</td>
<td>-</td>
<td>35,969</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>16,941</td>
<td>-</td>
<td>-</td>
<td>16,941</td>
</tr>
<tr>
<td>Communications</td>
<td>4,064</td>
<td>-</td>
<td>-</td>
<td>4,064</td>
</tr>
<tr>
<td>Travel and training</td>
<td>26,920</td>
<td>-</td>
<td>-</td>
<td>26,920</td>
</tr>
<tr>
<td>Interest</td>
<td>62,329</td>
<td>-</td>
<td>-</td>
<td>62,329</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>14,042</td>
<td>-</td>
<td>-</td>
<td>14,042</td>
</tr>
<tr>
<td>Other</td>
<td>41,023</td>
<td>-</td>
<td>-</td>
<td>41,023</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,327,947</td>
<td>-</td>
<td>-</td>
<td>1,327,947</td>
</tr>
<tr>
<td><strong>OTHER INCREASES (DECREASES) IN NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment support</td>
<td>(1,920)</td>
<td>882</td>
<td>1,038</td>
<td>-</td>
</tr>
<tr>
<td>Postretirement related changes</td>
<td>(1,704)</td>
<td>-</td>
<td>-</td>
<td>(1,704)</td>
</tr>
<tr>
<td>Support/investment</td>
<td>3,217</td>
<td>(4,122)</td>
<td>905</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other changes in net assets</strong></td>
<td>(407)</td>
<td>(3,240)</td>
<td>1,943</td>
<td>(1,704)</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS</strong></td>
<td>102,977</td>
<td>(37,040)</td>
<td>7,335</td>
<td>73,272</td>
</tr>
<tr>
<td><strong>NET ASSETS AT THE BEGINNING OF THE YEAR</strong></td>
<td>1,577,712</td>
<td>464,887</td>
<td>279,246</td>
<td>2,321,845</td>
</tr>
<tr>
<td><strong>NET ASSETS AT THE END OF THE YEAR</strong></td>
<td>$1,680,689</td>
<td>$427,847</td>
<td>$286,581</td>
<td>$2,395,117</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$1,067,678</td>
<td>$-</td>
<td>$-</td>
<td>$1,067,678</td>
</tr>
<tr>
<td>Less: University funded scholarships</td>
<td>$(317,030)</td>
<td>$-</td>
<td>$-</td>
<td>$(317,030)</td>
</tr>
<tr>
<td>Net student tuition and fees</td>
<td>$750,648</td>
<td>$-</td>
<td>$-</td>
<td>$750,648</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>$170,326</td>
<td>$-</td>
<td>$-</td>
<td>$170,326</td>
</tr>
<tr>
<td>Indirect cost recoveries</td>
<td>$31,362</td>
<td>$-</td>
<td>$-</td>
<td>$31,362</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>$37,740</td>
<td>$26,121</td>
<td>$-</td>
<td>$63,861</td>
</tr>
<tr>
<td>Investment real property rents and appreciation</td>
<td>$128,704</td>
<td>$-</td>
<td>$-</td>
<td>$128,704</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>$2</td>
<td>$990</td>
<td>$1,018</td>
<td>$2,010</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>$118,733</td>
<td>$-</td>
<td>$-</td>
<td>$118,733</td>
</tr>
<tr>
<td>Contributions, net</td>
<td>$21,061</td>
<td>$15,756</td>
<td>$4,123</td>
<td>$40,940</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>$76,436</td>
<td>$(76,667)</td>
<td>$231</td>
<td>$(59,685)</td>
</tr>
<tr>
<td>Medical education agreements</td>
<td>$64,854</td>
<td>$-</td>
<td>$-</td>
<td>$64,854</td>
</tr>
<tr>
<td>Other income</td>
<td>$31,465</td>
<td>$-</td>
<td>$20</td>
<td>$31,485</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$1,431,331</td>
<td>$(33,800)</td>
<td>$5,392</td>
<td>$1,402,923</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$576,590</td>
<td>$-</td>
<td>$-</td>
<td>$576,590</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>$125,363</td>
<td>$-</td>
<td>$-</td>
<td>$125,363</td>
</tr>
<tr>
<td>Purchased services</td>
<td>$252,854</td>
<td>$-</td>
<td>$-</td>
<td>$252,854</td>
</tr>
<tr>
<td>Supplies</td>
<td>$15,610</td>
<td>$-</td>
<td>$-</td>
<td>$15,610</td>
</tr>
<tr>
<td>Equipment</td>
<td>$14,105</td>
<td>$-</td>
<td>$-</td>
<td>$14,105</td>
</tr>
<tr>
<td>Bad debt</td>
<td>$3,610</td>
<td>$-</td>
<td>$-</td>
<td>$3,610</td>
</tr>
<tr>
<td>Occupancy</td>
<td>$138,527</td>
<td>$-</td>
<td>$-</td>
<td>$138,527</td>
</tr>
<tr>
<td>Investment real property expense</td>
<td>$35,969</td>
<td>$-</td>
<td>$-</td>
<td>$35,969</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>$16,941</td>
<td>$-</td>
<td>$-</td>
<td>$16,941</td>
</tr>
<tr>
<td>Communications</td>
<td>$4,064</td>
<td>$-</td>
<td>$-</td>
<td>$4,064</td>
</tr>
<tr>
<td>Travel and training</td>
<td>$26,920</td>
<td>$-</td>
<td>$-</td>
<td>$26,920</td>
</tr>
<tr>
<td>Interest</td>
<td>$62,329</td>
<td>$-</td>
<td>$-</td>
<td>$62,329</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>$14,042</td>
<td>$-</td>
<td>$-</td>
<td>$14,042</td>
</tr>
<tr>
<td>Other</td>
<td>$41,023</td>
<td>$-</td>
<td>$-</td>
<td>$41,023</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$1,327,947</td>
<td>$-</td>
<td>$-</td>
<td>$1,327,947</td>
</tr>
</tbody>
</table>

## Other Increases (Decreases) in Net Assets

<table>
<thead>
<tr>
<th>Source</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment support</td>
<td>$(1,920)</td>
<td>$882</td>
<td>$1,038</td>
<td>$(2,543)</td>
</tr>
<tr>
<td>Postretirement related changes</td>
<td>$(1,704)</td>
<td>$-</td>
<td>$-</td>
<td>$(1,704)</td>
</tr>
<tr>
<td>Support/investment</td>
<td>$3,217</td>
<td>$(4,122)</td>
<td>$905</td>
<td>$(335)</td>
</tr>
<tr>
<td><strong>Total other changes in net assets</strong></td>
<td>$(407)</td>
<td>$(3,240)</td>
<td>$1,943</td>
<td>$(1,704)</td>
</tr>
</tbody>
</table>

## Increase (Decrease) in Net Assets

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$102,977</td>
<td>$(37,040)</td>
<td>$7,335</td>
<td>$73,272</td>
<td>$162,385</td>
</tr>
</tbody>
</table>

## Net Assets at the Beginning of the Year

<table>
<thead>
<tr>
<th>Amount</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,577,712</td>
<td>$464,887</td>
<td>$279,246</td>
<td>$2,321,845</td>
</tr>
</tbody>
</table>

## Net Assets at the End of the Year

<table>
<thead>
<tr>
<th>Amount</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,680,689</td>
<td>$427,847</td>
<td>$286,581</td>
<td>$2,395,117</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years Ended June 30, 2018 and 2017**

