GW

2008 – 2009 Financial Report

THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON DC

Introduction: Cultivating an Ethic of Social Responsibility

The George Washington University believes that all citizens have an obligation to contribute their intellect and energy to service in their communities, their nation and the world. This social responsibility ethic is visible in the University's efforts to create educational opportunity, expand scientific research and increase access to medical advances. The results elevate George Washington's stature and honor our namesake's call to service.

Despite a difficult economy, our financial liquidity has served us well over the last year, enabling us to sustain these exciting initiatives and protect our financial health. At the same time, George Washington's distinctive niche as a University dedicated to public service continues to inspire our donors; people invest in institutions whose values are in sync with their own.

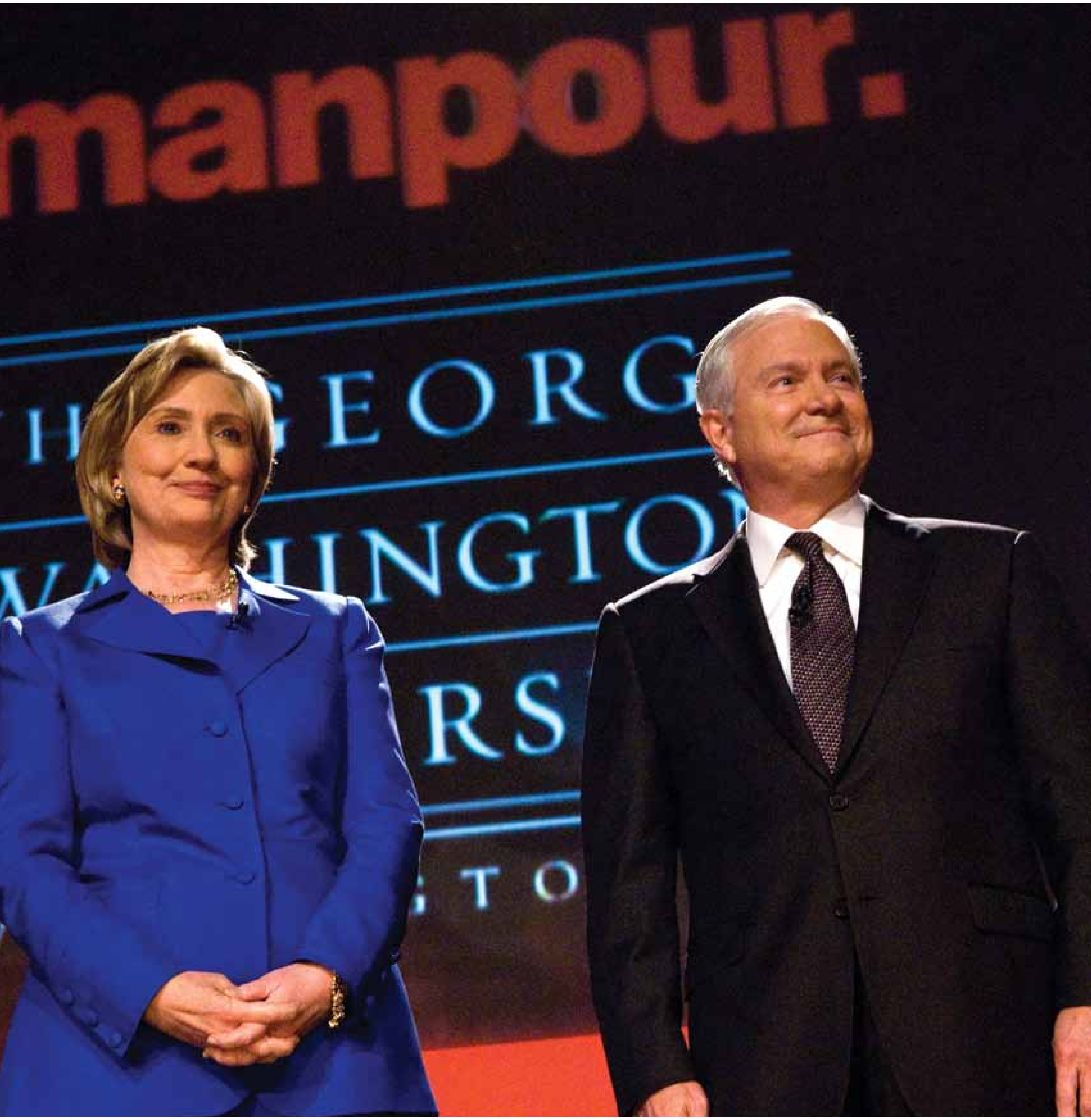
Our commitment to civic engagement also attracts a student body that is motivated and empowered to drive social and political change. It's no surprise that GW ranked first in the nation for "most politically active students" in the *2010 Princeton Review: The Best 371 Colleges*. An estimated 72 percent of the incoming freshman class in 2008 had previously volunteered in their community, and during the 2008-2009 academic year more than 2,500 undergraduates contributed 60,000 hours of service in the District of Columbia and around the country. After graduation, about 40 percent of our students take jobs in the public, nonprofit or college/university sectors.

In a political year remembered for the mantra of "Yes we can," George Washington's strong association with public service helps explain why our 2009 recruitment effort exceeded our expectations, producing almost 20,000 applications. While remaining selective, we increased our yield as well, with 2,592 students entering the class of 2013.

We recognize—and indeed celebrate—the direct link between our success and our work to improve our community and our world.

Louis H. Katz
Executive Vice President and Treasurer

GW



Creating and Seizing Educational Opportunity

"Our students' opportunity to learn and work alongside leading public policy practitioners prepares them for more than an immediate career. It prepares them for lifelong success as engaged citizens of our nation and the world."

— Lorraine Voles, Vice President for External Relations

In many ways, The George Washington University is defined by a commitment to public service and the desire to engage the world from the nation's capital. Our proximity to some of the world's most influential political and institutional leaders—as well as some of the nation's most vexing urban challenges—drives us to forge innovative partnerships and educational opportunities found nowhere else. And our commitment to cultivate the potential of all students spurs George Washington to continually expand access to the unique educational experience we create.

INITIATING POLICY DISCOURSE

In keeping with The George Washington University's tradition of hosting national discourse on policy, law, culture, science and technology, the GW Public Affairs Project Conversation Series invites influential leaders in government, mass media and business to engage in conversations moderated by GW Professor and Emmy-Award winning journalist Frank Sesno. In fall 2009, the series featured a discussion with U.S. Secretary of State Hillary Rodham Clinton and U.S. Secretary of Defense Robert Gates on the reach and limitations of American power. The program was broadcast worldwide on CNN and presented in a one-hour radio special distributed by America Abroad Media both internationally and to 240 public radio stations in the United States.

As the recently appointed director of GW's School of Media and Public Affairs, Professor Sesno leads the school's interdisciplinary programs, combining strategic communication, journalism and political communication with contemporary issues in domestic and international politics. The Conversation Series is the result of a partnership among George Washington's Institute for Public Diplomacy and Global Communication, Public Affairs Project and Public Diplomacy Council.

An Inspiring Call to Service

September 11 was a significant day for service at George Washington. On our 2009 Freshman Day of Service, 1,500 GW students engaged in volunteer projects citywide. Student Association president Julie Bindelglass and GW senior Shakir Cannon-Moye participated in a Habitat for Humanity community service project with President Barack Obama and First Lady Michelle Obama as part of the first National Day of Service. In addition, Mrs. Obama challenged the University's students, faculty and staff to complete 100,000 hours of public service during the academic year. When we meet this goal, she will serve as the University's 2010 Commencement speaker.

INTEGRATING ENVIRONMENTAL SUSTAINABILITY

George Washington is transforming sustainability from a grassroots effort led by a handful of student groups and faculty members into an institutional value, raising a consciousness that permeates every aspect of the University's life. In 2009, GW completed a greenhouse gas inventory: the foundation for a long-term climate action plan that aims to bring our net emissions to zero.

GW's Office of Sustainability, established in fall 2008, provides an operational umbrella to spur, support, link and coordinate the University's many sustainable initiatives, from procurement to environmental management to new construction projects. For many of these efforts, students lead the way: The annual George Washington Eco-Challenge engages residence halls across the Foggy Bottom and Mount Vernon Campuses in a friendly competition to slash their energy and water consumption. And last year, the annual Green Move-Out mobilized 150 student and 30 staff volunteers to collect—instead of discard—more than 50,000 pounds of clothing and 2,719 pounds of food for donation to local charities.

INSTITUTIONALIZING OUR DEDICATION TO PUBLIC SERVICE LAW

In an affirmation of its longstanding leadership in applying law for the public good, the GW Law School appointed renowned attorney Alan B. Morrison as its first Associate Dean for Public Interest and Public Service Law. The position, endowed through a generous gift from the Annette M. and Theodore N. Lerner Family Foundation, will enable Dean Morrison to impart his passion for law in the public interest to the next generation of attorneys and legal scholars. A veteran of landmark legal battles, he teamed up with Ralph Nader in 1972 to found and direct the Public Citizen Litigation Group and argued 20 cases before the United States Supreme Court before retiring in 2004 to serve as a senior lecturer on administrative and public interest law at Stanford Law School.

