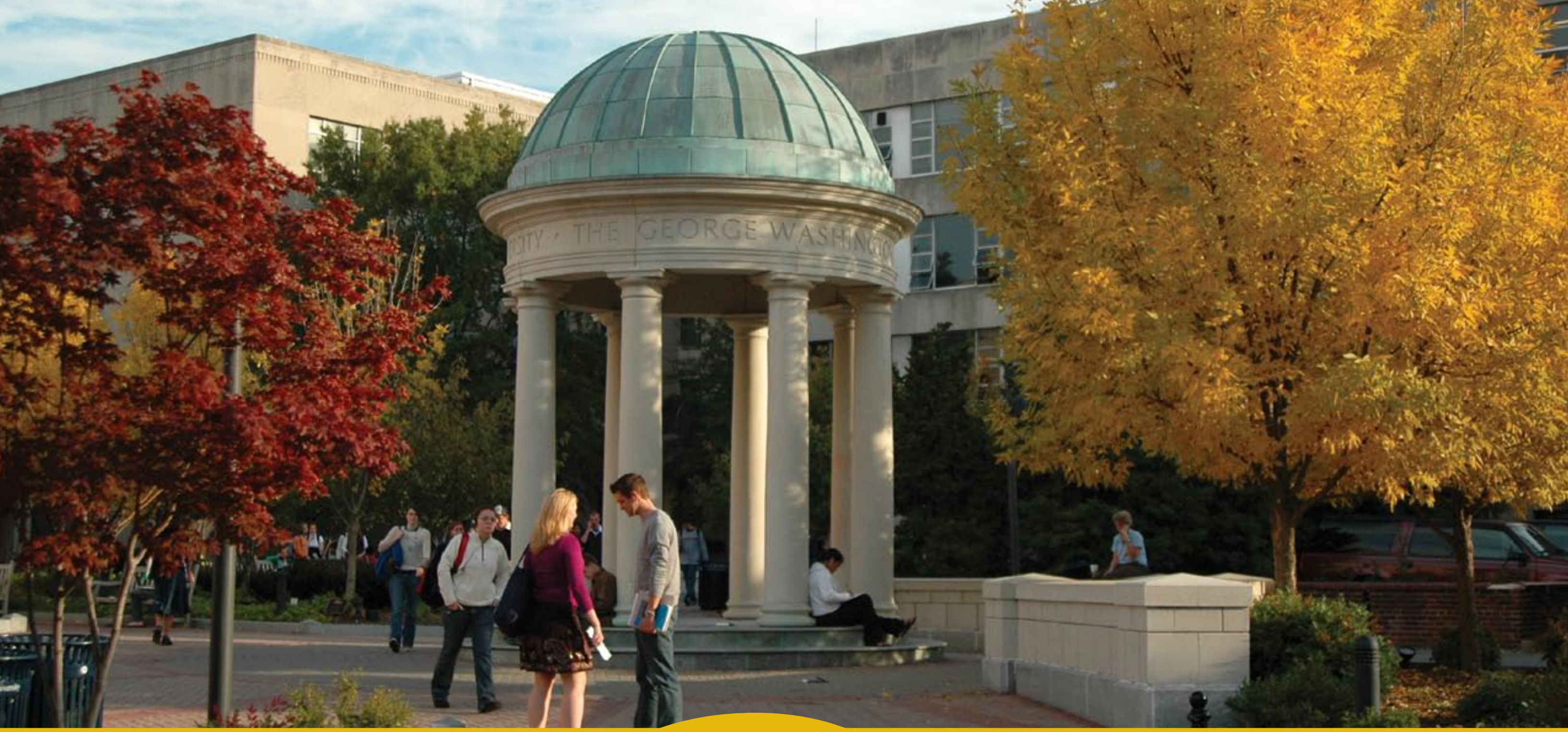

GW

2007 – 2008 Financial Report

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON DC

The George Washington University

Introduction: Coming Home…

The George Washington University takes pride in our unparalleled connections and access to the great leaders and institutions in the nation's capital and throughout the world. However, this year—more than ever before—our University is itself a destination, drawing these leaders along with students, faculty, alumni, and supporters to our campus home.

From completing the restoration of the historic F Street House as a focal point for discussing the issues defining our time to planning the comprehensive renovation of the Charles E. Smith Center—GW's "living room"—and beginning the physical revitalization of Square 54, the former site of GW Hospital, as a livable, mixed-use development, the University is affirming and enhancing its place in the heart of Washington. Combined with our continuous intellectual discourse and vibrant community life, this ongoing physical transformation helps drive our success, attracting the caliber of students and faculty and depth of support that further increase our value.

From 1990 to the end of the 2008 academic year, the number of GW's student applications has tripled—while acceptance rates fell from 81 percent to 37 percent. In fiscal year 2007-2008, our research dollars grew from $143 million to $172 million, and our fundraising commitments totaled $89 million, more than twice the $44 million five-year annual average of just a few years ago.

GW recently received the largest donation in its history—a $10 million challenge grant from the Robert H. Smith and Charles E. Smith Family Foundations and Robert P. and Arlene R. Kogod to support renovation of the Smith Center. The momentum continued this fall when that landmark contribution inspired a second $10 million gift from Cyrus and Myrtle Katzen for a new center for cancer research.

Our investments pave the way for expanded academic opportunities, a growing faculty, interdisciplinary research, and the capacity to recruit and sustain a diverse student body. This financial report provides a window on what we've accomplished—and what we're doing today and planning for tomorrow—to earn our place as the nation's university.

Louis H. Katz

Executive Vice President and Treasurer


GW
UNIVERSITY
WASHINGTON DC
GW
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WASHINGTON DC

Our Intellectual Home: Elevating Learning and Discourse

"The George Washington University is a great research institution that contributes to the challenging issues facing our nation and the world. Research is an integral part of giving students the opportunity to do exciting work at the forefront of their fields."

— Steven Knapp, President

EXPANDING RESEARCH CAPACITY

Last February President Steven Knapp announced the creation of a vice presidency for research, a key position that will fortify GW's position as a premier research institution. The new vice president will help integrate both medical and nonmedical research across all nine of the University's schools, bringing an overarching vision, breadth and depth of knowledge, and considerable diplomatic skills to forging interdisciplinary initiatives that enhance and leverage the University's research.

The University also has allocated an additional $5.4 million over three years to bolster GW's internal research enterprise. These investments will focus on improving the administrative infrastructure to aid faculty members in procuring external funding for their scholarship, growing the University Facilitating Fund and Research Enhancement Fund, and creating a special Chief Research Officer's Startup Fund to help seed new research undertakings.

GW recently created the Institute for the Analysis of Solar Energy, which will support multidisciplinary projects to address the economic, technical, and public policy issues associated with the development and deployment of solar energy to meet global energy needs and environmental challenges. The Institute aims to be the leading research center focused on large-scale solar energy systems, taking advantage of GW's location in the nation's capital and wealth of expertise in business, economics, engineering, and public policy.

In addition, Cyrus and Myrtle Katzen committed $10 million for a new cancer research center that will strengthen the University's recruitment of top cancer scholars. Located in a city known for high cancer rates, the Katzen Center will support the GW Medical Center's priorities of improving the quality of care while expanding the body of knowledge in support of a cure and advancing the development of focused research and treatment programs.

EMPOWERING LEARNING

GW is at the forefront of dynamic new approaches to teaching and learning that harness the energy and excitement of students themselves. The University's Center for Innovative Teaching and Learning helps our faculty use technology in new ways that improve learning outcomes through an understanding of cognitive science: How do students learn, and how can technology facilitate that way of learning? Through research, workshops, and Web-based tools, our teaching staff discover proven ways to use blogs, podcasts, wikis, video, RSS (really simple syndication) feeds, and more to reinvent the learning experience.