*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$73,272</td>
<td>$198,848</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated assets</td>
<td>$(1,803)</td>
<td>$(4,204)</td>
</tr>
<tr>
<td>Depreciation, amortization and accretion expenses</td>
<td>$86,546</td>
<td>$81,972</td>
</tr>
<tr>
<td>Provision for bad debt</td>
<td>$3,610</td>
<td>$1,731</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>$(2,010)</td>
<td>$(3,027)</td>
</tr>
<tr>
<td>Net realized/unrealized (gain) on investments</td>
<td>$(114,641)</td>
<td>(171,652)</td>
</tr>
<tr>
<td>Net (gain) on sale of property</td>
<td>$(4)</td>
<td>$(15,210)</td>
</tr>
<tr>
<td>Debt extinguishment costs</td>
<td>$14,042</td>
<td>$23,153</td>
</tr>
<tr>
<td><strong>Increase (decrease) in operating assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$(7,990)</td>
<td>$(14,941)</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>$9,075</td>
<td>$18,127</td>
</tr>
<tr>
<td>Other assets</td>
<td>$3,011</td>
<td>$(3,935)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$67,600</td>
<td>$104,861</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |       |       |
| Purchases of investments | $(393,672) | $(228,313) |
| Proceeds from sales and maturity of investments | $425,818 | $256,662 |
| Purchase of short-term investments | $(454,112) | $(324,402) |
| Proceeds from sales and maturity of short-term investments | $239,074 | $334,710 |
| Purchases and renovations of land and buildings | $(63,456) | $(57,338) |
| Additions of furniture and equipment | $(12,780) | $(14,239) |
| Net proceeds from sale of real property | $388 | $37,246 |
| (Increase) in other loans and notes receivable | $(12,600) | $(41) |
| **Net cash provided by (used in) investing activities** | $(271,340) | $4,285 |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |       |       |
| Receipts from contributions restricted for long-term investment | $6,222 | $5,922 |
| Principal payments and refinancing of bonds and notes payable | $(168,016) | $(9,696) |
| Extinguishment of debt | $(530,940) | $(200,000) |
| Debt extinguishment costs | $(14,042) | $(23,153) |
| Proceeds from borrowings and refinancing of bonds | $795,000 | $250,000 |
| Payments of debt issuance costs | $(3,888) | $(1,400) |
| Principal payments on capital lease | $(796) | $(3,163) |
| Refundable advances from the U.S. Government | $(141) | $(127) |
| **Net cash provided by financing activities** | $83,399 | $18,383 |

| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** |       |       |
| $(120,341) | 127,529 |

| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** |       |       |
| $243,149 | $115,620 |

| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** |       |       |
| $122,808 | $243,149 |

| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** |       |       |
| Cash paid during the year for interest, net of amounts capitalized | $70,530 | $71,858 |
| Income tax payments | 46 | 290 |
| Assets and liabilities acquired under capital lease | 625 | 610 |

The accompanying notes are an integral part of these consolidated financial statements.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE UNIVERSITY

The George Washington University (the University) is a private, not-for-profit institution of higher education based in Washington, D.C. The University provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the U.S. Government. The University's revenues are predominantly derived from student tuition, room, and other fees. The University is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and reporting practices prescribed for not-for-profit entities. The consolidated financial statements include the accounts of the George Washington University and its wholly owned subsidiaries. Significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Highly liquid financial instruments with original maturities at dates of purchase of three months or less are classified as cash equivalents and include U.S. Treasury securities, collateralized interest-bearing repurchase agreements carried at fair value, and other short-term, highly liquid investments carried at fair value. Cash and cash equivalents held by endowment fund investment managers are included in Investments. Purchases and sales of investment cash equivalents are netted for reporting on the Consolidated Statements of Cash Flows.

Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount guaranteed by federal agencies and therefore bear risk. The University has not experienced any loss due to this risk.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as capital and investing unrestricted revenues, temporarily restricted revenues, or permanently restricted revenues according to donor-imposed restrictions. All other contributions are reported as operating revenues unless the donor has otherwise restricted the contributions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Promises to give with payments to be received after one year from the date of the financial statements are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing as required by fair value measurement accounting standards. Allowance is made for uncollectible contributions based upon management's judgment after analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments and Investment Income

Investments include both endowment and non-endowment investments owned by the University and are further detailed in Note 5. Investment income (loss) is included in unrestricted revenues, temporarily restricted revenues, or permanently restricted revenues depending on donor restrictions.

Investments known as split-interest agreements are unique to not-for-profit organizations. These are agreements where donors enter into trust or other arrangements under which the University receives benefits shared with other beneficiaries. The assets associated with these arrangements are recorded at their fair value and are included in Investments (Note 5). Once liabilities to other beneficiaries are satisfied, the residual assets are transferred to the University.

The University manages the following types of arrangements. The associated liabilities to beneficiaries in these arrangements are calculated based on various actuarial assumptions and are recorded in Accounts payable and accrued expenses (Note 9).
• **Gift annuities** consist of non-trust assets donated to the University in exchange for a fixed payment for the life of the beneficiary(s).

• **Pooled life income funds** are donated funds received by the University in which the donor receives or assigns a life income. The funds are pooled by the University and are assigned a specific number of units in the pool. The beneficiary(s) is paid the amount of income earned on the donor’s assigned units.

• **Charitable remainder trusts** consist of trust assets donated to the University in exchange for a percentage of fair value-based payment for the life of the beneficiary(s).

The University is a beneficiary of trusts held by third parties which include:

• **Perpetual trusts** where the University has an irrevocable right to income on trust assets in perpetuity, but never receives the assets held in trust. These beneficial interests are shown at fair value of the underlying assets, which approximates the discounted present value of the anticipated cash flows.

• **Charitable remainder trusts** similar to those described above, except that the University does not hold the assets as trustee. These beneficial interests are shown at present value which is calculated using the fair value of the trust assets at the measurement date, discounted based on various actuarial assumptions impacting the timing of cash flows to the University.

**Accounts Receivable**

Accounts receivable are reported at net realizable value. Accounts are written off against the allowance for doubtful accounts when determined to be uncollectible based upon management’s assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University’s historical experience and periodic review of individual accounts. The University does not accrue interest on these accounts.

**Loans Receivable and Refundable Advances**

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts of $0.47 million at June 30, 2018 and 2017. The allowance for doubtful accounts is estimated based on the University’s historical experience and periodic review of individual accounts. The majority of the University’s loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 7%. The carrying value of loans receivable approximates fair value. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students. Health Profession funds may be loaned again after collection. The Perkins Loan program was not reauthorized by the federal government in September 2017, and therefore, collected funds will be returned to the U.S. Government and the University proportionate to their original funding. These federal loan programs have cash restricted as to their use of $3.1 million and $2.8 million as of June 30, 2018 and 2017, respectively.

**Property, Plant, and Equipment**

Land, buildings, furniture, and equipment are stated at cost or fair value at the date of donation. Buildings, furniture, and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Equipment under capital leases is included in assets and liabilities at the value of future minimum lease payments discounted by the University’s incremental borrowing rate. Property acquired on federally funded awards that meets the University’s capitalization criteria is recorded as an asset of the University and depreciated in accordance with the University’s depreciation policy. These assets are disposed of as prescribed by relevant federal requirements at the conclusion of the award.
**Net Asset Classes**

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the University are classified and reported as follows:

**Permanently restricted** - Net assets subject to donor-imposed restrictions that stipulate they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily restricted** - Net assets subject to donor-imposed restrictions that may be or will be met either by actions of the University and/or by the passage of time.

**Unrestricted** - Net assets that are not subject to donor-imposed restrictions.

Revenues from sources other than contributions or investment income are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets, except contributions that impose restrictions that are met in the same fiscal year they are received are included in unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets, i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as releases from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire or construct long-lived assets are considered met in the period in which the assets are acquired.

