2011–2012

FINANCIAL REPORT

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

ENGAGING THE WORLD

FROM THE NATION'S CAPITAL

The 2012 fiscal year was an impressive one for the George Washington University. Achievements in the academic, research and athletic arenas, innovative new facilities, and a focus on a sustainable and financially sound future paved the way for more success to come.

The university's applicant pool continues to be very strong. A record-breaking 21,700 prospective students applied for spots in the undergraduate class of 2016, and 33 percent were admitted. Diversity continues to be a focus with 10 percent of the class of 2016 being international students and close to 30 percent multicultural. Applications at the graduate level have also increased, growing 6.4 percent over last year.

George Washington continues to focus on containing the cost of attendance for its students. The university's program of fixed undergraduate tuition takes the guesswork out of educational financial planning for students and parents. The cost of a GW education, once set, remains constant for up to five years. Sixty-five percent of our undergraduate students receive financial aid. Of those students awarded need-based assistance, 94 percent receive grant aid.

The university's strong financial position has allowed continued investments in the future through innovative upgrades and additions to our physical infrastructure. These include the Science and Engineering Hall, a state-of-the-art structure that will double the space devoted to the science and engineering disciplines on campus. Construction started in fall 2011 with building occupancy planned for early 2015. George Washington also recently began construction of a new facility for the School of Public Health and Health Services, and a large-scale renovation of Ross Hall, home of the School of Medicine and Health Sciences, is also underway. All these structures will incorporate "green" features and will target, at minimum, Leadership in Energy and Environmental Design (LEED) Silver-level certification.

Market conditions in fiscal year 2012 created the opportunity for George Washington to add to its liquidity at historically low interest rates. This strategic borrowing gives the university flexibility for future capital needs while strengthening our balance sheet.

GW's Innovation Task Force, created in 2009 by President Steven Knapp to help make university operations more effective, efficient and innovative, has identified more than $43 million in savings and new sources of revenue. The funds will be reinvested in a wide range of academic and research programs across the institution.

The university is poised for a strong future, and now is a great time to be part of the George Washington University community. The following pages illustrate the highlights and achievements of the past year, as well as an overview of our priorities for continued success and growth, including the development of a new academic strategic plan that will guide the university for the decade to come.

Louis H. Katz
Executive Vice President and Treasurer

The university celebrated 100 years in Foggy Bottom in 2012.

BUILDING A STRONGER GW

CONTINUOUS INNOVATION

The university's Innovation Task Force (ITF), created by GW President Steven Knapp, has made swift progress since its October 2009 launch. Implementation planning is well underway for the 17 leading innovation ideas selected during the first three phases of the initiative. To date, $43.3 million in recurring annual savings and revenue enhancements has been identified toward the ITF's $60 million goal, and $11.2 million of ITF funds was budgeted for investment in the university's top academic priorities for fiscal year 2012.

The initiative, established by Dr. Knapp to help make university operations more effective, efficient and innovative, generates six top ideas every six months. Nearly 500 ideas have been generated, analyzed and vetted since the ITF's establishment. In April 2012, the GW community gathered at two university-wide Showcases of Ideas to weigh in on the top-ranked proposals under consideration by the Innovation Task Force. The dozen leading ideas ranged from online degree programs for military families and national service participants to a post-baccalaureate pre-health professional certificate. The ITF's goal at the end of a five-year period is to reach an investment level of an additional $60 million dollars per year and to double the impact of the current endowment.

The university continued its commitment to having world-class facilities, constructing and renovating state-of-the-art spaces on campus for learning, research and living.

In May 2012, the university broke ground for the new home of the School of Public Health and Health Services (SPHHS), which will be located off Washington Circle. The building will have approximately 115,000 square feet of research and classroom facilities and conference space to house more than 200 full- and part-time faculty members and 1,200 graduate and undergraduate students.

The facility will have seven floors above grade and two below and will be the first GW building visible to visitors who approach campus from Washington Circle and Pennsylvania Avenue. It will serve as a vital, central location for continued research and collaboration among scholars, government agencies and international public health institutions.

The SPHHS building will be constructed with a range of green and sustainable materials, and the project will target a minimum of Gold certification under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System.