The University also stresses individualized research and projects driven by students. In a prime example of synergy among student interests, political activism, research, and the opportunities unique to Washington, D.C., this year a team of GW students and faculty is competing to provide one of six floats in the 2009 Presidential Inaugural Parade—which, if selected, will be the first by GW in 60 years. Rather than use an outside contractor to design and build the float, GW Student Association President Vishal Aswani is putting together the University's talent and skills to get the job done, creating an opportunity for the team to learn about every aspect of the effort, from engineering software to fundraising.

CATALYZING DISCUSSION

GW occupies a unique position as the intellectual center of Washington, D.C. Last year GW's Homeland Security Policy Institute cosponsored the Ambassador Roundtable Series on International Collaboration to Combat Terrorism and Insurgencies, engaging heads of state and ambassadors—including Zhou Wenzhong of China and Said Tayeb Jawad of Afghanistan—in an ongoing dialogue on counterterrorism efforts around the world.

In March Senator Hillary Rodham Clinton appeared in the Marvin Center Grand Ballroom for a policy address on the war in Iraq. In May civil rights leader and NAACP Chairman Julian Bond commemorated the 45th anniversary of Dr. Martin Luther King's "I Have a Dream" speech at the National Mall, where he delivered the University's 2008 Commencement address.

Continuing GW's role as a magnet for national and global thought leaders, this year President Knapp launched "America in Transition," a groundbreaking series of discussions focused on key issues at this pivotal time in U.S. history. The series began on September 15 when five former secretaries of state—James Baker, Warren Christopher, Henry Kissinger, GW honorary degree recipient Madeleine Albright, and GW alumnus Colin Powell—discussed global issues facing the next president. Frank Sesno, director of GW's Public Affairs Project and CNN special correspondent, and CNN chief international correspondent Christiane Amanpour hosted the event, held at Lisner Auditorium and televised around the world.

This fall the University hosted a community symposium, "Urban Sustainability: How Washington Can Lead." The program brought together D.C. government officials and city council members, business and nonprofit leaders, and GW students and faculty to explore the issues of green jobs, sustainable development, and environmental education—and best practices for implementing urban sustainability initiatives.

In a powerful endorsement of our role as a hub for such intellectual discourse, President Knapp became the first GW president to make his home in the heart of the Foggy Bottom Campus. He and his wife Diane Robinson Knapp are permanently residing at the site of the former F Street Club—in a building newly restored to its historic function as a gathering place for thought leaders to exchange ideas. There President Knapp hosts events, inviting members of the GW community and beyond who are drawn to this city from across the nation and around the world.

STANDING UP FOR SUSTAINABILITY

Spurred by student activism and the smart-growth strategies of the 20-Year Foggy Bottom Campus Plan, GW has taken "going green" to new heights. "Universities have the privilege and responsibility of being in a leadership position," says Josh Lasky, Presidential Administrative Fellow, Office of Sustainability. "For GW, sustainability is do or die. It is critical to our competitiveness."

One of President Knapp's first acts was convening a Presidential Task Force on Sustainability, a diverse group of faculty, students, and staff that met for months to determine what GW is doing, can do, and should do to reduce our environmental impact and equip our students to address the most urgent issues of their generation. The task force report led to creation of a University-wide Office of Sustainability, which organizes and supports the efforts of students, faculty, and staff to strengthen sustainability programs—such as recycling, increasing energy efficiency, and implementing green building standards—and forge new academic programs and courses that ultimately will form an Institute for Sustainable Research and Education.

On Earth Day 2008, President Knapp signed the American College & University Presidents Climate Commitment. GW is the first university in the District of Columbia to take the pledge, which affirms the unique responsibility of universities to serve as role models for their communities and train people who will develop the social, economic, and technological solutions to reverse global warming.

Sustainability is a cornerstone of GW's 20-Year Foggy Bottom Campus Plan, which uses transit-oriented development to protect environmental quality and enhance the greenspace on campus. The plan also commits the University to setting a baseline for environmental design by achieving minimum equivalent scores under the LEED Green Building Rating System for each new building project.

Our Campus Home: Nurturing a Learning Environment

"There's student pride and ownership in the campus planning efforts. They will look at future campus buildings and say, 'I participated in the zoning commission hearing to get that approved.'"

— Alicia O'Neil, Associate Vice President for Real Estate

DEVELOPING LANDMARK FACILITIES

Throughout the Foggy Bottom Campus, GW is planting the seeds for new amenities and revitalized community spaces.

Square 54

A large hole in the ground at the 2.5-acre Square 54 site adjacent to the Foggy Bottom Metro is the first physical manifestation of the University's integrated development strategy for the Foggy Bottom campus. The vibrant mixed-use project will feature 333 rental apartments, 84,000 square feet of retail space—including the neighborhood's first full-service grocery store—and 450,000 square feet of LEED-certified, Class A office space on Pennsylvania Avenue. The development also features a pedestrian retail plaza, open courtyard, and 26,000 square feet of green roof elements. Just as important, the property's 60-year ground lease with Boston Properties generates endowment revenues that will help fund GW's core educational and research missions.

Charles E. Smith Center

One of the largest donations in GW's history will support the complete renovation of the Smith Center—the heart of the Foggy Bottom Campus where students, faculty, and visitors come together for 3,500 events every year, including convocation, Colonials

Weekend, graduation celebrations, musical and comedy performances, and athletics. Robert P. and Arlene R. Kogod and the Robert H. Smith and Charles E. Smith Family Foundations committed a $10 million challenge grant for the project; GW will raise $10 million more in a one-to-one match plus an additional $5 million. The renovations will include an academic center for student-athletes, improved general and club seating in the basketball arena, new locker rooms, a renovated natatorium, remodeled office space to centralize all of GW's athletic operations, and a new building facade.

Academic Facilities

Planning is well underway for two signature academic facilities that will dramatically increase GW's capacity for teaching and research at the Foggy Bottom Campus. In May the University's Board of Trustees approved the Medical Center's proposal to begin drawing up plans for a new home for the School of Public Health and Health Services. The building will bring together the school's departments and growing faculty—currently scattered in offices on and off campus—for the first time since its establishment in 1997. The building also will provide a meeting location for public health leaders and ultimately enable the school to launch a full-time daytime master's program.

In addition, a 500,000-square-foot science and engineering complex will consolidate four departments of the Columbian College of Arts and Sciences—biology, chemistry, physics, and physical anthropology—and five departments of the School of Engineering and Applied Science. By creating a single home for these departments, the complex will facilitate interdisciplinary research and free up lab and classroom space throughout the campus for social sciences and humanities. It also will encourage collaboration with the GW Medical Center's biomedical sciences faculty.

A firm has completed "blocking and stacking" on the future science and engineering complex site to define gross and usable space and determine how to provide underground parking and control vibrations for scientific experiments. A committee of the Board of Trustees, including Nelson Carbonell, Jr., Mark Hughes, and Lydia Thomas, as well as the deans of the arts and sciences and engineering schools, members of their national advisory committees, and GW faculty members, is evaluating the components of the space and estimated costs.

ENSURING AFFORDABILITY

"Our success depends not only on pricing and student aid strategies to attract new students, but also how we respond as a university to financial stress that current students may be experiencing."

— Robert Chernak,
Senior Vice President
for Student and Academic
Support Services

GW has maintained remarkable stability in the face of economic turmoil confronting the families of GW's students and our nation as a whole. At a time when affordability is a critical issue in higher education, last year GW's tuition increase of just three percent—in line with the rate of inflation—was the lowest in recent memory. In addition, our fixed-tuition and guaranteed financial aid program locks in undergraduate tuition rates for up to five years. These efforts help us sustain a diverse student body and increase minority enrollment, which grew from 31 percent to 34 percent in a single year.

Our success stems from an aggressive five-year plan to address affordability and cost for undergraduates. In addition to controlling tuition and housing costs, the plan aims to quadruple fundraising for student aid from $10 million to $40 million a year and reduce the average debt burden of GW graduates by almost one-third, from $29,000 to $20,000.

EXPANDING STUDENT SERVICES

GW continuously works with students to identify and respond to their changing needs. Last year the University expanded Colonial Central, the hallmark hub for simplified, one-stop services. The center added the registrar's office and a GWorld satellite office to its financial assistance, student accounts, and cashier services—enabling students to handle multiple transactions in a single visit. And Colonial Central enhanced its Web-based services, making it possible for students to go online to pay tuition and manage their GWorld card accounts. Additional centralized services are being planned.