The University follows a practice of classifying its revenues and expenses within unrestricted net assets as capital and investing or operating. Items classified as capital and investing include accounts and transactions related to endowment funds and plant facilities, except for donor-restricted contributions to endowment principal and plant. Substantially all of the net assets classified as unrestricted in the Consolidated Statements of Financial Position have been invested in property and equipment, consolidated endowment pool, or are designated for specific uses.

**Other Increases (Decreases) In Net Assets**

**Debt service and mandatory purposes** - Transfers from operating net assets to capital and investing net assets are for principal and interest payments.

**Endowment support** - Transfers of investment income provide support for operating activities based on the spending policy of the Board of Trustees.

**Capital expenditures** - Transfers from operating net assets to capital and investing net assets are for equipment purchases.

**Postretirement related changes** - Recognition in unrestricted net assets of changes in the actuarial liability for postretirement benefit plans other than net periodic benefit cost, as well as amortization of changes recognized in prior years from unrestricted net assets to expenses as a component of the net periodic benefit cost.

**Support/investment** - Other transfers among operating net assets, capital and investing net assets, and temporarily/permanently restricted net assets.

**Tuition, Fees, and Scholarships**

The University recognizes unrestricted revenues from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Deferred tuition and fees are included in Deferred revenue: Tuition and other deposits in the Consolidated Statements of Financial Position.

Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, have been reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Cash payments to students, excluding compensation, are reported as Scholarships and fellowships expense in the Consolidated Statements of Activities.
Grants and Contracts
The University recognizes grants and contracts sponsored research agreements revenue as it is earned in accordance with the agreement, generally when expenditures are incurred. Any funding received in advance of expenditure is recorded as deferred revenue on the Consolidated Statements of Financial Position.

Occupancy
The University uses the category of Occupancy to group costs associated with depreciation and maintenance of physical property. Occupancy expense includes depreciation, rent, utilities, insurance, taxes, repairs, and maintenance.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from these estimates.

Recently Adopted Accounting Standards
ASU 2014-09, Revenue from Contracts with Customers, will be effective for the University on July 1, 2018. This standard requires entities to recognize revenue from customers when or as performance obligations of the contract are met. The adoption of this standard will increase deferred revenue liability and reduce opening net assets by approximately $25 million.

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, will be effective for the University on July 1, 2018. This update assists not-for-profit entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and in determining whether a contribution is conditional. The adoption of this standard will not have a material effect on the University’s financial statements.

ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, will be effective for the University on July 1, 2018. The main requirements of the guidance include (a) presenting only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) classifying underwater amounts of donor-restricted endowment funds as “net assets with donor restrictions”, (c) use of placed-in-service approach for expiration of restrictions on capital gifts, (d) presentation of investment return net of expenses, and (e) disclosures of composition of net assets, liquidity, and expenses by both their natural and functional classification.

ASU 2016-02, Leases, will be effective for the University on July 1, 2019. This standard requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. The University is currently evaluating the effect of adoption on the financial statements.
NOTE 3 - ACCOUNTS RECEIVABLE

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>$37,072</td>
</tr>
<tr>
<td>Student tuition and fee accounts</td>
<td>24,882</td>
</tr>
<tr>
<td>Due from affiliation agreements</td>
<td>3,260</td>
</tr>
<tr>
<td>Due from hospital limited partnership</td>
<td>6,950</td>
</tr>
<tr>
<td>Other</td>
<td>9,423</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(3,135)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$78,452</strong></td>
</tr>
</tbody>
</table>

NOTE 4 - PLEDGES RECEIVABLE

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Unconditional promises expected to be collected in:</td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>$42,823</td>
</tr>
<tr>
<td>One year to five years</td>
<td>11,847</td>
</tr>
<tr>
<td>Over five years</td>
<td>1,029</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>55,699</strong></td>
</tr>
<tr>
<td>Allowance for uncollectible pledges</td>
<td>(6,910)</td>
</tr>
<tr>
<td>Unamortized discount to present value</td>
<td>(1,418)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47,371</strong></td>
</tr>
</tbody>
</table>

Pledges receivable expected to be fulfilled more than one year from the date of the financial statements are recorded at fair value at the date of the gift, discounted at 3.95% - 4.59% with the discount amortized over the life of the pledge.

At June 30, 2018 and 2017, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $206 million and $178 million, respectively. These intentions and conditional promises are not recognized as assets and, if received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.
## NOTE 5 – INVESTMENTS

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 93,332</td>
</tr>
<tr>
<td>Fixed income:</td>
<td></td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>41,574</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>32,269</td>
</tr>
<tr>
<td>Government debt securities</td>
<td>96,049</td>
</tr>
<tr>
<td>Other</td>
<td>7,233</td>
</tr>
<tr>
<td>Global equity</td>
<td>451,547</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>193,321</td>
</tr>
<tr>
<td>Private equity</td>
<td>139,570</td>
</tr>
<tr>
<td>Real estate</td>
<td>1,032,753</td>
</tr>
<tr>
<td>Split-interest agreements:</td>
<td></td>
</tr>
<tr>
<td>GW as trustee</td>
<td>13,679</td>
</tr>
<tr>
<td>Trusts held by others</td>
<td>48,409</td>
</tr>
<tr>
<td>Deferred compensation plan assets</td>
<td>50,399</td>
</tr>
<tr>
<td>Other</td>
<td>54,036</td>
</tr>
<tr>
<td>Net pending trades</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized (loss) on open futures contracts</td>
<td>(219)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,253,952</strong></td>
</tr>
</tbody>
</table>

### INVESTMENT INCOME, NET

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>$ 15,343</td>
</tr>
<tr>
<td>Net gain on investments carried at fair value</td>
<td>37,145</td>
</tr>
<tr>
<td>Net gain on investments carried at other than fair value</td>
<td>16,899</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(5,526)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 63,861</strong></td>
</tr>
</tbody>
</table>

### INVESTMENT REAL PROPERTY RENTS AND APPRECIATION

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Real property rents</td>
<td>$ 49,975</td>
</tr>
<tr>
<td>Net unrealized appreciation</td>
<td>78,729</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 128,704</strong></td>
</tr>
</tbody>
</table>
The University enters into derivative transactions for market risk management purposes only. The University has not and will not enter into any derivative transaction for speculative or profit generating purposes. As of June 30, 2018 and 2017, the fair value of the derivatives was not material.

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $23.6 million and $23.5 million as of June 30, 2018 and 2017, respectively. The University also holds a 20% interest in District Hospital Partners, L.P., accounted for under the equity method, which is included in Other investments, valued at $41.0 million and $42.1 million as of June 30, 2018 and 2017, respectively.

**NOTE 6 - FAIR VALUE**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The fair value accounting standard provides a framework for measuring fair value and to categorize the inputs used in valuation techniques. The University has elected to apply fair value option to the endowment investments. The three levels of fair value established by the standard are as follows:

- **Level 1** - Quoted prices in active markets for identical assets or liabilities.
- **Level 2** - Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable.
- **Level 3** - Prices or valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The determination of fair value for these financial instruments requires one or more inputs subject to significant management judgment or estimation.