Construction is also well underway on the Science and Engineering Hall after an October 2011 groundbreaking. Located between 22nd, 23rd, H and Eye streets, the building is expected to be completed in late 2014 for use beginning in the spring 2015 semester. It will nearly double the space available to faculty and students in GW's Columbian College of Arts and Sciences and School of Engineering and Applied Science, and will include cutting-edge lab space, classrooms, offices and conference rooms. The facility will include eight floors above grade and two floors below for programmatic use as well as four floors below grade for parking.

Plans are progressing for renovations to the entrance level of the Estelle and Melvin Gelman Library, focusing on making the library more modern and conducive to collaborative learning and technology use. The main library entrance will also be relocated from H Street to Kogan Plaza. Construction began in summer 2012 and will take place in several phases over the course of three years to minimize disruptions to library activities.

Plans are also underway on another key upgrade to the Gelman Library with the construction of a special ground-level facility for the National Churchill Library and Center at the George Washington University, which will be established by 2015. The Churchill Centre, a Chicago-based international educational organization devoted to preserving the legacy of Winston Churchill, agreed to establish the National Churchill Library and Center at GW through an $8 million pledge to the university in January 2012. The new facility will include a reading room, an exhibit gallery and special event space to host lectures, symposia and receptions. The Churchill Centre's pledge will also fund an endowed professorship in British history and a curator position.

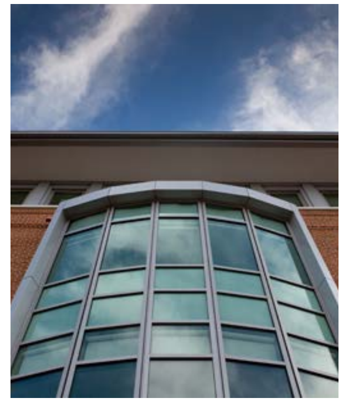
The university is constructing a new museum on its Foggy Bottom Campus, which will incorporate both a new signature building facing 21st Street and the historic Woodhull House facing G Street to provide 35,000 square feet of new space.

The new museum will include exhibits from the university's own collection of more than 3,900 items. In addition, the museum will provide a permanent home for the Albert H. Small Washingtoniana Collection—donated to the university in 2011 by Mr. Small. It will also exhibit selections from a collection of more than 19,000 pieces from The Textile Museum, which partnered with the university in 2011. The new museum will be named the George Washington University Museum and The Textile Museum.

In addition to the museum itself, the university will construct a new collections and conservation resource center dedicated to the study and care of the collections. This state-of-the-art center will be located on GW's Virginia Science and Technology Campus in Ashburn, Va.

In February 2012, GW officially reopened Ames Hall, located on the university's Mount Vernon Campus, after an extensive renovation. The building features 50,000 square feet for classrooms, faculty offices, student lounges and study rooms. Ames Hall now houses the largest classrooms on the Mount Vernon Campus—including a two-story lecture hall with tiered seating for 125 students—and is equipped with the latest technology, from LCD projectors and ceiling-mounted document cameras to interactive white boards and touch-screen control systems. The revamped Ames Hall houses a number of academic departments and programs, including the University Writing Program and the University Honors Program. In June 2012, the building was awarded LEED Gold certification.

Ross Hall, located at 2300 Eye Street and home of GW's School of Medicine and Health Sciences, is also undergoing a major renovation. Construction on the fifth and sixth floors of the building began in 2012 to create the Research Center for Neglected Diseases of Poverty, which will feature open, collaborative labs and a glass-enclosed stairwell on the northwest side facing the Eye Street Mall. The research center will be funded in part by a $15 million grant the university received in 2010 from the National Institutes of Health. Upgrades to the central utility plant in the basement levels will support the new research center, strengthen the infrastructure within Ross Hall and serve the future Science and Engineering Hall. Both projects began in late spring 2012 and completion is anticipated in late 2013 for the new research center and mid-to-late 2014 for the central utility plant.



The revamped Ames Hall earned LEED Gold certification in 2012.

Construction is underway on the state-of-the-art Science and Engineering Hall.

In May 2012, the university broke ground for a new building to house the School of Public Health and Health Services.

FOCUSING ON SUSTAINABILITY

The university continues to improve and refine its emphasis on sustainable practices in all areas of its operations, including building and construction projects, residence halls and food service and water use. In the past year, three GW buildings—the Charles E. Smith Center, Lafayette Hall and Ames Hall—were awarded LEED Gold certification. These buildings join GW's South and West Halls, which were awarded LEED Gold certification last year. All five buildings include features like energy-efficient roofs, windows and walls; water-efficient plumbing fixtures; and low-volatile organic compound (VOC) interior finishes (including carpet and paint) to reduce odor and irritants. The university plans to seek at least Silver-level certification for all new development projects and renovations.