Alternative Breaks

Growing numbers of George Washington's students experience the culture and people of communities far beyond their academic world through the Alternative Breaks Program—part of a national movement among colleges and universities to promote active citizenship and lifelong learning through hands-on opportunities for service. Students can build a school in Belize, clear invasive species in a Hawaiian jungle, help restore a town devastated by tornado damage in Kansas or join the hundreds of GW students who have helped build sustainable homes in the 9th Ward of New Orleans.

WIDENING THE PORTAL TO OUTSTANDING EDUCATION

Through financial aid and community partnerships, The George Washington University encourages promising students from every background to benefit from our extraordinary opportunities.

Scholarships for D.C. Residents

In 2009, George Washington celebrated the 20th anniversary of the Stephen Joel Trachtenberg Scholarship program with awards of full, four-year scholarships to nine academically talented D.C. high school seniors. The program has enabled more than 100 local students to attend George Washington through scholarships of more than $200,000 each that cover tuition, room, board, books and fees. These scholarships, along with other grants and work-study programs, make GW the largest single post-secondary contributor of aid to students from D.C. Public Schools.

Partnership with School Without Walls

Since 1980, George Washington has partnered with the School Without Walls, a public school neighbor at the Foggy Bottom Campus, sharing lab, dining and recreational facilities; the use of the Marvin Center and Lisner Auditorium for the school's events and annual graduation ceremony; and opportunities for the school's students and faculty to enroll in GW classes free of charge. This year, a ribbon-cutting and grand reopening ceremony was held to celebrate the renovation of School Without Walls.

Through a development partnership with the District of Columbia Public Schools, GW helped facilitate the restoration of the School Without Walls' 118-year-old former Grant School building and its expansion with a new 68,000-square-foot, state-of-the-art, LEED-standard facility that can house up to 100 additional students. This development partnership also resulted in space for George Washington to build student housing on the site—the newly dedicated South Hall, which also was built to LEED standards.

Yellow Ribbon Program

In 2009, George Washington became one of the nation's first universities to join the Yellow Ribbon Program—a partnership with the Department of Veterans Affairs (VA) to invest in higher education for qualified military veterans. The program enables admitted, Yellow Ribbon-qualified undergraduate veterans to attend GW for free—with GW and the VA splitting the costs of tuition and fees after GI Bill benefits are applied. For veterans admitted to GW's graduate schools, each year the University will pay up to $3,800, which is matched by the VA. In recognition of the program as well as George Washington's designation of a student veteran services coordinator, *G.I. Jobs* magazine named the University to its 2010 list of "Military Friendly Schools," honoring the top 15 percent of colleges, universities and trade schools that support student veterans.

Expanding the Capacity for Meaningful Discovery

"To address any of the major problems in our urban community or around the world, you have to encourage multidisciplinary research and solutions."

— Steven Knapp, President

The George Washington University has taken major strides in funding and facilitating multidisciplinary research that produces knowledge, attracts stellar faculty and creates further research opportunities. These efforts share the common goal of enhancing the quality of life—locally, nationally and globally. Much of this research is integrated with policy development as well, capitalizing on the University's unique relationships with political leaders and institutions both in Washington and worldwide.

On April 1, 2009, George Washington accelerated and invigorated our research program with the appointment of distinguished brain researcher Leo Chalupa, Ph.D., as vice president for research. His agenda: to increase collaboration between the University's academic and medical areas; augment research initiatives at the Virginia Science and Technology Campus; and build capacity among the faculty in grant writing and management. "We are doing everything possible to help faculty members apply for grants and be competitive," says Dr. Chalupa. Within months, the Office of Research integrated the Medical Center into its grant development efforts, created a dedicated unit to assist in identifying, writing and processing grants; and invested matching funds that enable faculty members to apply for large-scale federal grants.

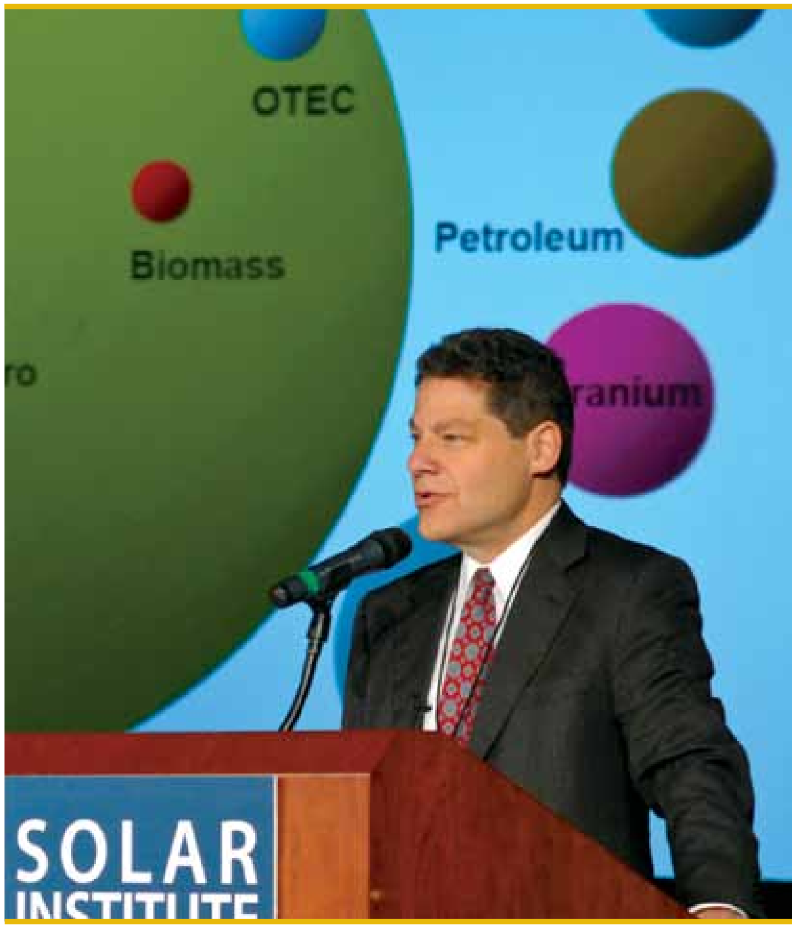
CONDUCTING LIFE-SAVING CRASH ANALYSIS AND RESEARCH

George Washington's National Crash Analysis Center at the School of Engineering and Applied Science is a centerpiece of the University's transportation research, working with the automotive industry and the U.S. Department of Transportation's Federal Highway Administration (FHA) and National Highway Traffic Safety Administration to prevent automobile injuries and save lives. This year the center extended 15 years of collaboration with FHA by winning a five-year grant of more than $19 million to fund research and development of advanced crash analysis technologies.

The center, located on the Virginia Science and Technology Campus, brings a level of capability, expertise and resources to crash research that is duplicated nowhere else in the world. Its achievements include developing unique capabilities in crash analysis, crash data statistics, simulation and modeling, and vehicle and barrier design. Under the renewed FHA funding, the center's work will include developing and evaluating vehicles, road features and hardware, and infrastructure protection systems to improve safety and security; advancing computer simulation and modeling technologies; and conducting full-scale crash and component vehicle impact testing to validate computer models and produce relevant data.

DEVELOPING RENEWABLE ENERGY SOLUTIONS

George Washington's emerging energy policy and technology research program will leverage the synergy between the creation, deployment and dissemination of sustainable energy solutions. In 2008, the GW Solar Institute funded 10 outstanding proposals from faculty members and graduate students to examine critical issues including the economics of solar energy, its integration into the energy grid and a legal framework and policies to support its expansion. The institute also sponsored its first symposium on the challenges of energy independence and climate change, bringing together leading experts and champions of solar energy such as media mogul Ted Turner and Federal Energy Regulatory Commission Chairman Jon Wellinghoff.



Complementing the exploration of solar policy issues, a new Energy Institute at the Virginia Science and Technology Campus will foster collaborative research in renewable energy technology. Professor Stuart Licht focuses on chemical solutions to renewable energy challenges, experimenting with materials that have long life and high efficiency—such as hydrogen—for extracting energy from sunlight. Professor Stephen Hsu, a mechanical engineer, works with advanced materials for capturing solar energy. George Washington will augment this leadership team with a theoretical physicist and add up to 12 faculty members to support their work.