**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported at fair value</td>
<td>Not subject to fair value reporting</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$116,010</td>
<td>$6,799</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>289,821</td>
<td>271</td>
</tr>
<tr>
<td>Investments</td>
<td>2,175,069</td>
<td>78,883</td>
</tr>
<tr>
<td>Total</td>
<td>$2,580,900</td>
<td>$85,953</td>
</tr>
</tbody>
</table>

Assets not subject to fair value reporting include cash deposits, two limited partnership investments where the University’s interest exceeds 20% accounted for under the equity method of accounting, and intangible assets. For assets reported at fair value, the following table summarizes the valuation of financial instruments by pricing observability levels. Investments that use NAV as a practical expedient to measure fair value are excluded from the fair value hierarchy.
<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>AS OF JUNE 30, 2018</th>
<th>CLASSIFIED IN FAIR VALUE HIERARCHY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NAV</td>
<td>Level 1</td>
</tr>
<tr>
<td>Cash equivalents at fair value</td>
<td>$ -</td>
<td>$ 116,010</td>
</tr>
<tr>
<td>Short-term investments at fair value</td>
<td>-</td>
<td>$ 289,821</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>93,331</td>
</tr>
<tr>
<td>Fixed Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>41,574</td>
<td>-</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>16,849</td>
<td>-</td>
</tr>
<tr>
<td>Government debt securities</td>
<td>30,752</td>
<td>65,297</td>
</tr>
<tr>
<td>Other</td>
<td>3,924</td>
<td>2,798</td>
</tr>
<tr>
<td>Global equity</td>
<td>300,010</td>
<td>150,268</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>193,321</td>
<td>-</td>
</tr>
<tr>
<td>Private equity</td>
<td>139,570</td>
<td>-</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>98</td>
</tr>
<tr>
<td>Split-interest agreements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GW as trustee</td>
<td>-</td>
<td>13,679</td>
</tr>
<tr>
<td>Trusts held by others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred compensation plan assets</td>
<td>-</td>
<td>33,212</td>
</tr>
<tr>
<td>Unrealized loss-open futures contracts</td>
<td>-</td>
<td>(219)</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$ 726,000</td>
<td>$ 358,464</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 726,000</td>
<td>$ 764,295</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>AS OF JUNE 30, 2017</th>
<th>CLASSIFIED IN FAIR VALUE HIERARCHY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NAV</td>
<td>Level 1</td>
</tr>
<tr>
<td>Cash equivalents at fair value</td>
<td>$ -</td>
<td>$ 236,567</td>
</tr>
<tr>
<td>Short-term investments at fair value</td>
<td>-</td>
<td>$ 74,784</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>42,190</td>
</tr>
<tr>
<td>Fixed Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>44,294</td>
<td>-</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>17,229</td>
<td>-</td>
</tr>
<tr>
<td>Government debt securities</td>
<td>31,808</td>
<td>95,234</td>
</tr>
<tr>
<td>Other</td>
<td>1,656</td>
<td>2,334</td>
</tr>
<tr>
<td>Global equity</td>
<td>260,603</td>
<td>126,047</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>146,308</td>
<td>-</td>
</tr>
<tr>
<td>Private equity</td>
<td>169,449</td>
<td>-</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Split-interest agreements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GW as trustee</td>
<td>-</td>
<td>13,851</td>
</tr>
<tr>
<td>Trusts held by others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred compensation plan assets</td>
<td>-</td>
<td>28,354</td>
</tr>
<tr>
<td>Unrealized loss-open futures contracts</td>
<td>-</td>
<td>(64)</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$ 671,547</td>
<td>$ 307,946</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 671,547</td>
<td>$ 619,297</td>
</tr>
</tbody>
</table>
The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above.

- **Cash, cash equivalents, and short-term investments** - These investments include cash deposits in investment funds and short-term U.S. Treasury securities, money market accounts, and other short-term, highly liquid investments which are actively traded. Cash equivalents also include a bank repurchase agreement valued at $5.3 million at June 30, 2018 and $5.2 million at June 30, 2017. The repurchase agreement is collateralized by bank-owned securities issued by the U.S. Government or agencies thereof. Cash equivalents are priced using independent market prices in the primary trading market and are classified as either Level 1 or Level 2.

- **Fixed income investments** - These investments generally include asset-backed securities, convertible bonds, corporate debt, investment funds with fixed income portfolios, and federal and municipal bonds and U.S. treasury notes. These assets are primarily valued using market prices, such as broker quotes, for the same or similar instruments. Securities in this category that trade in less active markets and are redeemable in the near term are typically categorized as Level 2. Securities that are not publicly traded may be categorized as Level 1, 2 or 3 depending upon redemption terms. The fair value of investment funds not publicly traded has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from the fair value leveling table.

- **Global equity investments** - These investments generally include separately held accounts, shares in commingled funds, and global equity holdings. Securities traded on an active exchange are priced using unadjusted market quotes for identical assets and are classified as Level 1. The fair value of commingled funds has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from the fair value leveling table.

- **Hedge funds** - These investments generally include funds that invest in long and short positions, pursuing a diverse range of investment strategies. These investments are typically funds structured in a fund of funds vehicle. The objective of the fund of funds is to generate long-term capital appreciation. The fair value of these investments has been estimated using the NAV of the funds which are calculated by the investment manager, and excluded from the fair value leveling table.

- **Private equity** - These investments generally include limited partnerships that are not publicly traded and cannot be redeemed because the investments include restrictions that do not allow redemption through maturity. The fair values of these investments have been estimated using the NAV of the funds, which are calculated by the investment manager and are excluded from the fair value leveling table. The valuation policies adopted by the manager are reviewed for propriety, consistency, compliance, and completeness. Inputs used to determine fair value are based upon the best available information provided by the investment manager and may incorporate management judgments and best estimates after considering a variety of factors. For a small percentage of these investments, the manager reported NAV is prepared using non-U.S. GAAP, which may differ from fair value reported under U.S. GAAP. Where material differences are known to exist, management bases its measurements on fair value estimates obtained from the investment managers and/or third-party valuation advisors. Quantitative information about the significant unobservable inputs used in arriving at these fair value measurements is not readily available. Changes to these inputs may result in significant changes to the fair value measurement and such changes could be material to the consolidated financial statements.

- **Real estate** - Real estate investment properties are valued based on results from an independent appraisal and a professional third-party market valuation and are included in Level 3. To determine fair value in cases where the two valuation methods yielded resulting values within 5%, the University adopted the average of the two values as the fair value. In cases where the variance between the two valuations was greater than 5%, the University considered the ranges of values provided by the valuation experts and made certain assumptions with respect to future property cash flow expectations and risk pricing in the form of income capitalization rates and discount rates. Valuation adjustments represent management’s assumptions of how a market participant would view the properties, and are based on the range of future cash flows and risk pricing presented in the appraisals and professional valuations. Different assumptions or changes in future market conditions could significantly affect the estimated fair value and such changes could be material to the consolidated financial statements.
### AS OF JUNE 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Fair Value (in thousands)</th>
<th>Valuation Techniques</th>
<th>Unobservable Inputs</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>$48,900</td>
<td>Discounted cash flow</td>
<td>Exit capitalization rate</td>
<td>7.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount rate</td>
<td>9.00%</td>
</tr>
<tr>
<td>Office building</td>
<td>$187,000</td>
<td>Income capitalization approach</td>
<td>Exit capitalization rate</td>
<td>5.50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount rate</td>
<td>6.75%</td>
</tr>
<tr>
<td>Ground leased</td>
<td>$772,300</td>
<td>Income capitalization approach</td>
<td>Capitalization rate</td>
<td>3.50%</td>
</tr>
<tr>
<td>real estate</td>
<td></td>
<td></td>
<td>Discount Rate</td>
<td>3.75-5.00%</td>
</tr>
</tbody>
</table>