GW launched a new minor in sustainability in February 2012, and students were able to begin working toward the 18-credit minor during fall semester 2012. Rather than being housed in one particular school, the sustainability minor will be overseen by the Office of the Provost and is open to all GW undergraduates, regardless of school or major. Faculty from across the university contributed to the curriculum design, which includes three separate tracks: environmental and earth systems; society and sustainability; and policy organization and leadership. Students will take at least three credits in each track, and will also complete a culminating experience, which could include an internship or capstone project.

In addition, GW President Steven Knapp, along with eight other D.C. university presidents, signed a sustainability pledge in February 2012 to reduce energy use and promote greener college campuses. The pledge, the first of its kind in the nation, is part of a partnership between the Consortium of Universities of the Washington Metropolitan Area and the District of Columbia. Each signatory institution has selected its own sustainability goals, and committed to begin implementing them by the end of the year. GW has pledged, among other goals, to improve its buildings' energy efficiency and reduce energy use by 35 percent per square foot and to purchase or generate at least 10 percent of total energy consumed from renewable sources.

On Earth Day 2012, Dr. Knapp also announced a new "ecosystem plan" to enhance the ecosystems affected by the university's footprint. The plan includes goals to increase natural space, create urban gardens on campus and increase the university's recycling rate to 50 percent. GW will strive to enhance the biological richness of its campuses and source products that reduce its impact on the climate, biodiversity and water. Under the plan, the university will also increase food sustainability by working with on-campus vendors to promote green practices and to increase the transparency of food sources.

The university celebrates Earth Day 2012.

The university's Grow Garden provides fresh fruit and vegetables for local nonprofit Miriam's Kitchen.

Students help garden on the university's annual Freshman Day of Service.

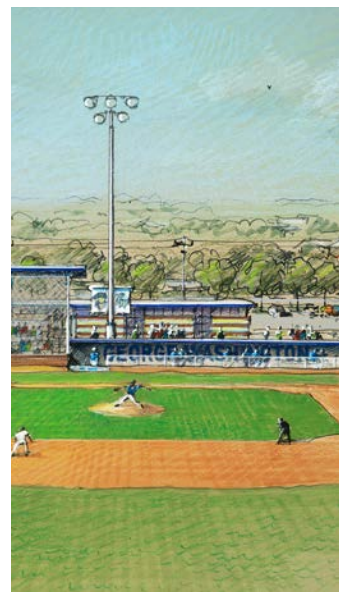
ENHANCING ATHLETICS AND WELLNESS

In February 2012, the university released a five-year strategic plan for the Department of Athletics and Recreation that strengthens and expands the university's commitment to athletics and health and wellness initiatives. The plan is the result of the university's year-long strategic review of athletics, including team operating budgets, scholarships, facilities and staffing.

The strategic plan calls for the continuation of appropriate renovations to the university's intercollegiate sports facilities. The Charles E. Smith Center was recently extensively renovated, the university has begun a renovation project on Barcroft Park for Colonials baseball, and the soccer and lacrosse field at the university's Mount Vernon Campus was replaced last summer. Resources enabling the replacement of all fields every 10 years have been built into the athletic department's budget.

In April 2012, GW's Director of Athletics and Recreation Patrick Nero announced that Jonathan Tsipis, former associate head coach and recruiting coordinator for women's basketball at the University of Notre Dame, had been hired as GW's next head women's basketball coach. Mr. Tsipis has been named one of CollegeInsider.com's top 10 assistant coaches in the nation and received BasketballScoop.com's Assistant Coach of the Year Award. Mr. Tsipis' student-athletes have excelled academically as well; 100 percent of his players at Notre Dame who used their four years of eligibility graduating.

President Steven Knapp welcomes new women's basketball coach Jonathan Tsipis.



Renovations are underway at Barcroft Park, the GW baseball team's home field.