FOSTERING MULTIDISCIPLINARY COLLABORATION IN NANOTECHNOLOGY EXPLORATION

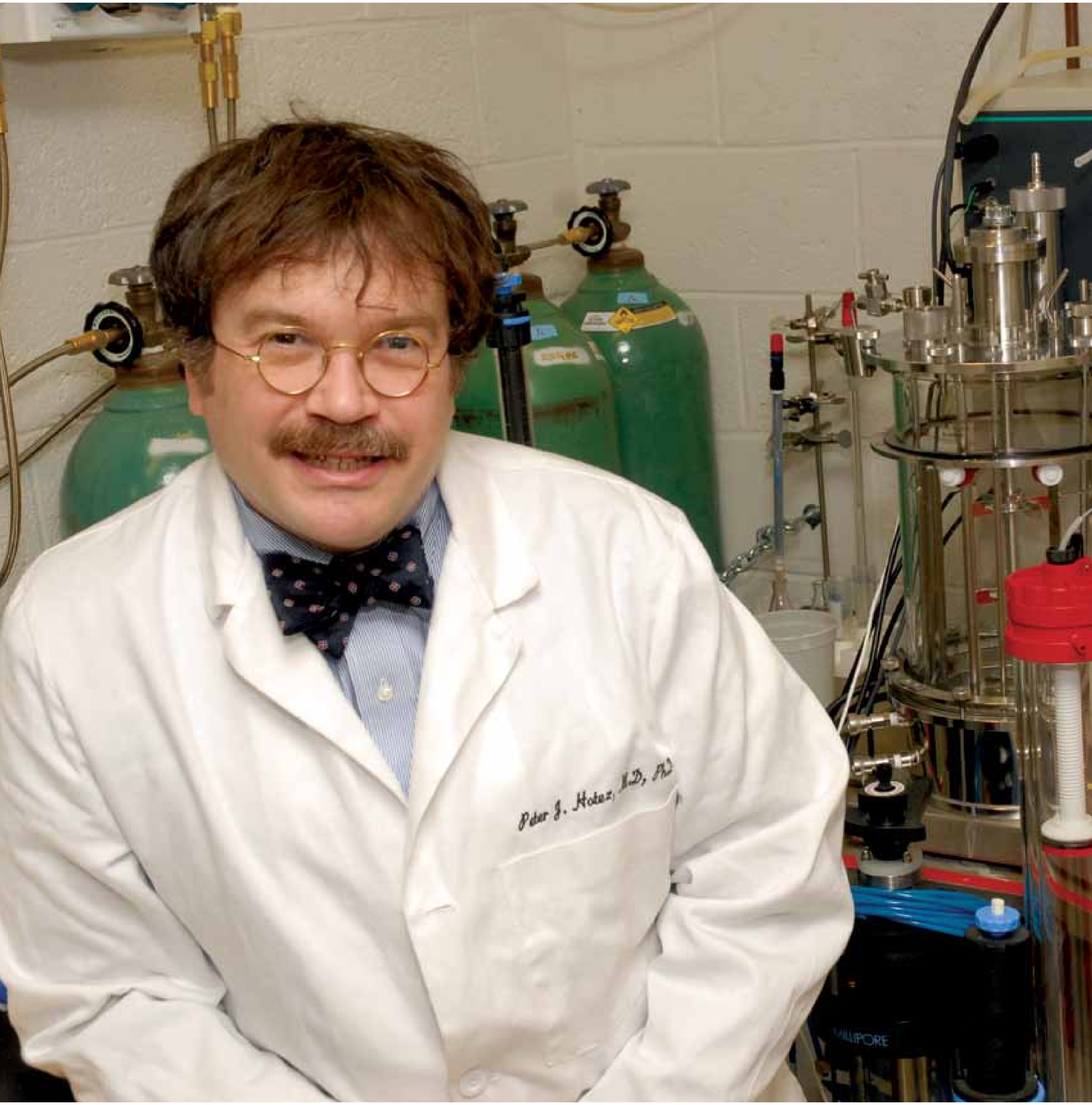
With the establishment of the Institute for Nanotechnology, George Washington is drawing on the expertise of 16 faculty members in physics, chemistry, biochemistry and several engineering disciplines including mechanical, aerospace, electrical, computer, civil and environmental engineering to break new ground in a field at the intersection of science and engineering. Nanotechnology involves manipulating matter at the nanoscale (down to 1/100,000 the width of a human hair) to create new and unique materials and products.

"Nanotechnology is a vital area of national importance with applications across a wide spectrum from medicine to electronics to improving water quality worldwide," says David Dolling, dean of GW's School of Engineering and Applied Science and a professor of mechanical and aerospace engineering. "We believe that our engineers and scientists will be among those who unlock some of its exciting secrets." The new institute will create an infrastructure that fosters multidisciplinary efforts and provides research support, building knowledge about matter on an atomic and molecular scale to share with the world while helping George Washington incorporate nanotechnology into undergraduate and graduate education.

CULTIVATING RESPONSIBLE BUSINESS PRACTICES

The George Washington School of Business has earned a reputation as a leader in incorporating social and environmental issues into its research and curriculum—ranking among the 15 U.S. business schools that won a 2009 Beyond Grey Pinstripes award from the World Resources Institute and the Aspen Institute's business and society program.

The school's Institute for Corporate Responsibility has launched the Environmental Sustainability Program—a pioneer in studying and advancing the integration of environmental issues and solutions into the policies and practices of businesses, governments and nonprofit organizations. The Institute also created a Business and Human Rights Project to support an ongoing dialogue among corporations, nongovernmental organizations and government agencies on human rights throughout the business supply chain—while strengthening the connections between research performed by George Washington's faculty and real-world experience.


Peter J. Hotez,

Increasing Access to Medical Advances

"I am inspired by the way our faculty members serve as mentors to the next generation of healthcare professionals, teaching them not only the techniques of exceptional clinical care, but also the principles of compassion, responsibility, accountability and leadership."

— John F. Williams, Provost and Vice President for Health Affairs

The George Washington University Medical Center is distinguished by its ability to both achieve breakthroughs at the forefront of medical science and develop new social, political and economic systems for delivering high-quality healthcare to people who need it most. This combined mission is at the heart of several of the Center's most outstanding initiatives.

COMBATING NEGLECTED TROPICAL DISEASES

For more than two decades Walter G. Ross Professor Peter Hotez has worked to eradicate neglected tropical diseases that afflict 1 billion of the world's poorest people. As chair of the Department of Microbiology, Immunology and Tropical Medicine at GW Medical Center, he translates groundbreaking laboratory research into a global effort to develop and test vaccines, including his two international patents for hookworm vaccines. "Our work is important because it's the best opportunity for lifting poor people in developing countries out of poverty," Dr. Hotez says. "These diseases affect not only health but also education and economic development."

Dr. Hotez and his team of scientists and students focus on diseases that are disfiguring, life-threatening and easily treatable. They design innovative large-scale strategies to control parasitic and bacterial infections in sub-Saharan Africa, Southeast Asia, and Central and South America. Dr. Hotez is also president of the Sabin Vaccine Institute, a nonprofit medical research and advocacy organization. Through the Institute, Dr. Hotez founded the Human Hookworm Vaccine Initiative, a product development partnership supported by the Bill and Melinda Gates Foundation, to develop a recombinant vaccine for human hookworm disease. He is also co-founder of the Global Network for Neglected Tropical Disease Control—which administers packages of drugs to more than 34 million people in Africa at an annual cost of as little as 50 cents per person.

BUILDING PERMANENT HEALTHCARE CAPACITY

Since 2006, The George Washington University Medical Center, Physicians for Peace and the Ministry of Health of Eritrea have worked to establish a sustainable healthcare infrastructure for Eritrea's 4.9 million people—who were once served by just five pediatricians and seven surgeons. In addition to training physicians in medical specialties, the Partnership for Eritrea ultimately will enable Eritrean physicians to provide the training themselves.

Rather than import residency curricula from developed countries, the partnership's Eritrean and American physicians collaborated in designing postgraduate medical education programs that meet Eritrea's specific healthcare needs. The first stage established surgical and pediatric residency training programs for indigenous physicians, with teaching and supervision supplemented by faculty from GW and other medical schools in the United States. Launched in 2008, the programs will graduate the first of eight pediatricians in 2009 and the first of six surgeons 2010. A new residency program for obstetrics and gynecology, launched with Columbia University Medical Center, will begin this year.

ENHANCING CANCER TREATMENT AND RESEARCH

With the opening of the Dr. Cyrus and Myrtle Katzen Cancer Research Center in April 2009, George Washington expanded its cutting-edge research capacity as well as services and treatment options for patients—reinforcing the University's position as a leader in the fight against cancer. Founded through the Katzens' generous gift to the GW Medical Center, the new center doubles the number of cancer infusion chairs and adds clinical rooms, nurses and administrative staff to accommodate a growing number of patients. It will also foster pioneering scientific research and advanced education dedicated to improving the diagnosis, prevention and treatment of cancer.

To help patients navigate the healthcare system and access appropriate social, psychosocial and financial services, the GW Cancer Institute created the Patient Navigator System. Funded by the National Institutes of Health, the system trains professionals to help patients—particularly from poor and underserved populations—to get their appointments, obtain their medication and overcome common frustrations with the complex healthcare system that often cause patients to discontinue essential care.

Forging an Abiding Legacy

On every front, George Washington's ethic of social responsibility helps to shape our curriculum, fuel public service, drive scientific study and advance service to our city, our nation and the world. The result is not only a vibrant University community, but also a global network of volunteers and professionals—GW graduates who are imbued with the capacity and desire to make a positive, lasting impact in whatever fields they choose.