### AS OF JUNE 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Fair Value (in thousands)</th>
<th>Valuation Techniques</th>
<th>Unobservable Inputs</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>$49,000</td>
<td>Discounted cash flow</td>
<td>Exit capitalization rate</td>
<td>7.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount rate</td>
<td>9.00%</td>
</tr>
<tr>
<td>Office buildings</td>
<td>$342,472</td>
<td>Discounted cash flow</td>
<td>Exit capitalization rate</td>
<td>6.00-7.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Discount rate</td>
<td>6.75-7.50%</td>
</tr>
<tr>
<td>Ground leased</td>
<td>$611,613</td>
<td>Direct capitalization</td>
<td>Capitalization rate</td>
<td>3.50-3.75%</td>
</tr>
<tr>
<td>real estate</td>
<td></td>
<td></td>
<td>Discount rate</td>
<td>5.50-6.00%</td>
</tr>
</tbody>
</table>

- **Split-interest agreements** - Assets received under split-interest agreements from donors where the University serves as trustee are categorized as Level 1 based on the observability of pricing inputs to the underlying investments held in those trusts. The University’s beneficial interests in perpetual trusts held by third parties are categorized as Level 3. These are valued using a discounted cash flow analysis based on the assumed timing and duration of those cash flows.

- **Deferred compensation plan assets** - Assets purchased under deferred compensation arrangements include mutual funds, insurance company pooled separate accounts, and variable annuities and are categorized as Level 1, Level 2, or Level 3 based on the observability of pricing inputs for the investment vehicles. Funds that are publicly traded are categorized as Level 1, while Level 2 assets include funds which are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets include annuity contracts issued by an insurance company.
The University follows guidance that allows investment funds without a readily determinable fair value to report NAV or its equivalent as a practical expedient to estimate fair value if certain criteria are met. The fair values of the following investments have been estimated using reported NAV:

<table>
<thead>
<tr>
<th>Category of Investment</th>
<th>Fair Value</th>
<th>Unfunded commitments</th>
<th>Redemption frequency</th>
<th>Redemption notice period</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income - asset-backed securities</td>
<td>$41,574</td>
<td>$ -</td>
<td>Daily to quarterly</td>
<td>1-15 days</td>
<td>$44,294</td>
</tr>
<tr>
<td>Fixed income - corporate debt</td>
<td>16,849</td>
<td>-</td>
<td>Quarterly</td>
<td>30-90 days</td>
<td>17,229</td>
</tr>
<tr>
<td>Fixed income - government debt</td>
<td>30,752</td>
<td>-</td>
<td>Daily to monthly</td>
<td>1-15 days</td>
<td>31,808</td>
</tr>
<tr>
<td>Fixed income - other</td>
<td>3,924</td>
<td>738</td>
<td>Redemption not permitted during life of fund</td>
<td>N/A</td>
<td>1,656</td>
</tr>
<tr>
<td>Global equity</td>
<td>300,010</td>
<td>-</td>
<td>Daily to quarterly</td>
<td>1 to 60 days</td>
<td>260,603</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>193,321</td>
<td>-</td>
<td>Quarterly</td>
<td>90 days</td>
<td>146,508</td>
</tr>
<tr>
<td>Private equity</td>
<td>139,570</td>
<td>97,127</td>
<td>Redemption not permitted during life of fund</td>
<td>N/A</td>
<td>169,449</td>
</tr>
<tr>
<td>Total</td>
<td>$726,000</td>
<td>$97,865</td>
<td></td>
<td></td>
<td>$671,547</td>
</tr>
</tbody>
</table>

The following investments do not permit redemption during the life of the fund:

- **Fixed income - other**: These assets are primarily composed of credit instruments and equity securities in Asia-Pacific. There are no assets in liquidation as of June 30, 2018.

- **Private equity**: These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization and micro-capitalization securities. Distributions from the majority of these investments are received through the liquidation of the underlying assets. It is estimated that approximately 80% of the underlying assets will be liquidated within 10 years.
## Changes in Level 3 Assets

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th></th>
<th></th>
<th></th>
<th>Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning of year</td>
<td>Net realized/unrealized gains</td>
<td>Purchases/additions</td>
<td>Sales</td>
<td>End of year</td>
</tr>
<tr>
<td>Real estate</td>
<td>$ 1,003,974</td>
<td>$ 75,555</td>
<td>$ 657</td>
<td>$(71,109)</td>
<td>$ 1,009,077</td>
</tr>
<tr>
<td>Split-interest agreements - trusts held by others</td>
<td>46,633</td>
<td>1,419</td>
<td>535</td>
<td>(178)</td>
<td>48,409</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>6,303</td>
<td>96</td>
<td>752</td>
<td>-</td>
<td>7,151</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,056,910</td>
<td>$ 77,070</td>
<td>$ 1,944</td>
<td>$(71,287)</td>
<td>$ 1,064,637</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2017</th>
<th></th>
<th></th>
<th></th>
<th>Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning of year</td>
<td>Net realized/unrealized gains</td>
<td>Purchases/additions</td>
<td>Sales</td>
<td>End of year</td>
</tr>
<tr>
<td>Real estate</td>
<td>$ 961,167</td>
<td>$ 63,310</td>
<td>$ 9,093</td>
<td>$(29,596)</td>
<td>$ 1,003,974</td>
</tr>
<tr>
<td>Split-interest agreements - trusts held by others</td>
<td>40,423</td>
<td>2,090</td>
<td>4,180</td>
<td>(60)</td>
<td>46,633</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>4,924</td>
<td>-</td>
<td>1,379</td>
<td>-</td>
<td>6,303</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,006,514</td>
<td>$ 65,400</td>
<td>$ 14,652</td>
<td>$(29,656)</td>
<td>$ 1,056,910</td>
</tr>
</tbody>
</table>

Level transfers are accounted for at the beginning of the reporting period and are typically the result of a change in the observability of significant valuation inputs. There were no level transfers in the years ended June 30, 2018 and 2017.
Realized/unrealized gains (losses) on Level 3 assets included in changes in net assets are reported in the following revenue categories:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment income</td>
<td>Investment real property rents and appreciation</td>
</tr>
<tr>
<td>Total net gains (losses) included in changes in net assets</td>
<td>$ (3,174)</td>
<td>$ 78,729</td>
</tr>
<tr>
<td>Change in net unrealized gains (losses) relating to assets still held at June 30</td>
<td>$ (12)</td>
<td>$ 78,729</td>
</tr>
</tbody>
</table>

**NOTE 7 - ENDOWMENT**

The University’s Endowment (Endowment) consists of the unitized investment pool, investment real estate, and separately managed funds. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Programs supported by the Endowment include scholarships, chairs and professorships, fellowships, research activities, and libraries. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The University interprets the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Appreciation on the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The classification of temporarily restricted net assets includes funds donated to the University under an agreement permitting the Board to expend below the original value of the gift in periods of deficient earnings.