SUCCESSFUL FUNDRAISING

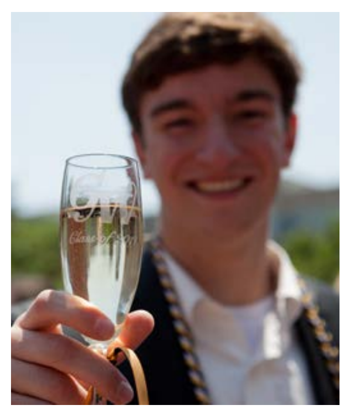
Fiscal year 2012 was an extremely successful one for fundraising, thanks to generous contributions from alumni, parents and friends of the university. The record-breaking total of $120.1 million is 6 percent higher than fiscal year 2011. Nineteen of these gifts were of $1 million or more.

Among the highlights was the Senior Class Gift Campaign where – spurred by a $50,000 challenge from trustee Nelson Carbonell, B.S. '85, and his wife, Michele – the class of 2012 shattered all previous senior class participation rates at 50.5 percent and raised a total of $93,492.

Significant gifts to the university in fiscal year 2012 included $25 million from the partnership with The Textile Museum and an $8 million gift from the Churchill Centre to establish the National Churchill Library and Center at the George Washington University.

A special point of pride for George Washington is 100 percent giving participation of the university leadership and the Board of Trustees, as well as the addition of 2,000 additional alumni benefactors.

Undergraduate alumni participation grew slightly to 9.2 percent. Overall, more than 13,000 alumni gave an annual gift to the university. In addition, more than 14,000 alumni connected with the university through various programs and the more than 400 alumni events held around the world.



The class of 2012 celebrated a record-breaking senior class gift at a special toast.


SCHOOL
CLASS OF 2015

President Bill Clinton with GW students Matthew Wilkins, Chris Deschenes and Jon Torrey, who were honored at the Clinton Global Initiative University for their "Panda Cycles" commitment, which aims to provide affordable and sustainable bamboo bikes.

KNOWLEDGE IN ACTION

At George Washington, teaching and research extend far beyond the classrooms and labs of the university's three campuses. Propelled by cutting-edge ideas, innovative partnerships and major research grants, the university continues a legacy of contribution and influence while reaching into new realms.

DISTINGUISHED SCHOLARS

In the 2011-12 academic year, GW students had the opportunity to learn from high-profile visiting professors and fellows, including an unprecedented inside look at the central banking system.

Marking the first time any sitting Federal Reserve chairman has participated in a lecture series at a university, Ben Bernanke delivered four guest lectures to undergraduate students as part of the seven-week course "Reflections of the Federal Reserve and its Place in Today's Economy." Dr. Bernanke addressed the mission of central banks, the creation of the Federal Reserve and the challenges it has faced throughout its history. The lectures were broadcast live and watched by viewers across the world.

The School of Media and Public Affairs hosted three fellows in the 2011-12 academic year as part of its mission to connect its students with nationally recognized experts in media, communications and politics. Former U.S. Sen. Bob Bennett (R-Utah), former White House videographer Arun Chaudhary, and P.J. Crowley, former assistant secretary of state for public affairs, interacted with students in lectures, class discussions, special events and seminars.

In February 2012, U.S. Supreme Court Justice Elena Kagan presided over the finals of the Law School's annual Jacob Burns Van Vleck Constitutional Law Moot Court Competition. Her appearance marked the fifth time in seven years that a U.S. Supreme Court justice has presided over GW's largest and longest-running advocacy contest.

Faculty and students received several prestigious grants, fellowships and honors over the past year.

In fall 2011, Martha Finnemore, professor of political science and international affairs, became GW's newest university professor, joining an elite group of the university's most distinguished faculty members. A university professorship is GW's highest faculty rank and recognizes outstanding scholarship. Dr. Finnemore is the second woman to receive the appointment, and there are only nine other university professors at GW.

Thomas Mallon, acclaimed author and director of GW's creative writing program, was elected to the American Academy of Arts & Sciences in 2012. In addition to being a leading honorary society, the academy is also a center for independent policy research. Members contribute to academy publications and studies of science and technology policy, energy and global security, social policy and American institutions, the humanities and culture, and education. Dr. Mallon is the author of eight books of fiction, including "Henry and Clara," "Fellow Travelers" and the recently published "Watergate: A Novel." His nonfiction works include "Stolen Words," "A Book of One's Own" and "Mrs. Paine's Garage."