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 subsidiary (the University) at June 30, 2009 and 2008, 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 Notes 6 and 7 to the consolidated financial statements, the University adopted Financial Accounting Standards Board (FASB) Statement No. 157 *Fair Value Measurements* and FASB Staff Position No. 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, and Enhanced Disclosures for All Endowment Funds* in fiscal year 2009.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
August 28, 2009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2009 and 2008

(in thousands)	2009	2008
		(as adjusted)
ASSETS		
Cash and cash equivalents	$214, 105	$84,317
Deposits with trustees	3,069	2,281
Accounts receivable, net	31,900	34,155
Prepaids and other current assets	9,386	7,529
Pledges receivable, net	41,302	28,347
Investments	1,366,943	1,620,536
Loans and notes receivable, net	32,435	32,024
Physical properties, net:		
Land and buildings	910,142	826,438
Furniture and equipment	80,252	82,350
Other assets	21,960	18,942
Total assets	$2,711,494	$2,736,919
LIABILITIES		
Accounts payable and accrued expenses	$139,256	$134,830
Deferred revenue:		
Tuition and other deposits	31,563	24,735
Grants and contracts payments	11,377	18,231
Insurance reserves	10,722	10,525
Bonds and notes payable	972,981	783,070
Funds advanced for student loans	27,398	28,476
Total liabilities	1,193,297	999,867
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(22,309)	(22,990)
Unrestricted capital and investing	1,147,303	1,302,901
Total unrestricted	1,124,994	1,279,911
Temporarily restricted	182,319	244,346
Permanently restricted	210,884	212,795
Total net assets	1,518,197	1,737,052
Total liabilities and net assets	$2,711,494	$2,736,919

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2009 and 2008

(in thousands)

	2009		
	Operating	Capital and Investing	Total Unrestricted
REVENUE			
Student tuition and fees	$674,399	$ –	$674,399
Less: University funded scholarships	(173,659)	–	(173,659)
Net student tuition and fees	500,740	–	500,740
Grants and contracts			
Program funds	149,848	–	149,848
Indirect cost recoveries	19,734	–	19,734
Investment income (loss)	272	(118,855)	(118,583)
Investment real property rents and appreciation	–	40,134	40,134
Change in value of split interest agreements	–	(426)	(426)
Auxiliary enterprises	89,090	2,966	92,056
Contributions, net	11,557	5,875	17,432
Net assets released from restrictions	6,766	16,124	22,890
Other income	68,470	5,705	74,175
Total revenue	846,477	(48,477)	798,000
EXPENSES			
Salaries and wages	412,210	–	412,210
Fringe benefits	88,834	–	88,834
Purchased services	164,832	968	165,800
Supplies	13,216	12	13,228
Equipment	12,217	1,398	13,615
Bad debt	4,021	–	4,021
Occupancy	55,860	57,381	113,241
Investment real property expense	–	42,130	42,130
Scholarships and fellowships	14,931	–	14,931
Communications	5,427	–	5,427
Travel and training	19,891	13	19,904
Interest	2	25,166	25,168
Other	25,999	8,838	34,837
Total expenses	817,440	135,906	953,346
OTHER INCREASES (DECREASES) IN NET ASSETS			
Debt service and mandatory purposes	(50,365)	50,365	–
Endowment support	44,256	(41,137)	3,119
Capital expenditures	(16,019)	16,019	–
Postretirement related changes	–	(706)	(706)
Support/investment	(6,228)	4,244	(1,984)
Total other changes in net assets	(28,356)	28,785	429
Change in net assets before cumulative effect of a change in accounting principle:	681	(155,598)	(154,917)
Adoption of new accounting principle (Note 7)	–	–	–
Increase (decrease) in net assets	681	(155,598)	(154,917)
Net assets (deficit) at the beginning of the year	(22,990)	1,302,901	1,279,911
Net assets (deficit) at the end of the year	$(22,309)	$1,147,303	$1,124,994

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

2008 (as adjusted)		
Operating	Capital and Investing	Total Unrestricted
$643,257	$ –	$643,257
(163,566)	–	(163,566)
479,691	–	479,691
162,034	–	162,034
19,027	–	19,027
243	(5,987)	(5,744)
–	201,525	201,525
–	(107)	(107)
86,580	–	86,580
12,335	2,984	15,319
4,389	13,152	17,541
67,167	11,916	79,083
831,466	223,483	1,054,949
377,248	–	377,248
87,615	–	87,615
170,749	851	171,600
13,162	3	13,165
12,256	934	13,190
226	–	226
52,326	55,400	107,726
–	39,760	39,760
13,601	–	13,601
6,047	–	6,047
17,891	7	17,898
8	25,162	25,170
21,746	8,276	30,022
772,875	130,393	903,268
(52,169)	52,169	–
43,883	(40,103)	3,780
(16,105)	16,105	–
–	2,193	2,193
(31,397)	31,190	(207)
(55,788)	61,554	5,766
2,803	154,644	157,447
–	(130,591)	(130,591)
2,803	24,053	26,856
(25,793)	1,278,848	1,253,055
$(22,990)	$1,302,901	$1,279,911

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2009 and 2008

(in thousands)

	2009			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Student tuition and fees	$674,399	$ –	$ –	$674,399
Less: University funded scholarships	(173,659)	–	–	(173,659)
Net student tuition and fees	500,740	–	–	500,740
Grants and contracts				
Program funds	149,848	–	–	149,848
Indirect cost recoveries	19,734	–	–	19,734
Investment income (loss)	(118,583)	(73,311)	19	(191,875)
Investment real property rents and appreciation	40,134	–	–	40,134
Change in value of split interest agreements	(426)	(2,163)	(6,125)	(8,714)
Auxiliary enterprises	92,056	–	–	92,056
Contributions, net	17,432	39,885	1,735	59,052
Net assets released from restrictions	22,890	(22,890)	–	–
Other income	74,175	27	20	74,222
Total revenue	798,000	(58,452)	(4,351)	735,197
EXPENSES				
Salaries and wages	412,210	–	–	412,210
Fringe benefits	88,834	–	–	88,834
Purchased services	165,800	–	–	165,800
Supplies	13,228	–	–	13,228
Equipment	13,615	–	–	13,615
Bad debt	4,021	–	–	4,021
Occupancy	113,241	–	–	113,241
Investment real property expense	42,130	–	–	42,130
Scholarships and fellowships	14,931	–	–	14,931
Communications	5,427	–	–	5,427
Travel and training	19,904	–	–	19,904
Interest	25,168	–	–	25,168
Other	34,837	–	–	34,837
Total expenses	953,346	–	–	953,346
OTHER INCREASES (DECREASES) IN NET ASSETS				
Endowment support	3,119	(5,732)	2,613	–
Postretirement related changes	(706)	–	–	(706)
Support/investment	(1,984)	2,157	(173)	–
Total other changes in net assets	429	(3,575)	2,440	(706)
Change in net assets before cumulative effect of a change in accounting principle:	(154,917)	(62,027)	(1,911)	(218,855)
Adoption of new accounting principle (Note 7)	–	–	–	–
Increase (decrease) in net assets	(154,917)	(62,027)	(1,911)	(218,855)
Net assets at the beginning of the year	1,279,911	244,346	212,795	1,737,052
Net assets at the end of the year	$1,124,994	$182,319	$210,884	$1,518,197

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

2008 (as adjusted)			
Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$643,257	$ –	$ –	$643,257
(163,566)	–	–	(163,556)
479,691	–	–	479,691
162,034	–	–	162,034
19,027	–	–	19,027
(5,744)	(12,168)	55	(17,857)
201,525	–	–	201,525
(107)	(70)	(2,562)	(2,739)
86,580	–	–	86,580
15,319	20,786	1,776	37,881
17,541	(17,541)	–	–
79,083	–	25	79,108
1,054,949	(8,993)	(706)	1,045,250
377,248	–	–	377,248
87,615	–	–	87,615
171,600	–	–	171,600
13,165	–	–	13,165
13,190	–	–	13,190
226	–	–	226
107,726	–	–	107,726
39,760	–	–	39,760
13,601	–	–	13,601
6,047	–	–	6,047
17,898	–	–	17,898
25,170	–	–	25,170
30,022	–	–	30,022
903,268	–	–	903,268
3,780	(5,068)	1,288	–
2,193	–	–	2,193
(207)	(261)	468	–
5,766	(5,329)	1,756	2,193
157,447	(14,322)	1,050	144,175
(130,591)	130,591	–	–
26,856	116,269	1,050	144,175
1,253,055	128,077	211,745	1,592,877
$1,279,911	$244,346	$212,795	$1,737,052

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

(in thousands)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$(218,855)	$144,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(418)	(1,600)
Depreciation and amortization	60,057	55,741
Provision for (recovery of) bad debt	1,499	(673)
Net unrealized losses (gains) on investments	159,611	(49,725)
Net realized losses (gains) on investments	55,384	(79,810)
Realized gain on sale of real property	(2,208)	–
Decrease in accounts receivable	2,371	44
Increase in prepaids and other current assets	(1,857)	(3,401)
Increase in pledges receivable	(14,639)	(830)
(Increase) decrease in deposits with trustees	(788)	15,174
Increase in other assets	(5,934)	(3,132)
Increase in accounts payable and accrued expenses	3,318	3,235
Increase (decrease) in tuition and other deposits	6,828	(1,631)
(Decrease) increase in grants and contract deferred revenue	(6,854)	1,636
Increase (decrease) in insurance reserves, net	197	(1,781)
Change in value of split interest agreements	8,714	2,739
Contributions restricted for long-term investment	(8,849)	(11,838)
Net cash provided by operating activities	37,577	68,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(273,959)	(292,753)
Proceeds from sales and maturity of investments	303,126	319,605
Collateral returned under securities lending agreement	–	(28,680)
Collateral sold under securities lending agreement	–	28,680
Purchases and renovations of land and buildings	(115,082)	(53,001)
Additions of furniture and equipment	(20,280)	(17,854)
Proceeds from sale of real property	2,080	–
GW School as Lender program – new loans issued	(194)	(70,035)
GW School as Lender program – loan sales and cancellations	1,558	71,374
(Increase) reduction in other loans and notes receivable	(606)	39
Net cash used in investing activities	(103,357)	(42,625)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	8,849	11,838
Principal payments on bonds and notes payable	(10,580)	(10,007)
Principal payments on line of credit	(90,000)	–
Proceeds from borrowings of bonds and notes payable	200,500	–
Proceeds from borrowings on line of credit	90,000	–
Payments of debt issuance costs	(2,123)	(801)
Increase in refundable advances from the U.S. Government	181	218
Decrease in advances for GW School as Lender program	(1,259)	(1,499)
Net cash provided by (used in) financing activities	195,568	(251)
Net increase in cash and cash equivalents	129,788	25,447
Cash and cash equivalents at the beginning of the year	84,317	58,870
Cash and cash equivalents at the end of the year	$214,105	$84,317
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$36,006	$39,252
Income tax payments	493	456
Gross value of additions to capital leases	3,662	1,615
Note receivable on sale of real property	1,100	–

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 subsidiary, Mount Vernon College. Mount Vernon College is a tax-exempt Section 501(c)(3) supporting organization of the University. 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 financial institutions exceeds the amount guaranteed by federal agencies and, therefore, bears some risk. The University has not experienced any loss due to this risk.