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

- The preservation of the fund over time
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions including the possible effects of inflation and deflation
- The investment policies and expected total return from income and the appreciation of investments
- Other resources of the organization
Endowment funds are categorized in the following net asset classes:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Donor-restricted Endowment Funds</td>
<td>Board-designated Endowment Funds</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(8,337)</td>
<td>$1,253,818</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>312,779</td>
<td>-</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>240,550</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total endowment funds</strong></td>
<td>$544,992</td>
<td>$1,253,818</td>
</tr>
</tbody>
</table>

Changes in endowment funds by net asset classification are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$1,189,189</td>
<td>$304,531</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>17,338</td>
<td>5,030</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>82,322</td>
<td>24,114</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(2,204)</td>
<td>(3,322)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>97,456</td>
<td>25,822</td>
</tr>
<tr>
<td>Contributions</td>
<td>5,575</td>
<td>7,962</td>
</tr>
<tr>
<td>Appropriations for expenditure</td>
<td>(50,873)</td>
<td>(31,854)</td>
</tr>
<tr>
<td>Reinvestment of payout and internal transfers to endowments</td>
<td>4,134</td>
<td>6,318</td>
</tr>
<tr>
<td><strong>Endowment net assets, end of year</strong></td>
<td>$1,245,481</td>
<td>$312,779</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$1,086,617</td>
<td>$254,461</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>24,885</td>
<td>3,659</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>111,269</td>
<td>53,146</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(2,175)</td>
<td>(2,216)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>133,979</td>
<td>54,589</td>
</tr>
<tr>
<td>Contributions</td>
<td>799</td>
<td>8,249</td>
</tr>
<tr>
<td>Appropriations for expenditure</td>
<td>(49,282)</td>
<td>(29,914)</td>
</tr>
<tr>
<td>Reinvestment of payout and internal transfers to endowments</td>
<td>17,076</td>
<td>17,146</td>
</tr>
<tr>
<td><strong>Endowment net assets, end of year</strong></td>
<td>$1,189,189</td>
<td>$304,531</td>
</tr>
</tbody>
</table>
Underwater Endowment Funds
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 UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $8.3 million and $6.9 million as of June 30, 2018 and 2017, respectively.

Investment Objectives and Risk Parameters
The objective of the Endowment is to preserve and enhance the corpus of the endowment over time while also supporting the spending needs of the University. While it is the University’s goal to maintain purchasing power in practice, it is not the University’s accounting policy to accommodate purchasing power adjustments by classifying any additional portion of net appreciation as permanently restricted. The level of risk is measured by the annualized standard deviation of quarterly portfolio returns and is expected to be that incurred by university endowments of similar size with similar return objectives over a complete market cycle.

Strategies Employed for Achieving Objectives
Asset allocation policy is the cornerstone of a disciplined, consistent, and diversified approach to achieving the Endowment’s investment objectives. The Endowment is broadly diversified across and within asset classes in order to minimize the impact of unexpected asset class- and security- specific adverse results and avoid excessive portfolio volatility. The Endowment’s long-term target asset allocation is approved by the Subcommittee on Endowment and Investments of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The University’s Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed for current expenditure with the remainder reinvested to shield against inflation. The payout rate is approved annually by the Board of Trustees as part of the budget process. Currently, spending increases in the payout are capped by the change in the Consumer Price Index for the Washington, DC metro area, adjusted for new gifts received during the year. The annual payout is intended to approximate 5% of the average fair value of the endowment. In establishing this policy, the University considered the long-term expected return on its endowment.

Accumulated appreciation in endowment funds with donor-restricted corpus is classified as temporarily restricted net assets until appropriated for spending under the spending policy. At the time of appropriation, the amount of investment income necessary to satisfy the spending policy for the endowment fund and related purpose restrictions, if applicable, is reflected as a Net assets released from restriction, which reduces temporarily restricted net assets and increases unrestricted capital and investing net assets. Any excess of income earned over the approved spending amount is retained in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor restrictions.
NOTE 8 - PROPERTY, PLANT, AND EQUIPMENT

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
<td>$179,591</td>
<td>$179,975</td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td>2,180,765</td>
<td>2,111,143</td>
</tr>
<tr>
<td>Construction in progress</td>
<td></td>
<td>22,757</td>
<td>26,250</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td></td>
<td>175,433</td>
<td>167,835</td>
</tr>
<tr>
<td>Library and historical research materials</td>
<td></td>
<td>69,540</td>
<td>74,230</td>
</tr>
<tr>
<td>Equipment under capital leases</td>
<td></td>
<td>9,298</td>
<td>9,917</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,637,384</td>
<td>2,569,350</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td>(929,305)</td>
<td>(857,235)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1,708,079</td>
<td>$1,712,115</td>
</tr>
</tbody>
</table>

The value of Construction in progress includes the addition of capitalized interest of approximately $1.3 million for the year ended June 30, 2017. There was no capitalized interest for the year ended June 30, 2018.

FURNITURE AND EQUIPMENT EXPENDITURES

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized</td>
<td></td>
<td>$14,816</td>
<td>$14,983</td>
</tr>
<tr>
<td>Expensed</td>
<td></td>
<td>14,105</td>
<td>16,240</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$28,921</td>
<td>$31,223</td>
</tr>
</tbody>
</table>

DEPRECIATION EXPENSE

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td></td>
<td>$59,926</td>
<td>$56,002</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td></td>
<td>23,163</td>
<td>23,098</td>
</tr>
<tr>
<td>Equipment under capital leases</td>
<td></td>
<td>1,505</td>
<td>1,773</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$84,594</td>
<td>$80,873</td>
</tr>
</tbody>
</table>
### NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued building construction payable</td>
<td>$14,376</td>
<td>$11,703</td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>21,681</td>
<td>20,769</td>
<td></td>
</tr>
<tr>
<td>Accrued other liabilities</td>
<td>31,039</td>
<td>29,650</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll and related liabilities</td>
<td>89,089</td>
<td>84,323</td>
<td></td>
</tr>
<tr>
<td>Accumulated postretirement liability</td>
<td>4,327</td>
<td>5,028</td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>1,221</td>
<td>1,203</td>
<td></td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>6,358</td>
<td>6,528</td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>17,487</td>
<td>14,825</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>12,595</td>
<td>11,846</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$198,173</strong></td>
<td><strong>$185,875</strong></td>
<td></td>
</tr>
</tbody>
</table>

### NOTE 10 - BONDS AND NOTES PAYABLE

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxable bonds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Series General Obligation</td>
<td>9/15/2020</td>
<td>Fixed 4.812%</td>
<td>-</td>
</tr>
<tr>
<td>2011 Series General Obligation</td>
<td>9/15/2021</td>
<td>Fixed 4.452%</td>
<td>-</td>
</tr>
<tr>
<td>2011A Series General Obligation</td>
<td>9/15/2021</td>
<td>Fixed 3.576%</td>
<td>-</td>
</tr>
<tr>
<td>2012 Series General Obligation</td>
<td>9/15/2022</td>
<td>Fixed 3.485%</td>
<td>-</td>
</tr>
<tr>
<td>2012A Series General Obligation</td>
<td>9/15/2017</td>
<td>Fixed 1.827%</td>
<td>-</td>
</tr>
<tr>
<td>2013 Series General Obligation</td>
<td>9/15/2043</td>
<td>Fixed 4.363%</td>
<td>170,000</td>
</tr>
<tr>
<td>2014 Series General Obligation</td>
<td>9/15/2044</td>
<td>Fixed 4.3%</td>
<td>300,000</td>
</tr>
<tr>
<td>2015 Series General Obligation</td>
<td>9/15/2045</td>
<td>Fixed 4.868%</td>
<td>350,000</td>
</tr>
<tr>
<td>2016 Series General Obligation</td>
<td>9/15/2046</td>
<td>Fixed 3.545%</td>
<td>250,000</td>
</tr>
<tr>
<td>2018 Series General Obligation</td>
<td>9/15/2048</td>
<td>Fixed 4.126%</td>
<td>795,000</td>
</tr>
<tr>
<td>Unsecured note payable</td>
<td>5/1/2021</td>
<td>Fixed 3%</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,865,051</td>
</tr>
<tr>
<td><strong>Less: debt issuance costs</strong></td>
<td>(9,078)</td>
<td>(7,063)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,855,973</td>
<td>$1,761,945</td>
<td></td>
</tr>
</tbody>
</table>

As of June 30, 2018, the University has two renewable available lines of credit with a national bank totaling $150 million. These lines of credit have variable interest rates and expire in 2019 and 2020. There were no amounts outstanding under lines of credit at June 30, 2018 or 2017.