Perhaps more than anything else, great food service makes a campus a home. Spurred by the Student Association's Dining Services Commission and the results of a student survey in March 2007, GW created new dining options that attract students for both meals and camaraderie. In a completely redesigned, welcoming space, the J Street Café now serves healthy, home-style entrees and offers a 33-foot salad bar.

Our Enduring Home: Creating a Community for Life

"Alumni are our best advocates; they tell their friends and neighbors and colleagues at work about GW. You can't buy that kind of publicity, but you can encourage it."

— Laurel Price Jones, Vice President, Development and Alumni Relations

ENGAGING ALUMNI

GW nurtures a lifelong community of some 220,000 alumni around the world. The GW Division of Development and Alumni Relations invites alumni to join in the life of the University, encouraging them to mentor students, help students find jobs and internships, and become admissions volunteers in their communities.

Since December 2007 more than 800 alumni have joined in 30 events. They contribute financially as well, providing donations totaling more than $1.2 million from July 2006 through December 2007. The division's monthly Colonial Cable e-newsletter tells alumni about what's going on and drives them to the GW Web site to learn more. As many alumni frequently travel, postcard mailings are becoming a thing of the past—an alumnus from New York may turn up at an event in San Francisco or even Hong Kong.

Last year President Knapp made alumni outreach a top priority, meeting 11,000 of them in cities where they are concentrated, from Washington to Seoul. They expressed their strong desire to become more closely connected—and President Knapp has responded by identifying volunteers to support or create local alumni clubs and enlisting GW staff to join in alumni outreach.

Alumni also welcome the chance to return to GW's campus. In September 2007 the University doubled the number of Alumni Weekend participants—from 700 to more than 1,500, and in September 2008 more than 2,000 alumni flocked to the campus to join in the reunion's 120 special events.

INSTILLING SCHOOL SPIRIT

At the convocation for the class of 2012, every incoming freshman received a class pin. "It's not about the pin," says Robert Chernak, Senior Vice President for Student and Academic Support Services. "It's about creating a sense of fidelity." GW cultivates this feeling of identification and affiliation to forge a sense of community for the rest of their lives.

This year GW found a new way to help freshman students hit the ground running by matching them with a "Guide to Personal Success" (GPS)—a member of the GW community who helps navigate personal, professional, and experiential opportunities beyond the classroom. The program attracted more than 400 staff and faculty volunteers in its first year. As the program gets off the ground, GW Student Association President Vishal Aswani talks weekly with the GPS director to suggest program improvements and ideas for promotional events.

For GW students at every level, the "Olympathon" builds community by forming teams of 20 students that purposefully mix all classes, age groups, organizations, schools, and residence halls. Launched during Spirit Week in October 2008, the Olympathon uses competition to promote student participation in activities and signature events in five general areas:

- Academics, learning, and research
- Athletics, recreation, and wellness
- City exploration, discovery, and community involvement
- Civic engagement, service, and sustainability
- International arts and culture

CREATING A VIRTUAL CONNECTION

GW's Web site is a vital link to students, alumni, and supporters around the world. It has the power to engage its audiences, help them keep in touch, and give them a reason to take advantage of all we have to offer on campus and beyond.

Now the University's leaders are spearheading a comprehensive reorganization that will make the Web site a virtual front door, providing simple navigation of its hundreds of thousands of screens under a single, distinctive GW brand. User-friendly drop-down menus on the homepage under intuitive headings such as "explore" and "attend" will eliminate cumbersome links, driving users to the information they need in just a couple of clicks.

Our Essential Home

"As students at GW, you now have a front row seat at the theater of history, and you also have a chance to be more than a spectator; you have a chance to participate."

— Steven Knapp, President
Freshman Convocation, 2008

When President Knapp said these words to the class of 2012 at their freshman convocation, he underscored more than the University's proximity to the most consequential leaders and events of our time. He spoke to the quality that GW students, faculty, and alumni share: the passion for effecting positive change in our world. It is that passion that draws them to this University—and challenges GW to continuously meet and exceed their expectations.

Every GW initiative aims to fulfill that promise, creating unique opportunities for our growing community to make a lasting impact—in fields that range from politics to medicine, from environmental sustainability to media arts. The professional networks we forge, the academic facilities we develop, and the supportive environment we provide form the pillars of the University: our essential home.

Report of Independent Auditors

To the President and Board of Trustees of The George Washington University:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of unrestricted activities, consolidated statements of activities, and consolidated statements of cash flows present fairly, in all material respects, the financial position of The George Washington University and its subsidiaries (the University) at June 30, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 14 to the consolidated financial statements, the University adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106 and 132(R), in fiscal year 2007.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
August 28, 2008

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2008 and 2007

(in thousands)	2008	2007
ASSETS		
Cash and cash equivalents	$84,317	$58,870
Deposits with trustees	2,281	16,805
Accounts receivable, net	34,155	33,458
Prepaids and other current assets	7,529	4,128
Pledges receivable, net	28,347	27,548
Collateral for securities loaned	–	28,680
Investments	1,619,036	1,508,178
Loans and notes receivable, net	32,024	33,439
Physical properties, net:		
Land and buildings	826,438	809,141
Furniture and equipment	82,350	88,551
Other assets	20,442	16,419
Total assets	$2,736,919	$2,625,217
LIABILITIES		
Accounts payable and accrued expenses	$134,830	$125,549
Payable under securities loan agreements	–	28,680
Deferred revenue:		
Tuition and other deposits	24,735	26,366
Grants and contract payments	18,231	16,595
Insurance reserves	10,525	12,306
Bonds and notes payable	783,070	793,087
Funds advanced for student loans	28,476	29,757
Total liabilities	999,867	1,032,340
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(22,990)	(25,793)
Unrestricted capital and investing	1,413,918	1,278,848
Total unrestricted	1,390,928	1,253,055
Temporarily restricted	133,329	128,077
Permanently restricted	212,795	211,745
Total net assets	1,737,052	1,592,877
Total liabilities and net assets	$2,736,919	$2,625,217

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2008 and 2007

(in thousands)	2008		
	Operating	Capital and Investing	Total Unrestricted
REVENUE			
Student tuition and fees	$643,257	$ –	$643,257
Less: University funded scholarships	(163,566)	–	(163,566)
Net student tuition and fees	479,691	–	479,691
Grants and contracts			
Program funds	162,034	–	162,034
Indirect cost recoveries	19,027	–	19,027
Investment income (loss)	243	(14,160)	(13,917)
Investment real property rents and appreciation	–	201,525	201,525
Change in value of split interest agreements	–	(107)	(107)
Auxiliary enterprises	86,580	–	86,580
Contributions, net	12,335	2,984	15,319
Net assets released from restrictions	4,389	1,751	6,140
Other income	67,167	11,916	79,083
Total revenue	831,466	203,909	1,035,375
EXPENSES			
Salaries and wages	377,248	–	377,248
Fringe benefits	87,615	–	87,615
Purchased services	169,434	851	170,285
Supplies	13,162	3	13,165
Equipment	12,256	934	13,190
Bad debt	226	–	226
Occupancy	53,641	55,400	109,041
Investment real property expense	–	39,760	39,760
Scholarships and fellowships	13,601	–	13,601
Communications	6,047	–	6,047
Travel and training	17,891	7	17,898
Interest	8	25,162	25,170
Other	21,746	8,276	30,022
Total expenses	772,875	130,393	903,268
OTHER INCREASES (DECREASES) IN NET ASSETS			
Extinguishment of debt	–	–	–
Debt service and mandatory purposes	(52,169)	52,169	–
Endowment support	43,883	(40,103)	3,780
Capital expenditures	(16,105)	16,105	–
Postretirement related changes	–	2,193	2,193
Support/investment	(31,397)	31,190	(207)
Total other changes in net assets	(55,788)	61,554	5,766
Change in net assets before cumulative effect of a change in accounting principles:	2,803	135,070	137,873
FASB Statement No. 158 – postretirement benefit plans	–	–	–
INCREASE IN NET ASSETS	2,803	135,070	137,873
NET ASSETS (DEFICIT) AT THE BEGINNING OF THE YEAR	(25,793)	1,278,848	1,253,055
NET ASSETS (DEFICIT) AT THE END OF THE YEAR	$(22,990)	$1,413,918	$1,390,928