DEPOSITS WITH TRUSTEES

Deposits with trustees consist of debt service prepaid interest and rental property cash reserves required under certain debt issuance agreements. These cash deposits are recorded at cost, which approximates fair value.

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. For promises to give received prior to July 1, 2008, the discount rate was the risk-free rate of return at the date of the gift. For promises to give received on or after July 1, 2008, payments expected to be received more than one year from June 30, 2009 are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing as required by a newly adopted accounting standard related to fair value determination. 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 had established an independently held, revocable trust for professional liability claims, which included 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. 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 4.75% and 5% for the years ended June 30, 2009 and 2008, respectively.

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. Accumulated appreciation in endowment funds with donor-restricted corpus is classified as temporarily restricted net assets until appropriated for spending under the Board of Trustees' spending policy. At the time of appropriation, the amount of investment income necessary to satisfy the Board of Trustees' spending policy for the endowment fund and related purpose restrictions, if applicable, is reflected as a Net asset released from restriction, which reduces temporarily restricted net assets and increases unrestricted capital and investing net assets. Drawdowns of these funds to cover operating expenses are shown in the Other Increases (Decreases) in Net Assets section of the Consolidated Statements of Activities as Endowment support. 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.

Split Interest Agreements

The University manages, as trustee, gift annuities, pooled life income funds, and charitable remainder trusts. Gift annuities consist of non-trust assets donated to the University in exchange for a fixed payment for the life of the beneficiary(s). Gift annuity assets are recorded at their fair 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 beneficiary(s) is paid the amount of income earned on the donor's assigned units. Pooled life income funds are recorded at their fair value. 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). Charitable remainder trust assets are recorded at their fair value. These assets are included in Investments (Note 5). The associated liabilities to beneficiaries are calculated based on various actuarial assumptions and are recorded in Accounts payable and accrued expenses (Note 9).

The University's beneficial interests in perpetual trusts held by third parties are shown at fair value of the underlying assets, which approximates the discounted present value of the anticipated cash flows, as of June 30, 2009 and 2008, respectively. The University's beneficial interests in charitable remainder trusts held by third parties are shown at present value as of June 30, 2009 and 2008. The University calculates present value based on fair value of the trust assets at the measurement date, discounted based on various actuarial assumptions impacting the timing of cash flows. These beneficial interests are included in Investments (Note 5).

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 $0.10 million and $0.17 million at June 30, 2009 and 2008, 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. The carrying value of loans receivable approximates fair value.

During the year ended June 30, 2008, the University provided loans to qualifying students under the Federal GW School as Lender program. Funds under this program were borrowed from the Student Loan Corporation (SLC) and then loaned to students. Periodically, these student loans were sold back to Citibank, as trustee for the SLC, under a forward purchase commitment. The final loans under this program were sold in November 2008. A receivable from students of $1.5 million is reflected in Loans and notes receivable in the Consolidated Statement of Financial Position as of June 30, 2008. 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 SLC 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. The line of credit was paid off when the final loans were sold in November 2008. As of June 30, 2008, a liability reflecting the outstanding line of credit to the SLC of $1.3 million is reflected in Funds advanced for student loans in the

Consolidated Statement of Financial Position. 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 and furniture and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. Construction in progress costs are included in Land and buildings on the Consolidated Statements of Financial Position as of June 30, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008.

LEGALLY RESTRICTED BALANCES

The University federal loan programs have cash restricted as to its use of $2.4 million as of both June 30, 2009 and 2008.

During the year ended June 30, 2009, the University deposited $0.85 million in a separate investment account as an additional reserve surplus for gift annuities required by certain state regulations. No such amounts were required for the year ended June 30, 2008.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 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.

SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through August 28, 2009, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of June 30, 2009.

Note 3 – Accounts Receivable

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

(in thousands)	2009	2008
Grants and contracts	$14,273	$17,178
Student tuition and fee accounts	14,241	13,791
Due from hospital limited partnership	2,665	2,284
Due from affiliation agreements	2,957	2,764
Other	1,216	1,706
Allowance for doubtful accounts	(3,452)	(3,568)
Total	$31,900	$34,155

Note 4 – Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

(in thousands)	2009	2008
Unconditional promises expected to be collected in:		
Less than one year	$29,923	$15,479
One year to five years	13,993	13,935
More than five years	1,375	1,449
Subtotal	45,291	30,863
Allowance for uncollectible pledges	(2,440)	(756)
Unamortized discount to present value	(1,549)	(1,760)
Total	$41,302	$28,347

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 1.01% – 5.16%, with the discount amortized over the life of the pledge.

At June 30, 2009 and 2008, the University had outstanding bequest intentions and certain conditional promises to give of approximately $98 million and $100 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

Investments are summarized as follows as of June 30:

(in thousands)	2009	2008
Cash and cash equivalents	$67,872	$43,283
Equity – global	215,301	522,912
Equity – derivatives	4,984	–
Equity – domestic convertible bonds	45,481	–
Equity – strategic (private, long-term)	201,409	176,571
Equity – absolute return (credit funds)	99,708	172,194
Fixed income – corporate debt securities	49,655	–
Fixed income – asset backed securities	3,238	–
Fixed income – municipal bonds	1,079	–
Real estate	595,625	618,622
Split interest agreements – GW as trustee	10,354	14,379
Split interest agreements – trusts held by others	21,696	25,898
Deferred compensation plan assets	10,984	10,910
Other	39,557	35,767
Total	$1,366,943	$1,620,536

The University had outstanding purchase commitments for investments in partnerships amounting to approximately $133.1 million and $146.1 million as of June 30, 2009 and 2008, 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, 2009 and 2008, and therefore has not been accounted for in the financial statements.

Investment income (loss) includes the following for the years ended June 30:

(in thousands)	2009	2008
Interest and dividends	$7,332	$13,073
Net gains/(losses) on investments carried at fair value	(199,743)	(29,878)
Net gains/(losses) on investments carried at other than fair value	8,246	5,781
Administrative expenses	(7,710)	(6,833)
Total	$(191,875)	$(17,857)

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 for the year ended June 30, 2008. 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, 2009 and 2008, lease receivables of $9.5 million and $2.2 million are 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)	2009	2008
Real property rents	$61,989	$50,574
Net unrealized appreciation (depreciation)	(21,855)	150,951
Total	$40,134	$201,525

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, accounted for under the equity method, which is included in Real estate. 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.

During the year ended June 30, 2008, the University engaged in a securities lending program whereby the University loaned certain securities in its investment portfolios to qualified borrowers on a short-term, fully collateralized basis. There were no securities on loan or collateral held as of June 30, 2009 or 2008.

Note 6 – Fair Value

The University adopted the updated GAAP standard, *Fair Value Measurements*, effective July 1, 2008. This standard establishes a framework for measuring fair value, establishes a fair value hierarchy based on the observability of inputs used to measure fair value, and expands disclosure requirements for fair value measurements. 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 three broad levels of fair value hierarchy established by the standard are as follows:

Level 1 – Quoted prices in active markets for identical assets as of the reporting date.

Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reporting date.