2018 bond issuance - In March 2018, the University issued $795 million in Series 2018 taxable, fixed-rate bonds at 4.126% with a maturity date of September 15, 2048. The bond proceeds were used to repay Series 2010, 2011, 2011A, and 2012 fixed-rate bonds totaling $521 million at average rate of 4.1%. The remaining portion of proceeds will be used for construction of student housing and to enhance the University’s academic mission.
As of June 30, 2018, principal payments are due on bonds and note payable in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 17</td>
</tr>
<tr>
<td>2020</td>
<td>17</td>
</tr>
<tr>
<td>2021</td>
<td>17</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
</tr>
<tr>
<td>2023</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,865,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,865,051</strong></td>
</tr>
</tbody>
</table>

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The University is a defendant in certain pending civil suits. Based upon information currently available, management believes that any liability resulting therefrom will not materially affect the financial position or changes in net assets of the University.

Amounts received and expended by the University under various federal and state programs are subject to audit by government agencies. Management believes that adjustments, if any, which might result from such audits would not have a significant impact upon the consolidated financial position or changes in net assets of the University.

The University leases certain office, academic, residential, and administrative facilities under non-cancelable operating leases expiring at various dates through 2028. Rent expense under operating leases totaled $14.9 million and $15.7 million for the years ended June 30, 2018 and 2017, respectively. The aggregate minimum lease payments under these operating leases are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 12,263</td>
</tr>
<tr>
<td>2020</td>
<td>10,910</td>
</tr>
<tr>
<td>2021</td>
<td>10,983</td>
</tr>
<tr>
<td>2022</td>
<td>9,465</td>
</tr>
<tr>
<td>2023</td>
<td>9,414</td>
</tr>
<tr>
<td>Thereafter</td>
<td>18,181</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 71,216</strong></td>
</tr>
</tbody>
</table>
**NOTE 12 - NET ASSETS**

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

**Permanently restricted** - Net assets subject to donor-imposed restrictions that stipulate they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily restricted** - Net assets subject to donor-imposed restrictions that may be or will be met either by actions of the University and/or by the passage of time.

Temporarily and permanently restricted net assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>JUNE 30</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
</tr>
<tr>
<td>Building funds</td>
<td>$2,173</td>
<td>-</td>
</tr>
<tr>
<td>Endowment funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and academic support</td>
<td>194,673</td>
<td>141,731</td>
</tr>
<tr>
<td>Student aid</td>
<td>95,812</td>
<td>86,622</td>
</tr>
<tr>
<td>Building funds</td>
<td>847</td>
<td>632</td>
</tr>
<tr>
<td>Other endowments</td>
<td>21,447</td>
<td>11,565</td>
</tr>
<tr>
<td></td>
<td>312,779</td>
<td>240,550</td>
</tr>
<tr>
<td>Loan funds</td>
<td>-</td>
<td>3,816</td>
</tr>
<tr>
<td>Pledges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction and academic support</td>
<td>23,284</td>
<td>833</td>
</tr>
<tr>
<td>Student aid</td>
<td>12,252</td>
<td>391</td>
</tr>
<tr>
<td>Building funds</td>
<td>2,407</td>
<td>-</td>
</tr>
<tr>
<td>Other pledges</td>
<td>8,204</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>46,147</td>
<td>1,224</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>28,239</td>
<td>27,799</td>
</tr>
<tr>
<td>Other</td>
<td>38,509</td>
<td>13,192</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$427,847</td>
<td>$286,581</td>
</tr>
</tbody>
</table>
NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>JUNE 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Instruction and academic support</td>
<td>$746,025</td>
</tr>
<tr>
<td>Research</td>
<td>205,820</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>93,663</td>
</tr>
<tr>
<td>Student services</td>
<td>106,244</td>
</tr>
<tr>
<td>Institutional support</td>
<td>122,320</td>
</tr>
<tr>
<td>Independent operations</td>
<td>36,632</td>
</tr>
<tr>
<td>Student aid</td>
<td>17,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,327,947</strong></td>
</tr>
</tbody>
</table>

Independent operations include expenses associated with the University’s investment real estate operations.

Costs related to the maintenance and operation of physical plant of $222.8 million and $214.8 million for the years ended June 30, 2018 and 2017, respectively, include depreciation of plant assets and interest on plant debt. These costs are allocated among program and supporting activities based upon periodic inventories of facility square foot usage. Interest on plant debt is allocated based on the percentage of actual interest expense attributable to properties.

Technology costs of $75.1 million and $71.9 million for the years ended June 30, 2018 and 2017, respectively, are allocated to other functions based upon relative benefits provided to academic and administrative users of the services. Technology costs include expenses associated with the operation and maintenance of administrative systems, campus network and telecommunications systems, computing labs, and related support for students and faculty.

NOTE 14 - RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

Full-time and regular part-time faculty and staff are eligible for participation in the University’s defined contribution retirement program. The program is administered by the University. Independent vendors receive contributions for the plan for investment purposes and process distributions from the plan. Any present or future employee who completes two years of service becomes eligible to participate in the program.

The plan consists of both a noncontributory and a matching component. All eligible participants receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the program, the University contributes an additional amount equal to 1½% for each 1% of eligible compensation contributed by the employee, but not to exceed an amount equal to 6% of the participant’s eligible compensation. Participants are immediately fully vested in both types of the University’s contributions. Eligible participants direct the investment of contributions made on their behalf. For eligible participants who do not provide investment direction for contributions, the University contributions are invested in a Qualified Default Investment Alternative based on the expected year of retirement. University contributions to the retirement plan amounted to $39.2 million and $38.3 million for the years ended June 30, 2018 and 2017, respectively.

The University provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements. Effective June 1, 2017, the University updated its post retirement benefit plan to provide a Medicare health insurance exchange for retirees and long-term disability participants who are age 65 or older. A Retiree Health Savings Plan is provided for retirees who are under age 65 or are not Medicare eligible. The plan change reduced the accumulated postretirement liability by approximately $16 million. The University’s policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of $4.3 million and $5.0 million as of June 30, 2018 and 2017, respectively.
NOTE 15 - RELATED PARTIES

MEDICAL FACULTY ASSOCIATES, INC.
The University has an Academic Affiliation Agreement with Medical Faculty Associates, Inc. (MFA). Under the agreement, MFA provides clinical teaching, research, and administrative services to the University which totaled approximately $34.6 million and $31.7 million for the years ended June 30, 2018 and 2017, respectively. In addition, MFA leases certain office space, uses operational services, and provides academic support. Medical education agreements and other revenue of approximately $11.0 million and $11.2 million was reported for the years ended June 30, 2018 and 2017, respectively. In January 2016, the University provided a $20 million line of credit to the MFA.

Outstanding balances associated with the MFA are:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>June 30 2018</th>
<th>June 30 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line of credit receivable</td>
<td>$ 17,500</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Trade receivable</td>
<td>702</td>
<td>822</td>
</tr>
<tr>
<td>Trade payable</td>
<td>(1,842)</td>
<td>(2,693)</td>
</tr>
<tr>
<td>Net receivable</td>
<td>$ 16,360</td>
<td>$ 3,129</td>
</tr>
</tbody>
</table>

DISTRICT HOSPITAL PARTNERS, L.P.
The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University in developing and maintaining the medical academic and research programs. The University’s investment in DHP is recorded on the equity basis of accounting. The University’s share of the partnership’s profits for the years ended June 30, 2018 and 2017 was approximately $14.7 million and $16.0 million, respectively.