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

2007		
Operating	Capital and Investing	Total Unrestricted
$617,544	$ –	$617,544
(157,047)	–	(157,047)
460,497	–	460,497
131,771	–	131,771
17,541	–	17,541
253	141,900	142,153
–	100,130	100,130
–	180	180
85,085	–	85,085
14,954	1,006	15,960
4,043	2,333	6,376
64,154	9,293	73,447
778,298	254,842	1,033,140
351,874	365	352,239
75,193	–	75,193
142,819	1,013	143,832
12,077	1	12,078
9,968	1,140	11,108
1,341	–	1,341
46,481	57,259	103,740
–	36,761	36,761
12,480	–	12,480
5,972	–	5,972
15,637	3	15,640
18	25,825	25,843
23,553	2,036	25,589
697,413	124,403	821,816
–	(7,020)	(7,020)
(46,397)	46,397	–
41,712	(39,295)	2,417
(15,343)	15,343	–
–	–	–
(51,905)	49,127	(2,778)
(71,933)	64,552	(7,381)
8,952	194,991	203,943
–	(13,280)	(13,280)
8,952	181,711	190,663
(34,745)	1,097,137	1,062,392
$(25,793)	$1,278,848	$1,253,055

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2008 and 2007

(in thousands)

	2008			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Student tuition and fees	$643,257	$ –	$ –	$643,257
Less: University funded scholarships	(163,566)	–	–	(163,566)
Net student tuition and fees	479,691	–	–	479,691
Grants and contracts				
Program funds	162,034	–	–	162,034
Indirect cost recoveries	19,027	–	–	19,027
Investment income (loss)	(13,917)	(3,995)	55	(17,857)
Investment real property rents and appreciation	201,525	–	–	201,525
Change in value of split interest agreements	(107)	(70)	(2,562)	(2,739)
Auxiliary enterprises	86,580	–	–	86,580
Contributions, net	15,319	20,786	1,776	37,881
Net assets released from restrictions	6,140	(6,140)	–	–
Other income	79,083	–	25	79,108
Total revenue	1,035,375	10,581	(706)	1,045,250
EXPENSES				
Salaries and wages	377,248	–	–	377,248
Fringe benefits	87,615	–	–	87,615
Purchased services	170,285	–	–	170,285
Supplies	13,165	–	–	13,165
Equipment	13,190	–	–	13,190
Bad debt	226	–	–	226
Occupancy	109,041	–	–	109,041
Investment real property expense	39,760	–	–	39,760
Scholarships and fellowships	13,601	–	–	13,601
Communications	6,047	–	–	6,047
Travel and training	17,898	–	–	17,898
Interest	25,170	–	–	25,170
Other	30,022	–	–	30,022
Total expenses	903,268	–	–	903,268
OTHER INCREASES (DECREASES) IN NET ASSETS				
Extinguishment of debt	–	–	–	–
Endowment support	3,780	(5,068)	1,288	–
Postretirement related changes	2,193	–	–	2,193
Support/investment	(207)	(261)	468	–
Total other changes in net assets	5,766	(5,329)	1,756	2,193
Change in net assets before cumulative effect of a change in accounting principles:	137,873	5,252	1,050	144,175
FASB Statement No. 158 – postretirement benefit plans	–	–	–	–
INCREASE IN NET ASSETS	137,873	5,252	1,050	144,175
NET ASSETS AT THE BEGINNING OF THE YEAR	1,253,055	128,077	211,745	1,592,877
NET ASSETS AT THE END OF THE YEAR	$1,390,928	$133,329	$212,795	$1,737,052

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

2007			
Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$617,544	$ –	$ –	$617,544
(157,047)	–	–	(157,047)
460,497	–	–	460,497
131,771	–	–	131,771
17,541	–	–	17,541
142,153	18,428	2,764	163,345
100,130	–	–	100,130
180	(950)	63	(707)
85,085	–	–	85,085
15,960	24,023	6,195	46,178
6,376	(6,351)	(25)	–
73,447	–	30	73,477
1,033,140	35,150	9,027	1,077,317
352,239	–	–	352,239
75,193	–	–	75,193
143,832	–	–	143,832
12,078	–	–	12,078
11,108	–	–	11,108
1,341	–	–	1,341
103,740	–	–	103,740
36,761	–	–	36,761
12,480	–	–	12,480
5,972	–	–	5,972
15,640	–	–	15,640
25,843	–	–	25,843
25,589	–	–	25,589
821,816	–	–	821,816
(7,020)	–	–	(7,020)
2,417	(3,994)	1,577	–
–	–	–	–
(2,778)	697	2,081	–
(7,381)	(3,297)	3,658	(7,020)
203,943	31,853	12,685	248,481
(13,280)	–	–	(13,280)
190,663	31,853	12,685	235,201
1,062,392	96,224	199,060	1,357,676
$1,253,055	$128,077	$211,745	$1,592,877

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

(in thousands)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$144,175	$235,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cumulative effect of a change in accounting principle – FASB 158	–	13,280
Extinguishment of debt	–	7,020
Donated intangible asset	(1,600)	–
Depreciation and amortization	55,741	56,596
Net unrealized gains on investments	(49,725)	(128,434)
Net realized gains on investments	(79,810)	(84,523)
Increase in accounts receivable	(697)	(6,307)
(Increase) decrease in prepaids and other current assets	(3,401)	347
Increase in pledges receivable	(799)	(5,678)
Decrease in deposits with trustees	15,174	1,066
(Increase) decrease in other assets	(3,132)	1,166
Increase in accounts payable and accrued expenses	3,235	1,579
Decrease in tuition and other deposits	(1,631)	(981)
Increase in grants and contract payments	1,636	7,517
Decrease in insurance reserves	(1,781)	(4,232)
Change in value of split interest agreements	2,739	707
Contributions restricted for long-term investment	(11,838)	(12,412)
Net cash provided by operating activities	68,286	81,912
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(292,753)	(452,206)
Proceeds from sales and maturity of investments	319,605	419,337
Collateral (returned) received under securities lending agreement	(28,680)	6,207
Collateral sold (invested) under securities lending agreement	28,680	(6,207)
Purchases and renovations of land and buildings	(53,001)	(59,616)
Additions of furniture and equipment	(17,854)	(25,149)
GW School as Lender program – new loans issued	(70,035)	(60,067)
GW School as Lender program – loan sales and cancellations	71,374	59,670
Reduction (increase) in other loans and notes receivable	76	(794)
Net cash used in investing activities	(42,588)	(118,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	11,838	12,412
Principal payments, defeasance and refinancing of bonds and notes payable	(10,007)	(206,554)
Principal payments on line of credits	–	(67,000)
Proceeds from borrowings and refinancing of bonds and notes payable	–	289,560
Proceeds from borrowings on line of credits	–	52,000
Payments of debt issuance costs	(801)	(2,427)
Increase in refundable advances from the U.S. Government	218	439
(Decrease) increase in advances for GW School as Lender program	(1,499)	277
Net cash (used in) provided by financing activities	(251)	78,707
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,447	41,794
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	58,870	17,076
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$84,317	$58,870
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$39,252	$38,513
Income tax payments	456	127
Gross value of additions to capital leases	1,615	4,778

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – The University and Related Entities

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.

The consolidated financial statements include the accounts of The George Washington University and its wholly owned subsidiaries: The George Washington University Health Plan (GWUHP) and Mount Vernon College. Mount Vernon College is a tax-exempt Section 501(c)(3) supporting organization of the University. GWUHP was dissolved on August 25, 2006. Significant inter-company transactions and balances have been eliminated.