Level 3 – Prices or valuation techniques in which one or more significant inputs or significant value drivers are unobservable as of the reporting date. 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

The following table identifies the portion of assets which are reported at fair value and are subject to the hierarchy outlined above as of June 30, 2009:

(in thousands)	Cash and cash equivalents	Investments
Items reported at fair value	$212,281	$1,298,081
Items not subject to fair value reporting	1,824	68,862
Total	$214,105	$1,366,943

Items 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, intangible assets, and insurance contracts. For items reported at fair value, the following table summarizes the valuation of financial instruments by pricing observability levels as of June 30, 2009:

(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$212,281	$ –	$ –	$212,281
Investments:				
Cash equivalents	50,509	15,963	–	66,472
Fixed income – corporate debt securities	–	49,655	–	49,655
Fixed income – asset backed securities	–	3,238	–	3,238
Fixed income – municipal bonds	–	1,079	–	1,079
Equity – global	41,442	156,192	16,723	214,357
Equity – derivatives	4,984	–	–	4,984
Equity – domestic convertible bonds	–	45,481	–	45,481
Equity – strategic (private, long-term)	–	3,705	197,704	201,409
Equity – absolute return (credit funds)	–	47,182	51,750	98,932
Real estate	–	–	571,806	571,806
Split interest agreements – GW as trustee	10,354	–	–	10,354
Split interest agreements – trusts held by others	–	–	21,696	21,696
Deferred compensation plan assets	2,248	6,370	–	8,618
Total investments measured at fair value	109,537	328,865	859,679	1,298,081
Total assets measured at fair value	$321,818	$328,865	$859,679	$1,510,362

In general, for Level 2 and Level 3 investments, the University utilizes the investment manager of the asset to provide a valuation estimate based on previously disclosed techniques and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the University may also use established processes for determining the fair value of such securities which reflect the University's own assumptions to value the assets as well. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

Cash equivalents – Cash equivalents include cash deposits in investment funds and short-term U.S. Treasury securities, and other short-term, highly liquid investments which are actively traded. These are priced using independent market prices in the primary trading market and are classified as either Level 1 or Level 2 based on the availability of quotes for identical or similar assets, respectively.

Fixed income securities – These assets include, but are not limited to, corporate debt, asset backed securities, and municipal bonds. These assets are primarily valued using market prices, such as broker quotes, for the same or similar instruments; as these securities typically trade in more inactive markets, they are categorized as Level 2.

Equity investments – Equity investments include, but are not limited to, separately held accounts, shares in hedge funds, and limited partnership holdings. These assets, which are grouped by investment objective, consist of both publicly traded and privately held securities, diversified globally.

Publicly traded securities – These investments generally include derivatives, convertible bonds, 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. Securities that trade inactively, or that have comparable traded assets — that trade in either active or inactive markets — are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2.

Privately held securities – These investments generally include strategic equity, absolute return credit funds as well as some global equity holdings. These funds are privately held and trade infrequently, if at all. The valuations are calculated by the investment manager based on valuation techniques that take into account each fund's underlying assets and include traditional valuation methods such as the market, cost, and income approaches. The valuation policies adopted by the manager are reviewed by the University for propriety, consistency, compliance, and completeness. Funds that are valued at net asset value (NAV) or similar measure, are redeemable, and require no adjustment to the manager provided valuations are classified as Level 2. Limited partnerships and other non-redeemable funds are classified as Level 3. No active market exists for these assets and their valuations are based on unobservable and/or significantly adjusted inputs. Additionally, there is rarely any option to transfer or withdraw from these funds prior to their termination. Inputs used to determine fair value are based upon the best available information provided by the partnerships/funds and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Circumstances that may cause the University to make adjustments to the manager-provided valuations include but are not limited to newly imposed redemption restrictions, valuations calculated on accounting bases other than U.S. GAAP, and other quantifiable events not taken into account by the investment manager.

Real estate – Real estate investment properties are valued based on results from an independent appraisal and a professional third-party market valuation. 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 valuators 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. Assets are included in Level 3 as significant unobservable inputs and management's judgment are used in the valuation process.

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. For arrangements where the University is a beneficiary of a trust held by a third party, the asset represents the University's beneficial interest in future cash flows and is valued using a discounted cash flow analysis based on the assumed timing and duration of those cash flows. Because this involves significant judgment and estimation, the valuations of these beneficial interests are included in Level 3.

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 or Level 2 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.

Changes in Level 3 Assets

(in thousands)	Equity – global	Equity – strategic (private, long-term)	Equity – absolute return (credit funds)	Real estate	Split interest agreements – trusts held by others
Fair Value of Level 3 Assets at July 1, 2008	$8,638	$150,731	$18,514	$594,254	$25,863
Net realized/unrealized gains (losses)	(584)	(15,330)	(3,939)	(22,448)	(4,065)
Purchases, sales, issuances, and settlements	2,414	38,890	(9,111)	–	(102)
Net transfers into Level 3	6,255	23,413	46,286	–	–
Fair Value of Level 3 Assets at June 30, 2009	$16,723	$197,704	$51,750	$571,806	$21,696
Total gains (losses) including earnings attributable to the change in unrealized gains (losses) for assets still held at June 30, 2009	$(403)	$(6,670)	$(4,672)	$(22,448)	$(4,073)

Realized/unrealized gains (losses) included in changes in net assets for the year ended June 30, 2009 are reported in revenues as follows:

(in thousands)	Investment income (loss)	Investment real property rents and appreciation	Change in value of split interest agreements
Total gains (losses) included in changes in net assets for the year ended June 30, 2009	$(20,446)	$(21,855)	$(4,065)
Change in unrealized gains (losses) relating to assets still held at June 30, 2009	$(12,338)	$(21,855)	$(4,073)

Fair Value Option

In February 2007, the FASB updated GAAP with *The Fair Value Option for Financial Assets and Financial Liabilities*. The fair value option permits 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. The University adopted this updated standard effective July 1, 2008. The University assessed the fair value options made available under the standard and elected not to apply the fair value option to any financial instruments that were not already recognized at fair value.

Note 7 – Endowment

In August 2008, the FASB updated GAAP to provide guidance on the net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) and to require additional disclosures with respect to the endowment funds of an organization, whether donor or board restricted. The Council of the District of Columbia adopted UPMIFA effective January 23, 2008. The revised GAAP is generally effective for fiscal years ending after December 15, 2008.

The University's Endowment (Endowment) includes approximately 1,100 individual endowment funds, as well as the investment real estate. 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 Board of Trustees of the University has approved management's interpretation of UPMIFA as enacted by the Council of the District of Columbia. UPMIFA requires 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.

As a result of this interpretation, 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 at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets 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:

(1) The duration and preservation of the fund

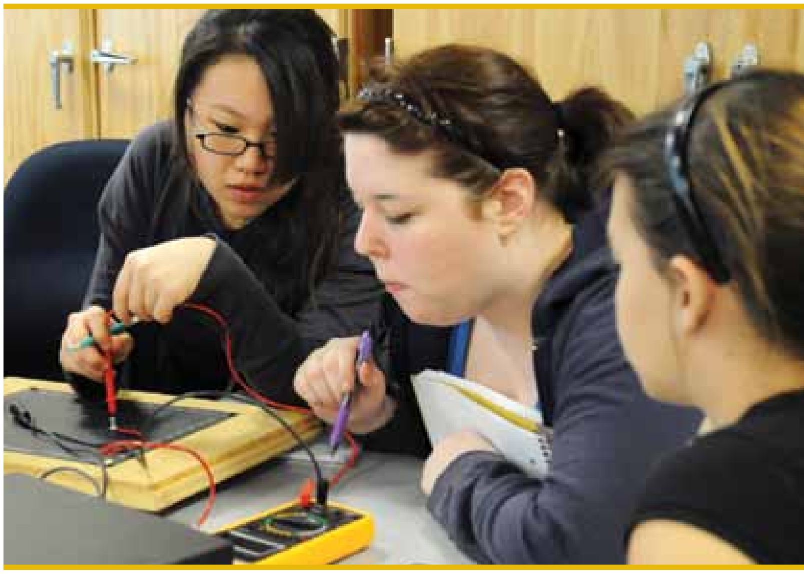
(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization



Endowment funds are categorized in the following net asset classes as of June 30:

(in thousands)	2009		2008	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$(10,165)	$720,502	$ –	$881,396
Temporarily Restricted	124,947	–	203,558	–
Permanently Restricted	175,909	–	171,477	–
Total endowment funds	$290,691	$720,502	$375,035	$881,396

Changes in endowment funds by net asset classification for the year ended June 30, 2009 are summarized as follows:

(in thousands)	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$881,396	$203,558	$171,477	$1,256,431
Investment return:				
Investment income	3,054	2,154	–	5,208
Net depreciation (realized and unrealized)	(148,918)	(72,277)	–	(221,195)
Administrative expenses	(4,522)	(3,188)	–	(7,710)
Total investment return	(150,386)	(73,311)	–	(223,697)
Contributions	5,819	13,728	1,711	21,258
Appropriations of assets for expenditure	(31,819)	(19,306)	–	(51,125)
Reinvestment of payout and internal transfers to endowments	5,327	278	2,721	8,326
Endowment net assets, end of year	$710,337	$124,947	$175,909	$1,011,193

Changes in endowment funds by net asset classification for the year ended June 30, 2008 are summarized as follows:

(in thousands)	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$893,779	$86,222	$167,451	$1,147,452
Net asset reclassification based on change in accounting principle	(130,591)	130,591	–	–
Endowment net assets after reclassification	763,188	216,813	167,451	1,147,452
Investment return:				
Investment income	3,664	3,200	–	6,864
Net depreciation (realized and unrealized)	(15,445)	(13,743)	–	(29,188)
Administrative expenses	(5,208)	(1,625)	–	(6,833)
Total investment return	(16,989)	(12,168)	–	(29,157)
Contributions	833	14,640	2,270	17,743
Appropriations of assets for expenditure	(30,791)	(17,002)	–	(47,793)
Other changes:				
Transfer of real estate property to investment property	162,200	–	–	162,200
Reinvestment of payout and internal transfers to endowments	2,955	1,275	1,756	5,986
Total other changes	165,155	1,275	1,756	168,186
Endowment net assets, end of year	$881,396	$203,558	$171,477	$1,256,431

ENDOWMENTS WITH ERODED CORPUS

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 $10.2 million as of June 30, 2009.