The University and DHP have executed several agreements, which reimburse or compensate the University for providing services or personnel to assist in the continued operations of the GW Hospital. Medical education agreements revenue of approximately $36.7 million and $34.8 million was reported for the years ended June 30, 2018 and 2017, respectively. The receivable from DHP for the unpaid balance of these services is $6.9 million and $4.5 million as of June 30, 2018 and 2017, respectively.

NOTE 16 - SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 18, 2018, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2018.
Board of Trustees
JULY 1, 2018 - JUNE 30, 2019

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Chair of the Board

Ellen M. Zane
Vice Chair of the Board

Grace E. Speights
Secretary of the Board

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Gabbi Baker
Christine Piorkowski Barth
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Amr A. ElSawy
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A. Michael Hoffman
Madeleine S. Jacobs
Todd Klein
Thomas J. LeBlanc
Chelsea Lenhart
Ann Walker Marchant
Judith Lane Rogers
Avram Tucker
George W. Wellde, Jr.

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Henry "Ric" Duques
Emilio Fernandez
I. Allan From
Morton I. Funger
David Gladstone
Gary Granoff
Patricia D. Gurne
Mark V. Hughes
Theodore N. Lerner
Thaddeus A. Lindner
Raymond J. Oglethorpe
The Honorable B. J. Penn

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EFFECTIVE AUGUST 2018

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President

Aristide J. Collins Jr.
Vice President, Chief of Staff, and Secretary of the University

UNIVERSITY ADMINISTRATORS
Jeffrey Akman
Vice President for Health Affairs

Donna Arbide
Vice President for Development and Alumni Relations

Mark Diaz
Executive Vice President and Chief Financial Officer

Sharon L. Heinle
Associate Vice President and Comptroller

Forrest Maltzman
Provost and Executive Vice President for Academic Affairs

Antoinette P. McCorvey
Deputy Executive Vice President and Chief Financial Officer

Robert H. Miller
Vice President for Research

Beth Nolan
Senior Vice President and General Counsel

Lorraine A. Voles
Vice President for External Relations

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School of Medicine and Health Sciences

Reuben E. Brigety II
Elliott School of International Affairs

Christopher J. Deering
College of Professional Studies (interim)

Michael J. Feuer
Graduate School of Education and Human Development

Lynn R. Goldman
Milken Institute School of Public Health

Geneva Henry
Libraries and Academic Innovation

Pamela Jeffries
School of Nursing

Anuj Mehrotra
School of Business

Blake D. Morant
GW Law

Rumana Riffat
School of Engineering and Applied Science (interim)

Paul Wahlbeck
Columbian College of Arts and Sciences (interim)
### Summary of Financial Results and Enrollment

#### FINANCIAL RESULTS

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$4,567,631</td>
<td>$4,383,980</td>
</tr>
<tr>
<td>Net assets</td>
<td>$2,395,117</td>
<td>$2,321,845</td>
</tr>
<tr>
<td>Increase/(Decrease) in net assets</td>
<td>$73,272</td>
<td>$198,848</td>
</tr>
<tr>
<td>Investments</td>
<td>$2,253,952</td>
<td>$2,165,852</td>
</tr>
<tr>
<td>Bonds and notes payable</td>
<td>$1,855,973</td>
<td>$1,761,945</td>
</tr>
<tr>
<td>Revenues</td>
<td>$1,402,923</td>
<td>$1,461,146</td>
</tr>
<tr>
<td>Expenses</td>
<td>$1,327,947</td>
<td>$1,276,898</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$76,236</td>
<td>$71,577</td>
</tr>
</tbody>
</table>

#### ENROLLMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>11,203</td>
<td>10,724</td>
<td>10,435</td>
<td>10,046</td>
<td>9,770</td>
</tr>
<tr>
<td>Graduate</td>
<td>9,931</td>
<td>9,579</td>
<td>8,983</td>
<td>8,804</td>
<td>8,837</td>
</tr>
<tr>
<td>Law (J.D.)</td>
<td>1,446</td>
<td>1,632</td>
<td>1,663</td>
<td>1,602</td>
<td>1,565</td>
</tr>
<tr>
<td>Medical (M.D.)</td>
<td>705</td>
<td>718</td>
<td>727</td>
<td>705</td>
<td>714</td>
</tr>
<tr>
<td>Non-degree</td>
<td>217</td>
<td>213</td>
<td>225</td>
<td>252</td>
<td>246</td>
</tr>
<tr>
<td>Total fall enrollment</td>
<td>23,502</td>
<td>22,866</td>
<td>22,033</td>
<td>21,409</td>
<td>21,132</td>
</tr>
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</table>

##### UNDERGRADUATE ADMISSIONS

<table>
<thead>
<tr>
<th>Applications</th>
<th>26,987</th>
<th>25,488</th>
<th>19,837</th>
<th>19,069</th>
<th>21,789</th>
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</thead>
<tbody>
<tr>
<td>Selectivity Ratio</td>
<td>41%</td>
<td>40%</td>
<td>46%</td>
<td>44%</td>
<td>34%</td>
</tr>
<tr>
<td>Matriculation Ratio</td>
<td>24%</td>
<td>25%</td>
<td>28%</td>
<td>29%</td>
<td>31%</td>
</tr>
</tbody>
</table>

##### GRADUATE ADMISSIONS

<table>
<thead>
<tr>
<th>Applications</th>
<th>26,116</th>
<th>23,715</th>
<th>22,348</th>
<th>22,257</th>
<th>22,452</th>
</tr>
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<tbody>
<tr>
<td>Selectivity ratio</td>
<td>51%</td>
<td>51%</td>
<td>51%</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>Matriculation ratio</td>
<td>39%</td>
<td>41%</td>
<td>41%</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

##### LAW (J.D.)

<table>
<thead>
<tr>
<th>Applications</th>
<th>7,460</th>
<th>7,214</th>
<th>7,028</th>
<th>6,264</th>
<th>6,844</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selectivity ratio</td>
<td>33%</td>
<td>37%</td>
<td>40%</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Matriculation ratio</td>
<td>16%</td>
<td>17%</td>
<td>16%</td>
<td>19%</td>
<td>17%</td>
</tr>
</tbody>
</table>

##### MEDICINE (M.D.)

<table>
<thead>
<tr>
<th>Applications</th>
<th>11,432</th>
<th>12,393</th>
<th>11,839</th>
<th>10,981</th>
<th>10,397</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selectivity ratio</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Matriculation ratio</td>
<td>52%</td>
<td>54%</td>
<td>56%</td>
<td>56%</td>
<td>52%</td>
</tr>
</tbody>
</table>

##### DEGREES CONFERRED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Baccalaureate</td>
<td>2,725</td>
<td>2,595</td>
<td>2,441</td>
<td>2,311</td>
<td>2,482</td>
</tr>
<tr>
<td>Master’s</td>
<td>4,774</td>
<td>4,363</td>
<td>4,109</td>
<td>4,223</td>
<td>4,376</td>
</tr>
<tr>
<td>First professional</td>
<td>694</td>
<td>797</td>
<td>733</td>
<td>627</td>
<td>766</td>
</tr>
<tr>
<td>Doctoral</td>
<td>455</td>
<td>368</td>
<td>372</td>
<td>332</td>
<td>325</td>
</tr>
</tbody>
</table>