Note 2 – Summary of Significant Accounting Policies

CASH AND CASH EQUIVALENTS

Short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees or with funds held in trust are classified as Deposits with trustees and investments purchased by endowment fund investment managers are classified as Investments. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments that are carried at cost, which approximates fair value.

The total cash and cash equivalents maintained at these institutions exceeds the amount guaranteed by federal agencies and, therefore, bears some 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 them. 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. Contributions to be received after one year from the date of the financial statements are discounted at the risk-free rate of return. 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.

SELF-INSURANCE

The University has established an independently held, revocable trust for professional liability claims which includes coverage for Residents in the University's Graduate Medical Education training program and those of the Medical Faculty Associates (MFA) prior to their separate incorporation in 2000. The fair value of the self-insurance trust assets totaled $14.5 million as of June 30, 2007, and is included in Deposits with trustees. In 2008, an agreement was reached with MFA to provide professional liability coverage for Residents and the Board of Trustees voted to terminate the self-insurance trust. Trust assets of $14.2 million were returned to the University on June 30, 2008. The related liability is included as Insurance reserves and is based upon the estimated cost of asserted and unasserted malpractice claims. Due to the subjective nature of these claims, the amount of the ultimate settlement will vary from management's estimates, which are based on an independent actuarial review. The reserves for claims have been discounted at an average rate of 5% for both years ended June 30, 2008 and 2007.

INVESTMENTS

Investments may include some cash and cash equivalents held by endowment investment managers for a specific purpose.

All investment income (loss) is included in unrestricted revenues, temporarily restricted revenues, or permanently restricted revenues depending on donor restrictions. The amount of investment income necessary to satisfy the Board of Trustees' spending policy for the endowment fund is shown in the Other Increases (Decreases) in Net Assets section of the Consolidated Statements of Activities. Any excess of income earned over the approved spending amount is retained in the consolidated endowment pool.

The University's beneficial interest in perpetual trusts is shown at fair value, which approximates present value as of June 30, 2008 and 2007, respectively. Charitable remainder trusts are recorded at present value. The University also manages charitable gift annuities and pooled life income funds. Gift annuities consist of non-trust assets donated to the University in exchange for a fixed payment for a specified period of time. Annuities are recorded at their present value. 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 donor is paid the amount of income earned on the donor's assigned units. Pooled life income funds are recorded at their present value. The University calculates present value based on fair value of the assets at June 30, 2008 and 2007, respectively, and various actuarial assumptions. These assets are included in Investments. In instances where the University is trustee, the associated liability (Note 9) is recorded in Accounts payable and accrued expenses.

LOANS RECEIVABLE

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts of $0.17 million and $0.13 million at June 30, 2008 and 2007, respectively. The interest rates on these loans range from 3% to 9%. Maturity dates range up to 10 years, but with potential cancellations and deferrals to points beyond that range, calculation of an average term to maturity is not practicable.

GW SCHOOL AS LENDER

The University provides loans to qualifying students under the Federal GW School as Lender program. Funds under this program are borrowed from the Student Loan Corporation and then loaned to students. Periodically, these student loans are sold back to Citibank, as trustee for the Student Loan Corporation, under a forward purchase commitment. A receivable from students of $1.5 million and $3.0 million is reflected in Loans and notes receivable in the Consolidated Statements of Financial Position as of June 30, 2008 and 2007, respectively. The University had a line of credit of $60 million to support the program through June 2008. The University's agreements with Citibank and the Student Loan Corporation expired on June 30, 2008, but were extended through December 31, 2008 at a reduced level to support the activities through the end of the program's fiscal period. Effective June 30, 2008, the line of credit was reduced to $2.0 million and extended through December 2008. A liability, reflecting the outstanding line of credit, to the Student Loan Corporation of $1.3 million and $2.8 million is reflected in Funds advanced for student loans in the Consolidated Statements of Financial Position as of June 30, 2008 and 2007, respectively. The University retains the option of reactivating the program and negotiating similar agreements with program partners in the future.

PHYSICAL PROPERTIES

Land is stated at cost or appraised value at date of donation; buildings and furniture and equipment are stated at cost. Buildings are depreciated on a straight-line basis over 10 to 40 years and furniture and equipment is depreciated on a straight-line basis over five to 10 years. Construction in progress costs are included in Land and buildings on the Consolidated Statements of Financial Position as of June 30, 2008 and 2007, respectively. These costs are not depreciated until the buildings or renovations are placed into service. 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.

REFUNDABLE ADVANCES FROM THE U.S. GOVERNMENT

Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be loaned again after collection. These funds are ultimately refundable to the U.S. Government.

NET ASSET CLASSES

Net assets and revenues, expenses, 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 stipulating that 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 or placed in service.

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 as of June 30, 2008 and 2007 have been invested in property and equipment, consolidated endowment pool, or are designated for specific uses.

OTHER INCREASES (DECREASES) IN NET ASSETS

Other increases (decreases) in net assets include the following:

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 University investment income to 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.

GUARANTEES AND INDEMNIFICATIONS

The University may enter into service agreements with service providers in which it agrees to indemnify the service provider against certain losses and liabilities arising from the service provider's performance under the agreement. Generally such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct, or acts in bad faith. The indemnifications serve to place the University in a liability position no different than if it had performed the services for itself. The University was not aware of any liability under such service agreements as of June 30, 2008 and 2007.

LEGALLY RESTRICTED CASH BALANCES

The University federal loan programs have cash restricted as to their use of $2.4 million and $2.8 million as of June 30, 2008 and 2007, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ in material amounts in the near term.

TUITION, FEES, AND SCHOLARSHIPS

The University recognizes unrestricted revenues from student tuition and fees totally 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.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 3 – Deposits with Trustees

Deposits with trustees consist of the following balances as of June 30:

(in thousands)	2008	2007
Debt service and rental property reserves invested	$2,281	$2,333
Self-insurance	–	14,472
Total	$2,281	$16,805

Note 4 – Accounts Receivable

Accounts receivable, and the related allowance for doubtful accounts, are summarized as follows as of June 30:

(in thousands)	2008	2007
Grants and contracts	$17,178	$17,533
Student tuition and fee accounts	13,791	13,329
Due from hospital limited partnership	2,284	2,574
Due from affiliation agreements	2,764	2,176
Other	1,706	2,155
Allowance for doubtful accounts	(3,568)	(4,309)
Total	$34,155	$33,458

Note 5 – Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

(in thousands)	2008	2007
Unconditional promises expected to be collected in:		
Less than one year	$15,479	$15,582
One year to five years	13,935	13,842
More than five years	1,449	817
Subtotal	30,863	30,241
Allowance for uncollectible pledges	(756)	(725)
Unamortized discount	(1,760)	(1,968)
Total	$28,347	$27,548

At June 30, 2008 and 2007, the University had outstanding bequest intentions and certain conditional promises to give of approximately $100 million and $75 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 6 – Investments

Investments are summarized as follows as of June 30:

(in thousands)	**2008**	**2007**
Cash and cash equivalents	$41,822	$4,841
Equities	522,911	635,354
Fixed income	33	4,224
Alternative investments	350,226	325,166
Real estate	617,122	453,874
Split interest agreements	40,278	42,616
Other	46,644	42,103
Total	$1,619,036	$1,508,178

As of June 30, 2008 and 2007, the category of alternative investments includes investments in limited partnerships, hedge funds, and other non-public investments.

Investments are stated at fair values which are based on quoted market prices where available. For those investments where a quoted market price is not available, primarily limited partnerships and similar interests as well as real estate, the estimated fair value of these investments is based upon valuations provided by the partnerships and real estate is stated at fair value based on appraisals.

The University had outstanding purchase commitments for alternative investments in partnerships amounting to approximately $146.1 million and $76.5 million as of June 30, 2008 and 2007, respectively.

Investments are managed by a diverse group of investment managers. Managers may utilize hedging strategies or invest in financial instruments with off-balance sheet risk. Management has estimated that the risk associated with derivatives is not material to the University as of June 30, 2008 and 2007, and therefore has not been accounted for in the financial statements.