RETURN OBJECTIVES AND RISK PARAMETERS

The basic goal of the Endowment is to preserve and enhance its real purchasing power while providing a relatively predictable, stable, and constant stream of earnings to meet the needs endowment funds were established to support. 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. Specific investment objectives, approved by the Investment Committee of the Board of Trustees, are (1) to achieve an average annual rate of return, net of investment management fees, of at least 5% above inflation over complete market cycles, and (2) to control portfolio risk such that portfolio volatility is consistent with the broad equity market over complete market cycles.

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's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees. The portfolio is periodically rebalanced to the target weightings for each asset class. The Endowment's long time horizon and need to provide resources for current spending as well as preserve purchasing power calls for a bias towards equity and equity-like asset classes.

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 pooled endowment. In establishing this policy, the University considered the long-term expected return on its endowment.

Note 8 – Physical Properties

Physical properties are summarized as follows as of June 30:

(in thousands)	**2009**	**2008**
Land	$137,403	$136,430
Buildings	1,147,530	1,034,303
Building under capital lease	6,527	6,527
Accumulated depreciation	(381,318)	(350,822)
Total	$910,142	$826,438
Furniture and equipment	$255,813	$245,214
Equipment under capital leases	29,651	25,989
Accumulated depreciation	(205,212)	(188,853)
Total	$80,252	$82,350

The value of buildings includes the addition of capitalized interest of approximately $3.1 million and $1.1 million for the years ended June 30, 2009 and 2008, respectively.

The University spent $33.9 million on furniture and equipment for the year ended June 30, 2009, of which $20.3 million was capitalized and $13.6 million was expensed. For the year ended June 30, 2008, the University spent $31.1 million, of which $17.9 million was capitalized and $13.2 million was expensed.

Building depreciation expense was $31.4 million and $29.5 million for the years ended June 30, 2009 and 2008, respectively. Furniture and equipment depreciation expense was $22.4 million and $24.1 million for the years ended June 30, 2009 and 2008, respectively. These amounts include depreciation of $3.1 million and $4.0 million for the years ended June 30, 2009 and 2008, respectively, related to equipment under capital leases.

GAAP related to conditional asset retirement obligations 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 $.02 million and $0.4 million for the years ended June 30, 2009 and 2008, respectively. Accumulated depreciation is $0.4 million and $0.3 million for June 30, 2009 and 2008, respectively. The ARO liability is $2.0 million and $1.9 million as of June 30, 2009 and 2008, respectively, and is included under Accounts payable and accrued expenses on the Consolidated Statements of Financial Position.

Accretion expense for the ARO was $0.09 million and $0.08 million for the years ended June 30, 2009 and 2008, respectively. Depreciation expense for the ARO was $0.04 and $0.03 million for the years ended June 30, 2009 and 2008, 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)	**2009**	**2008**
Accrued building construction	$13,787	$12,767
Accrued interest expense	11,350	7,485
Accrued other expenses	16,198	11,688
Accrued payroll and related liabilities	42,012	42,073
Accumulated postretirement liability	23,867	20,969
Asset retirement obligation	1,984	1,934
Split interest agreements	6,414	6,826
Trade payables	12,839	18,499
Other payables	10,805	12,589
Total	$139,256	$134,830

Note 10 – Bonds and Notes Payable

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

(in thousands)	**2009**	**2008**
Bonds; 0.27% – 6.00%; maturing through 2032	$745,524	$555,554
Non-recourse notes payable; 4.955% – 5.90%; maturing through 2017; collateralized by real property	226,776	227,323
Unsecured notes payable; 3.00% – 5.00%; maturing through 2021	681	193
Total	$972,981	$783,070
Estimated fair value at June 30	$935,315	$743,511

Fair values for debt were determined by discounting the future stream of payments using interest rates currently available to the University.

In July 2008 and February 2009, the University renewed one-year bank lines of credit of $25 million and $60 million, respectively. In September 2008, the University entered into a three-year, $90 million line of credit agreement. In June 2009, a one-year $30 million line of credit expired. There were no amounts outstanding under lines of credit as of June 30, 2009 or 2008.

In October 2008, the University modified $167.7 million of Series 1999B/C variable rate demand bonds originally issued in January 2000. The existing bond insurance was cancelled and replaced with a direct pay bank letter of credit. No other modifications were made to the original Series 1999 bonds. In March 2009, the University issued $200.0 million in Series 2009 taxable, fixed rate bonds. Approximately $90.0 million of the proceeds were used to pay off a bank line of credit. The remainder will provide funding for general corporate purposes including capital projects.

There was no new debt issued by the University during the year ended June 30, 2008; however, in March 2008, the University converted $186.8 million of Series 2002A/B 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%.

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, $3.1 million and $2.3 million were included in Deposits with trustees at June 30, 2009 and 2008, respectively.

Interest expense was $39.9 million and $41.1 million for the years ended June 30, 2009 and 2008, respectively. These amounts include interest expense that relates to rental properties of $14.7 million and $14.8 million for the years ended June 30, 2009 and 2008, respectively, which are reflected within the Investment real property expense category. These amounts also include interest expense of $0.01 million and $1.1 million for the years ended June 30, 2009 and 2008, 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 $0.4 million and $0.5 million on capital leases for the years ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2010	$11,185
2011	11,828
2012	12,523
2013	13,252
2014	23,184
2015 and thereafter	901,009
Total	$972,981

The University established the Flexible Term Note Program (FTNP) for the financing of its capital needs. Prior to its termination in November 2008, the FTNP allowed for borrowings up to $200 million. There were no amounts outstanding under the program as of June 30, 2008. The notes were general unsecured obligations of the University. In conjunction with the University's FTNP, a group of banks entered into a credit agreement totaling $200 million. The credit agreement could have been 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 was in an amount sufficient to pay up to 125 days of interest. The credit agreements were cancelled upon the termination of the FTNP program in November 2008.

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

Fiscal Year Ending June 30	*(in thousands)*
2010	$19,360
2011	17,603
2012	16,168
2013	16,341
2014	15,413
2015 and thereafter	37,238
Total	$122,123

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)*
2010	$3,217
2011	1,302
2012	894
2013	306
Minimum lease payments	5,719
Less amount representing interest	(421)
Total	$5,298

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

Note 12 – Net Assets

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

(in thousands)	2009		2008	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$7,797	$ –	$4,448	$ –
Endowment funds	124,947	175,909	203,558	171,477
Loan funds	–	4,939	–	4,783
Pledges	40,919	1,716	27,807	1,808
Split interest agreements	1,865	23,285	3,786	29,692
Other	6,791	5,035	4,747	5,035
Total	$182,319	$210,884	$244,346	$212,795

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, 2009 and 2008, respectively:

(in thousands)	2009	2008
Instruction and academic support	$475,675	$445,224
Research and research support	148,073	159,559
Auxiliary enterprises	84,944	80,170
Student services	81,324	76,749
Institutional support	102,799	85,302
Independent operations	42,783	40,281
Student aid	17,748	15,983
Total	$953,346	$903,268

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

Costs related to the maintenance and operation of physical plant of $141.8 million and $132.4 million for the years ended June 30, 2009 and 2008, 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.

Technology costs of $51.2 million and $43.6 million for the years ended June 30, 2009 and 2008, respectively, are allocated to academic and institutional support 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.

Institutional Support expenses increased for the year ended June 30, 2009, due to expanded fundraising activities of $8.9 million, increased bad debt expense of $3.8 million (of which $2.5 million was related to pledges), and an increase in other technology related investments of $2.1 million. When adjusted for these items year on year Institutional Support spending as a percentage of total expenses remained unchanged.

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 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 $26.0 million and $24.0 million for the years ended June 30, 2009 and 2008, 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.

GAAP for postretirement benefit plans requires 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 unamortized transition obligation and net actuarial gains or losses as well as subsequent changes in the funded status are recognized as Postretirement related changes in the Consolidated Statement of Activities. The University's policy is to fund postretirement benefits as payments are made.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act) was signed into law in December 2003. The Act provides for special tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage. The University's postretirement health care plan currently meets Medicare's criteria for the tax-free subsidy because the University's plan provides for a higher level of reimbursement than Medicare. Effective for the year ended June 30, 2009, the University has recognized the effect of this subsidy in the calculation of its postretirement benefit obligation, the impact of which is to reduce the benefit obligation by $3.2 million at June 30, 2009.

The net periodic postretirement benefit costs for the years ended June 30, 2009 and 2008 consist of the following:

(in thousands)	**2009**	**2008**
Service cost – benefits earned during the year	$678	$850
Interest cost on accumulated benefit obligation	1,377	1,202
Amortization of net actuarial (gain)/loss	1,054	1,340
Amortization of transition (asset)/obligation	231	231
Net periodic benefit cost	$3,340	$3,623

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, 2009 and 2008 (using a measurement date of June 30):

(in thousands)	**2009**	**2008**
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated postretirement benefit obligation at beginning of year	$20,969	$20,527
Service cost	678	850
Interest cost	1,377	1,202
Net actuarial (gain)/loss	1,991	(622)
Plan participants' contributions	1,245	1,124
Benefits paid	(2,393)	(2,112)
Accumulated postretirement benefit obligation at end of year	23,867	20,969
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	–	–
Plan participants' contributions	1,245	1,124
Employer contributions	1,148	988
Benefits paid	(2,393)	(2,112)
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	$(23,867)	$(20,969)
Amounts not Recognized in Net Periodic Benefit Cost:		
Net actuarial loss	$10,411	$9,474
Transition obligation	1,382	1,613
Total	$11,793	$11,087

The following discount rates were used in calculating the above benefit obligations and net periodic benefit costs at June 30, 2009 and 2008, respectively:

	2009	2008
Net periodic benefit cost	6.75%	6.00%
Postretirement benefit obligation	6.25%	6.75%

The following changes were recognized in unrestricted net assets for the year ended June 30, 2009:

(in thousands)	
Current year net actuarial loss	$(1,991)
Amortization of net actuarial loss	1,054
Amortization of transition obligation	231
Total	$(706)

The following amounts are expected to be amortized from unrestricted net assets into net periodic benefit cost for the year ended June 30, 2010:

(in thousands)	
Amortization of net actuarial loss	$1,146
Amortization of transition obligation	231
Total	$1,377

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. The liability calculation as of June 30, 2009, above assumes a 8.0% increase in health care costs for the year ended June 30, 2010, with the rate of increase decreasing by 0.5% annually for the next six years to an ultimate trend rate of 5.0% thereafter. The liability calculation as of June 30, 2008, assumed 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)	2009	2008
Effect of a 1% increase:		
Postretirement benefit obligation	$2,884	$2,166
Net periodic benefit cost	297	255
Effect of a 1% decrease:		
Postretirement benefit obligation	$(2,434)	$(1,855)
Net periodic benefit cost	(247)	(213)

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)*	Before Medicare subsidy	Medicare subsidy	Net of Medicare subsidy
2010	$1,332	$266	$1,066
2011	1,453	295	1,158
2012	1,624	335	1,289
2013	1,788	389	1,399
2014	1,833	428	1,405
2015 – 2019 (total)	10,008	2,772	7,236

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. In addition, MFA leases certain office space, uses operational services, and provides academic support. Other income of approximately $9.0 million and $8.2 million was reported for the years ended June 30, 2009 and 2008, respectively. Approximately $22.0 million and $19.2 million in purchased services from the MFA were reported under various captions for the years ended June 30, 2009 and 2008, respectively. The University had an outstanding receivable balance due from MFA of $1.1 million and $0.7 million as of June 30, 2009 and 2008, respectively. The University had an outstanding payable balance due to MFA of $0.5 million and $0.6 million as of June 30, 2009 and 2008, respectively.

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'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, 2009 and 2008 was approximately $3.8 million and $3.7 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, 2009 and 2008. Accumulated amortization at June 30, 2009 and 2008 was approximately $13.6 million and $12.5 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. Other income of approximately $25.6 million and $25.5 million was reported for the years ended June 30, 2009 and 2008, respectively. Approximately $0.2 million in purchased services from the GW Hospital were reported under various captions for both of the years ended June 30, 2009 and 2008. The receivable from DHP for the unpaid balance of these services is $2.7 million and $2.3 million as of June 30, 2009 and 2008, respectively.

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Jill F. Kasle
University Marshal

Barbara C. Marshall
Director, Faculty Personnel

GENERAL COUNSEL

Beth Nolan
Senior Vice President and General Counsel

Charles K. Barber
Deputy General Counsel

Susan B. Kaplan
Senior Counsel for Labor Relations and Compliance

OFFICE OF RESEARCH

Leo M. Chalupa
Vice President for Research

Anne N. Hirshfield
Associate Vice President for Research

FACULTY SENATE

Elected Members:
Theodore M. Barnhill
Lisa M. Benton-Short
Douglas Boyce
Brian L. Biles
Michael S. Castleberry
Joseph J. Cordes
Michael D. Corry
David P. Costanza
Bruce Dickson
Miriam Galston
Jorge Garcia
Charles A. Garris, Jr.
William B. Griffith
Robert J. Harrington
Hermann J. Helgert
Peter J. Hotez
Diana E. Johnson
Peter F. Klaren
Diana L. Lipscomb
Scott B. Pagel
Donald O. Parsons
Margaret M. Plack
Scheherazade S. Rehman
Lilien F. Robinson
Gary L. Simon
Arthur E. Wilmarth, Jr.

Richard A. Windsor
Philip W. Wirtz

Administrative Member:
Steve Charnovitz
Parliamentarian

HEALTH AFFAIRS

John F. Williams
Provost and Vice President for Health Affairs

Josef Reum
Interim Dean, School of Public Health and Health Services

James L. Scott
Dean, School of Medicine and Health Sciences

Gerald H. Bass
Senior Associate Vice President for Health Economics

Astra Bain-Dowell
Associate Vice President for Medical Center Resource Management, Operations and Emergency Preparedness

Frank J. Cilluffo
Associate Vice President for Homeland Security

Melanie F. Gehen
Associate Vice President for Health Economics

Brian McGrath
Associate Vice President for Faculty and Educational Resources

Noel Salinger
Associate Vice President for Development, Medical Center

Leroy R. Charles
Assistant Vice President for Government Relations

Ronna Halbgewachs
Assistant Vice President for Planning and Health Affairs

Vacant
Assistant Vice President for Medical Center Media, Marketing and Communications

DEVELOPMENT AND ALUMNI RELATIONS

Vacant
Vice President for Development and Alumni Relations

Richard A. Collins
Associate Vice President for Development, Law School

Jane B. Kolson
Associate Vice President for Development, University Programs

John W. Kudless
Associate Vice President for Development, Principal Gifts

Jerome T. Posatko
Associate Vice President for Development, Operations

Adrienne A. Rulnick
Associate Vice President for Alumni Relations and Annual Giving

Noel Salinger
Associate Vice President for Development, Medical Center

Robyn G. Dickey
Assistant Vice President of Development, Events

STUDENT AND ACADEMIC SUPPORT SERVICES

Robert A. Chernak
Senior Vice President for Student and Academic Support Services

Linda Donnels
Associate Vice President for Student and Academic Support Services and Dean of Students

Johnnie T. Osborne
Associate Vice President and Chief Financial Officer for Student and Academic Support Services

Frederic A. Siegel
Associate Vice President and Dean of Freshmen

Helen Cannaday Saulny
Assistant Vice President for Student and Academic Support Services

Peter Konwerski
Assistant Vice President and Chief Administrative Officer for Student and Academic Support Services

Kathryn M. Napper
Executive Dean for Undergraduate Admissions

Daniel Small
Executive Director for Student Financial Assistance

DIVISION OF EXTERNAL RELATIONS

Lorraine Voles
Vice President for External Relations

Sarah Baldassaro
Assistant Vice President for Communications

Bernard Demczuk
Assistant Vice President for District of Columbia Relations

Paula Lawley
Assistant Vice President, Online Strategy and Experience

Michael P. Akin
Executive Director of Government, International and Community Relations

Michael N. Peller
Assistant Vice President for Events & Venues

SUMMARY OF FINANCIAL RESULTS AND ENROLLMENT

Financial Results

(in thousands)	Year End 2009	2008
Assets	$2,711,494	$2,736,919
Net Assets	$1,518,197	$1,737,052
(Decrease)/Increase in net assets	($218,855)	$144,175
Fair value of investments	$1,366,943	$1,620,536
Bonds and notes payable	$972,981	$783,070
Revenues	$735,197	$1,045,250
Expenses	$953,346	$903,268
Capital expenditures	$135,362	$70,855

Enrollment

	Academic Year End				
	2009	2008	2007	2006	2005
STUDENTS – FTE					
Undergraduate	9,892	9,969	10,102	9,991	10,173
Graduate	7,397	7,234	6,955	6,682	6,575
Law	1,853	1,851	1,833	1,772	1,729
Medical (MD)	716	704	683	669	668
Non-degree	313	350	381	395	411
Total fall enrollment	20,171	20,108	19,954	19,509	19,556
UNDERGRADUATE ADMISSIONS					
Applications	19,430	19,606	19,426	19,406	20,159
Selectivity ratio	37%	37%	38%	37%	38%
Matriculation ratio	34%	30%	33%	33%	35%
DEGREES CONFERRED					
Baccalaureate	2,428	2,485	2,209	2,335	2,421
Master's	3,611	3,461	3,108	3,241	3,151
First professional	717	683	685	659	634
Doctoral	294	273	264	278	245
GRADUATE ADMISSIONS					
Applications	12,645	12,718	11,741	11,423	11,520
Selectivity ratio	50%	52%	51%	51%	49%
Matriculation ratio	49%	48%	48%	47%	47%
LAW					
Applications	10,069	11,451	10,986	11,938	12,673
Selectivity ratio	26%	22%	25%	21%	19%
Matriculation ratio	30%	31%	26%	30%	29%
GRADUATE-MEDICAL CENTER					
Applications	3,230	2,289	1,883	1,675	1,523
Selectivity ratio	42%	49%	53%	51%	58%
Matriculation ratio	40%	48%	49%	51%	50%
MEDICINE (M.D.)					
Applications	10,315	10,213	11,159	10,195	9,534
Selectivity ratio	3%	3%	3%	4%	4%
Matriculation ratio	60%	57%	59%	50%	43%

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