Investment income (loss) includes net realized and unrealized (losses)/gains of ($21.4) million and $160.4 million for the years ended June 30, 2008 and 2007, respectively.

In February 2008, the University entered into two ground leases with a private developer for the redevelopment of Square 54, the former site of the GW Hospital. The project will create a dynamic urban town center with a mix of retail, residential, and office uses at a key transit-oriented development site located on Pennsylvania Avenue. As a result of the development plans, the land for Square 54 was reclassified from an operating asset in Land and buildings to investment real estate in Investments and the carrying value was adjusted from historical cost basis to the appraised fair value of the property and related leasing arrangements, resulting in a gain of $150.0 million. This gain is reflected on the Consolidated Statement of Unrestricted Activities as Investment real property rents and appreciation. While the lease terms call for escalating payments in subsequent years, rental income will be recognized on a straight-line basis over the life of the arrangement and is included in Investment real property rents and appreciation. This treatment results in a lease receivable accumulating in the early years of the lease term which will be relieved in the latter years when the lease payments exceed the income recognized. As of June 30, 2008, a lease receivable of $2.2 million is included in Other assets in the Consolidated Statements of Financial Position.

Investment real property rents and appreciation consists of the following for years ended June 30:

(in thousands)	**2008**	**2007**
Real property rents	$50,574	$44,490
Net appreciation	150,951	55,640
Total	$201,525	$100,130

The University engages in a securities lending program whereby the University lends certain securities in its investment portfolios to qualified borrowers on a short-term, fully collateralized basis. Concurrently with the delivery of the University's securities to a borrower, the borrower exchanges collateral in an amount equal to a required percentage of the market value of the securities loaned, including accrued interest (established market value). This exchange is facilitated by Bank of New York Mellon, the University's lending agent. The collateral for the securities is held by the lending agent on behalf of the University. For U.S. securities and foreign securities denominated and payable in U.S. dollars, the required collateral percentage is 102% of the securities market value. The required percentage with respect to the market value of foreign securities is 105%. Throughout the duration of the loan, the collateral is marked-to-market on a daily basis. On any given day, if the collateral currently held is less than 102% of the original market value of a loaned U.S. security or 105% of a foreign security, the borrower is required to deliver the difference at the close of trading by the next business day. On the termination date of the loan, the borrower must return to the lending agent the same, or substantially the same, securities that were borrowed. The lending agent, in its agreement with the University, guarantees the repayment of the loan in the event the borrower defaults. The University retains all the benefits of ownership including rights to dividends, interest, and other cash distributions pertaining to the loaned securities. The University also retains the right to redeem the loaned securities prior to their stipulated redemption date.

There were no securities on loan or collateral held as of June 30, 2008. As of June 30, 2007, the market value of the securities on loan was $27.7 million and the collateral held by the lending agent on behalf of the University was $28.7 million.

Note 7 – Hospital Limited Partnership

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's Medical Center in developing and maintaining the Medical Center's academic programs and research. 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, 2008 and 2007 was approximately $3.7 million and $1.1 million, respectively.

On June 30, 1997, the University recognized an intangible asset of approximately $22.7 million to be amortized over 20 years. Amortization of intangible costs was approximately $1.1 million for both of the years ended June 30, 2008 and 2007. Accumulated amortization at June 30, 2008 and 2007 was approximately $12.5 million and $11.4 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. There was approximately $25.5 million and $23.9 million reported as Other income for the years ended June 30, 2008 and 2007, respectively, and approximately $0.2 million in purchased services from the GW Hospital reported under various captions for both of the years ended June 30, 2008 and 2007. The receivable from DHP for the unpaid balance of these services is $2.3 million and $2.6 million as of June 30, 2008 and 2007, respectively.

Note 8 – Physical Properties

Physical properties are summarized as follows as of June 30:

(in thousands)	2008	2007
Land	$136,430	$140,586
Buildings	1,034,303	983,489
Building under capital lease	6,527	6,527
Accumulated depreciation	(350,822)	(321,461)
Total	$826,438	$809,141
Furniture and equipment	$245,214	$233,558
Equipment under capital leases	25,989	24,394
Accumulated depreciation	(188,853)	(169,401)
Total	$82,350	$88,551

The value of buildings includes the addition of capitalized interest of approximately $1.1 million and $0.5 million in the years ended June 30, 2008 and 2007, respectively.

The University spent $31.1 million on furniture and equipment for the year ended June 30, 2008, of which $17.9 million was capitalized and $13.2 million was expensed. For the year ended June 30, 2007, the University spent $31.2 million, of which $20.1 million was capitalized and $11.1 million was expensed.

Building depreciation expense was $29.5 million and $29.0 million for the years ended June 30, 2008 and 2007, respectively. Furniture and equipment depreciation expense was $24.1 million and $25.6 million in the years ended June 30, 2008 and 2007, respectively. These amounts include depreciation of $4.0 million and $4.9 million for the years ended June 30, 2008 and 2007, respectively, related to equipment under capital leases.

Financial Accounting Standards Board (FASB) Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47) requires that the fair value of the liability for an asset retirement obligation (ARO) be recognized in the period in which it is incurred and the settlement date is estimable, even if the exact timing or method of settlement is unknown. The ARO is capitalized as part of the carrying amount of the long-lived asset retroactively to the time at which legal or contractual regulations created the obligation. The ARO for the University is primarily associated with the cost of removal and disposal of asbestos and lead paint.

The University capitalized asset retirement obligations of $0.4 million and $0.1 million for the years ended June 30, 2008 and 2007, respectively. Accumulated depreciation for both June 30, 2008 and 2007 is $0.3 million. The ARO liability is $1.9 million and $1.6 million as of June 30, 2008 and 2007, respectively, and is included under Accounts payable and accrued expenses on the Consolidated Statements of Financial Position.

Accretion expense for the ARO was $0.08 million for both years ended June 30, 2008 and 2007. Depreciation expense for the ARO was $0.03 and $0.02 million for the years ended June 30, 2008 and 2007, respectively, and is included in building depreciation expense.

The University receives financial assistance awards from external sponsors to perform educational, research and development, training, and other activities. The assistance from external sponsors can be in the form of grants, contracts, and other agreements that may fund salaries and wages, fringe benefits, supplies, facilities, and the acquisition of property. Property acquired that meets the capitalization criteria is recorded as an asset of the University and depreciated in accordance with the University's depreciation policy. For property acquired on federally funded awards, relevant federal requirements regulate the disposition of property at the conclusion of the award.

Note 9 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30:

(in thousands)	**2008**	**2007**
Accrued building construction	$12,767	$6,696
Accrued interest expense	7,485	5,625
Accrued other expenses	11,688	7,142
Accrued payroll and related liabilities	42,073	43,754
Accumulated postretirement liability	20,969	20,527
Asset retirement obligation	1,934	1,605
Split interest agreements	6,826	5,807
Trade payables	18,499	22,856
Other payables	12,589	11,537
Total	$134,830	$125,549

Note 10 – Bonds and Notes Payable

Bonds and notes payable consist of the following as of June 30:

(in thousands)	**2008**	**2007**
Bonds; 4.29% - 5.50%; maturing through 2032	$555,554	$565,025
Non-recourse notes payable; 4.955% - 5.90%; maturing through 2017; collateralized by real property	227,323	227,837
Unsecured notes payable; 3.00%; maturing through 2021	193	225
Total	$783,070	$793,087

There was no new debt issued by the University during the year ended June 30, 2008.

In March 2008, the University converted $186.8 million of select auction variable rate bonds to a fixed rate for a five year term expiring in March 2013 at an annual interest rate of 5.095%.

On January 30, 2007, the University issued $50.0 million in taxable, fixed rate bonds. Approximately $13.8 million of the proceeds were used to retire the 1992 Loudoun County bonds. The remainder provided funding for capital projects.

On March 6, 2007, the University issued $200.0 million in non-recourse notes payable, collateralized by endowment real estate investments. Prior to this refinancing, the endowment real estate carried $233.1 million of total debt, including a mix of non-recourse loans and general obligations of the University. The refinancing served to increase the debt leverage on the real estate portion of the endowment investment portfolio, bringing total debt to $250.7 million, while also reducing usage of general obligation debt. Accordingly, approximately $118.8 million of the proceeds were used to defease existing non-recourse debt and approximately $65.1 million were used to retire outstanding debt on the Flexible Term Note Program (FTNP).

In conjunction with the issuance of the non-recourse loans in March 2007, $112.4 million in non-recourse notes payable were defeased by placing U.S. Agency Securities in irrevocable trusts to be used solely for satisfying scheduled payments of both principal and interest of the indebtedness. In accordance with generally accepted accounting principles, these debts along with the related trust funds do not appear on the Consolidated Statements of Financial Position of the University. For the year ended June 30, 2007, the University recognized $7.0 million of cost for the defeasance transaction, which is reflected in Extinguishment of debt in the Consolidated Statements of Activities.

The agreements for certain debt issuances require the University to deposit and maintain specified amounts in trustee-controlled accounts as repair and maintenance reserves. In satisfaction of these requirements, $2.3 million and $1.8 million were included in Deposits with trustees at June 30, 2008 and 2007, respectively.

Interest expense was $41.1 million and $40.0 million for the years ended June 30, 2008 and 2007, respectively. These amounts include interest expense that relates to rental properties of $14.8 million and $12.7 million for the years ended June 30, 2008 and 2007, respectively, which are reflected within the Investment real property expense category. These amounts also include interest expense of $1.1 million and $1.4 million for the years ended June 30, 2008 and 2007, respectively, from the University's line of credit to support the GW School as Lender program, which are reflected within the Other expenses category. In addition, interest expense includes $0.5 million on capital leases for both years ended June 30, 2008 and 2007.

As of June 30, 2008, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2009	$10,580
2010	11,175
2011	11,817
2012	12,513
2013	13,242
2014 and thereafter	723,743
Total	$783,070

The University established the FTNP for the financing of its capital needs. The FTNP currently allows for borrowings up to $200 million. There were no amounts outstanding under the program as of June 30, 2008 and June 30, 2007. The notes are general unsecured obligations of the University. The FTNP expires in 2015.

In conjunction with the University's FTNP, a group of banks entered into a credit agreement totaling $200 million, which expires on April 30, 2010. The credit agreement may be utilized to pay the purchase price on mandatory tender dates and principal and interest due on any mandatory redemption or acceleration dates. In addition to any principal portion of the outstanding notes, the credit agreement is in an amount sufficient to pay up to 125 days of interest.

Note 11 – Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of FASB No. 107, *Disclosures about Fair Value of Financial Instruments*. The following estimates and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

> For cash and cash equivalents, restricted cash, and deposits with trustees, the carrying value of these amounts approximates fair value due to the short maturity of these instruments. The fair value of pledges receivable is estimated by discounting the future cash flows using the risk-free rate at the time of the pledge, taking into account the remaining maturities. The fair value of investments is based on quoted

prices except for certain investments, principally limited partnerships and similar interests and real estate, for which quoted market prices are not available. The estimated fair value of limited partnerships and similar interests is based upon valuations provided by the partnerships. For real estate properties, fair values are based on current appraised value. Fair values for debt were determined by discounting the future stream of payments using interest rates currently available to the University.

The estimated fair value of financial instruments at June 30 is summarized as follows:

(in thousands)	June 30, 2008	
	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$84,317	$84,317
Deposits with trustees	2,281	2,281
Pledges receivable, net	28,347	28,347
Investments	1,619,036	1,619,036
Bonds and notes payable	783,070	743,511

(in thousands)	June 30, 2007	
	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$58,870	$58,870
Deposits with trustees	16,805	16,805
Pledges receivable, net	27,548	27,548
Investments	1,508,178	1,508,178
Bonds and notes payable	793,087	808,863

The determination of the fair value of loans and notes receivable is not practicable because of provisions regarding cancellation and deferral rights and assignment opportunities to the federal government.

Note 12 – Net Assets

Temporarily and permanently restricted net assets consist of the following at June 30:

(in thousands)	2008		2007	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$4,448	$ –	$4,891	$ –
Endowment funds	96,079	170,995	90,777	167,275
Loan funds	–	4,783	–	4,638
Restricted pledges	27,807	2,290	27,269	2,170
Split interest agreements	3,786	29,692	3,931	32,627
Other	1,209	5,035	1,209	5,035
Total	$133,329	$212,795	$128,077	$211,745

Note 13 – Program and Supporting Activities Expense

The Consolidated Statements of Activities include the following program and supporting activity expenses for the years ended June 30, 2008 and 2007, respectively:

(in thousands)	2008	2007
Instruction and academic support	$417,240	$383,059
Research	162,428	134,151
Auxiliary enterprises	79,528	76,319
Student services	75,356	71,198
Institutional support	72,674	63,376
Technology	39,778	40,720
Independent operations	40,281	37,959
Student aid	15,983	15,034
Total	$903,268	$821,816

Technology includes expenses associated with the academic and administrative computing activities of the University including the operation and maintenance of administrative systems, computing labs and related support for students and faculty, and the operation and maintenance of the campus network and telecommunications systems. Independent operations include expenses associated with the University's investment real estate operations.

Costs related to the maintenance and operation of physical plant of $123.0 million and $124.2 million for the years ended June 30, 2008 and 2007, respectively (including depreciation of plant assets and interest on plant debt), are allocated among program and supporting activities based upon periodic inventories of facility square foot usage, and interest on plant debt is based on percentage of actual interest expense attributable to properties.

Note 14 – Retirement Plans, Postretirement Benefits, and Related Cumulative Effect of Accounting Change

Full-time and regular part-time faculty and staff are eligible for participation in the University's defined contribution retirement annuity program. The program is administered by independent fiduciaries to whom all funds are transferred for investment purposes and annuity payments. Any present or future employee who reaches age 21 and completes two years of service becomes eligible to participate in the program. Effective April 1, 2007, the Plan Administrator will invest University contributions in a Qualified Default Investment Alternative based on the expected year of retirement for eligible participants who do not provide investment directions for the contributions.

The plan consists of both a noncontributory and a matching component. All participating employees receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the plan, the University contributes an additional amount equal to 1 and ½% for each 1% of salary contributed by the employee up to a total of 6%. Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. In addition, certain retirees whose employment predated establishment of the retirement annuity program receive supplemental past service benefits, which are funded on a current basis. University contributions including direct payments to retirees amounted to $24.0 million and $21.5 million for the years ended June 30, 2008 and 2007, 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.

On September 29, 2006, FASB No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* was issued. FASB No. 158 required, among other things, the recognition of the funded status of a defined benefit postretirement plan on the Consolidated Statements of Financial Position. An overfunded plan is recognized as an asset and an underfunded plan is recognized as a liability. The initial impact of the standard due to unrecognized transition (asset)/obligation and net actuarial gains or losses as well as subsequent changes in the funded status was recognized as a component of unrestricted net assets. FASB No. 158 required initial application for not-for-profits for fiscal years ending after June 15, 2007. The University adopted FASB No. 158 as of June 30, 2007. For the year ended June 30, 2007, the cumulative effect of FASB No. 158 resulted in an increase in the postretirement benefit plan liability and a decrease in unrestricted net assets of $13.28 million.

The net periodic postretirement benefit costs for the years ended June 30, 2008 and 2007 consist of the following:

(in thousands)	**2008**	**2007**
Service cost – benefits earned during the year	$850	$464
Interest cost on accumulated benefit obligation	1,202	591
Amortization of net actuarial (gain)/loss	1,340	93
Amortization of transition (asset)/ obligation	231	231
Net periodic benefit cost	$3,623	$1,379

The following table sets forth the postretirement benefit plan's funded status and the amount of accumulated postretirement benefit plan costs for the years ended June 30, 2008 and 2007 (using a measurement date of June 30):

(in thousands)	**2008**	**2007**
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated postretirement benefit obligation at beginning of year	$20,527	$10,116
Service cost	850	464
Interest cost	1,202	591
Net actuarial (gain)/loss	(622)	9,864
Plan participants' contributions	1,124	1,002
Benefits paid	(2,112)	(1,510)
Accumulated postretirement benefit obligation at end of year	20,969	20,527
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	–	–
Plan participants' contributions	1,124	1,002
Employer contributions	988	508
Benefits paid	(2,112)	(1,510)
Fair value of plan assets at end of year	–	–
Funded Status at End of Year – Accumulated postretirement liability reflected in the Consolidated Statements of Financial Position in Accounts payable and accrued expenses	$(20,969)	$(20,527)

The University's policy is to fund postretirement benefits as payments are made.

(in thousands)	**2008**	**2007**
Amounts not Recognized in Net Periodic Benefit Cost:		
Net actuarial loss	$9,474	$11,436
Transition obligation	1,613	1,844
Total	$11,087	$13,280

The following discount rates were used in calculating the above benefit obligations and net periodic benefit costs at June 30, 2008 and 2007, respectively:

	2008	**2007**
Net periodic benefit cost	6.00%	6.00%
Postretirement benefit obligation	6.75%	6.00%

The following changes were recognized in unrestricted net assets for the year ended June 30, 2008:

(in thousands)	
Current year net actuarial gain	$622
Amortization of net actuarial loss	1,340
Amortization of transition obligation	231
Total	$2,193

The following amounts are expected to be amortized from unrestricted net assets into net periodic benefit cost for the year ended June 30, 2009:

(in thousands)	
Amortization of net actuarial loss	$1,054
Amortization of transition obligation	231
Total	$1,285

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. The calculation above assumes a 9.0% increase in health care costs for the year ended June 30, 2009, with the rate of increase decreasing by 1.0% annually for the next four years to an ultimate trend rate of 5.0% thereafter. A one percentage point change in these health care cost trend assumptions would have the following impact on the reported amounts for fiscal years ending June 30:

(in thousands)	**2008**	**2007**
Effect of a 1% increase:		
Postretirement benefit obligation	$2,166	$2,329
Net periodic benefit cost	255	206
Effect of a 1% decrease:		
Postretirement benefit obligation	$(1,855)	$(1,981)
Net periodic benefit cost	(213)	(170)

The following benefit payments, which reflect expected future service, are expected to be paid over the next 10 fiscal years ending June 30:

Fiscal Year Ending June 30	*(in thousands)*
2009	$1,148
2010	1,214
2011	1,386
2012	1,538
2013	1,638
2014 - 2018 (total)	8,505

Note 15 – 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 2024. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	(in thousands)
2009	$16,575
2010	14,424
2011	12,824
2012	11,056
2013	11,270
2014 and thereafter	48,172
Total	$114,321

The University has entered into capital leases on equipment for academic and administrative purposes. Minimum lease payments under capital leases and the present value of the net minimum lease payments are as follows:

Fiscal Year Ending June 30	(in thousands)
2009	$3,390
2010	2,109
2011	256
2012	58
Minimum lease payments	5,813
Less amount representing interest	(434)
Total	$5,379

Capital leases payable are recorded as trade payables in Accounts payable and accrued expenses (Note 9).

Note 16 – Related Parties

MEDICAL FACULTY ASSOCIATES, INC.

The University has an Academic Affiliation Agreement with MFA. Under the agreement, MFA provides clinical teaching, research, and administrative services to the University. In addition, MFA leases certain office space, uses operational services, and provides academic support. The University had an outstanding receivable balance due from MFA of $0.7 million as of both June 30, 2008 and 2007. The University had an outstanding payable balance due to MFA of $0.6 million and $0.8 million as of June 30, 2008 and 2007, respectively.

Note 17 – New Accounting Standards

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. Tax positions for the University include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax. The minimum threshold is defined in FIN 48 as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The University adopted FIN 48 as of July 1, 2007, and the adoption did not have a material impact on the University's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (FASB No. 157). FASB No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. FASB No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. FASB No. 157 is effective for the University's fiscal year ending June 30, 2009. The University is currently assessing the potential effect of FASB No. 157 on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities -- including an amendment of FAS 115* (FASB No. 159). The fair value option established by FASB No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates, with subsequent unrealized gains and losses reported in the entity's statement of activities. This Statement is effective for the University's fiscal year ending June 30, 2009, provided the University also elects to apply the provisions of FASB No. 157. The University is currently evaluating the impact of FASB No. 159 on its financial statements.

In August 2008, the FASB issued FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act* (UPMIFA)*, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations in jurisdictions subject to UPMIFA. FSP 117-1 also expands the required disclosures about not-for-profit organizations' endowment funds, both donor-restricted and board-designated. FSP 117-1 is effective for the University's fiscal year ending June 30, 2009. The University is currently assessing the potential effect of FSP 117-1 on its financial statements.

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SUMMARY OF FINANCIAL RESULTS AND ENROLLMENT

FINANCIAL RESULTS

(in thousands)	Year End 2008	2007
Assets	$2,736,919	$2,625,217
Net Assets	$1,737,052	$1,592,877
Increase in net assets	$144,175	$235,201
Fair value of investments	$1,619,036	$1,508,178
Bonds and notes payable	$783,070	$793,087
Revenues	$1,045,250	$1,077,317
Expenses	$903,268	$821,816
Capital expenditures	$70,855	$84,765

ENROLLMENT

	Academic Year End				
	2008	2007	2006	2005	2004
STUDENTS – FTE					
Undergraduate	9,969	10,102	9,991	10,173	9,576
Graduate	7,234	6,955	6,682	6,575	6,449
Law	1,851	1,833	1,772	1,729	1,711
Medical	704	683	669	668	659
Non-degree	350	381	395	411	463
Total fall enrollment	20,108	19,954	19,509	19,556	18,858
UNDERGRADUATE ADMISSIONS					
Applications	19,606	19,426	19,406	20,159	18,442
Selectivity ratio	37%	38%	37%	38%	39%
Matriculation ratio	30%	33%	33%	35%	32%
DEGREES CONFERRED					
Baccalaureate	2,485	2,209	2,335	2,421	1,993
Master's	3,461	3,108	3,241	3,151	3,196
First professional	683	685	659	634	623
Doctoral	273	264	278	245	252
GRADUATE ADMISSIONS					
Applications	12,718	11,741	11,423	11,520	11,717
Selectivity ratio	52%	51%	51%	49%	47%
Matriculation ratio	48%	48%	47%	47%	49%
LAW					
Applications	11,451	10,986	11,938	12,673	12,433
Selectivity ratio	22%	25%	21%	19%	20%
Matriculation ratio	31%	26%	30%	29%	30%
GRADUATE-MEDICAL CENTER					
Applications	2,289	1,883	1,675	1,523	1,490
Selectivity ratio	49%	53%	51%	58%	61%
Matriculation ratio	48%	49%	51%	50%	46%
MEDICINE (M.D.)					
Applications	13,200	11,159	10,195	9,534	9,226
Selectivity ratio	2%	3%	4%	4%	4%
Matriculation ratio	57%	59%	50%	43%	43%

See last page (Page 43) Errata Sheet

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Errata Sheet
for
2007-2008 Financial Report
The George Washington University

Last Updated: March 3, 2009

This errata sheet corrects the enrollment information on the Summary of Financial Results and Enrollment on page 40. It replaces the 2008 applications to the M.D. program in the School of Medicine and Health Sciences of 13,200 with 10,213. This also changes the 2008 selectivity ratio from 2% to 3%. This is consistent with the classifications reported for 2004 through 2007.

ENROLLMENT - CORRECTED

	Academic Year End				
	2008	**2007**	**2006**	**2005**	**2004**
MEDICINE (M.D.)					
Applications	**10,213**	11,159	10,195	9,534	9,226
Selectivity Ratio	**3%**	3%	4%	4%	4%
Matriculation Ratio	57%	59%	50%	43%	43%