Gayle Wald, chair of the English Department, was one of 181 scholars, artists and scientists out of nearly 3,000 applicants to be awarded a Guggenheim Fellowship. Thanks to the fellowship, Dr. Wald will be able to focus exclusively on research and writing for her latest book project, "'It's Been Beautiful': 'SOUL!' and Black Power Television." The book, which will be published by Duke University Press, will serve as a cultural history of the groundbreaking PBS show "SOUL!" which aired five seasons beginning in 1968 and showcased black performing arts.

Five GW researchers were awarded National Science Foundation Faculty Early Career Development (CAREER) grants in 2012. These prestigious awards, each worth approximately $400,000 over five years, are given to junior faculty members who excel at both research and teaching. The GW awardees—Andrei Alexandru, Yongsheng Leng, Gabriel Parmer, Guru Prasadh Venkataramani and Svetlana Roudenko—are researching critical areas in engineering, computers and mathematics.

Fifteen GW alumni and a doctoral student received Fulbright International Educational Exchange fellowships in the 2011-12 academic year, putting the university in the No. 12 spot nationally for total number of fellowships received. The 16 award recipients are examining a wide range of issues, including obesity, breast cancer and nuclear energy, in nations across the globe.

U.S. Supreme Court Justice Elena Kagan presided over the finals of the Law School's annual moot court competition.

Federal Reserve Chairman Ben Bernanke delivered four lectures to undergraduate students.

An acclaimed author and director of GW's creative writing program, Thomas Mallon was elected to the American Academy of Arts & Sciences in 2012.

GROUNDBREAKING RESEARCH

Earlier this year, the university's research ranking climbed into the nation's top 100 college and universities, according to the National Science Foundation's Survey of Research and Development Expenditures. GW has been elevated to No. 99, up from No. 133, which amounted to the third-largest jump among the top 150 schools.

Highlights in fiscal year 2012 include:

Mark Edberg, an associate professor in the Department of Prevention and Community Health in the School of Public Health and Health Services, received a grant worth $5 million from the National Institutes of Health (NIH) to study health disparities among the immigrant Latino population in Langley Park, Md. The five-year study will involve extensive work with community partner organizations to implement an intervention in the hopes of reducing instances of youth violence, sexual risk-taking and substance abuse.

GW Associate Professor of Clinical and Developmental Psychology Jody Ganiban received a nearly $3 million grant from the NIH to investigate the ways that children's genetic makeup, prenatal history and home environment collectively contribute to obesity. Dr. Ganiban and her team are tracking the growth of a nationwide cohort of 561 adopted children from birth through ages seven to nine and will assess both the children's birth and adoptive parents.

The Elliott School of International Affairs received a $2 million grant from the Carnegie Corporation of New York to expand research and scholarship on important global issues. The grant, the single largest the foundation has awarded to the Elliott School, will support three major research programs.

A research team led by Susie Lew, a professor of medicine and director of clinical services at GW's Medical Faculty Associates and medical director for the Acute Hemodialysis Unit at the GW Hospital, received a $1.9 million grant from the Centers for Medicare and Medicaid Services to improve the health outcomes of dialysis patients.

GW's Center for Equity and Excellence in Education (CEEE) received a nearly $1.9 million grant from the U.S. Department of Education's Office of English Language Acquisition for a project to improve instruction for rural English language learners in grades K-12. The research will be led by primary investigator Kristina Anstrom, a GW senior research scientist and assistant director of the CEEE.

Olga Acosta Price, associate professor of prevention and community health and director of GW's Center for Health and Healthcare in Schools, received a nearly $1.4 million grant from the Robert Wood Johnson Foundation to investigate programs and practices that advance social and emotional learning.

Thirty undergraduate students from across the university learned about the Federal Reserve firsthand from Chairman Ben Bernanke.

Professor Mark Edberg received a $5 million grant to study health disparities among the immigrant Latino population in Langley Park, Md.

FORGING PARTNERSHIPS

GW continues to build unique and lasting partnerships with universities and leading nonprofit institutions.

An unprecedented agreement with The Textile Museum will bring the museum's collections to the Foggy Bottom Campus, where they will be showcased in a custom-built, 35,000-square-foot museum at G and 21st streets.

Even before the museum's scheduled opening in 2014, the partnership is creating new opportunities for scholars and students. This spring, graduate fine arts students at GW had the chance to examine and analyze centuries-old textiles firsthand in a specially designed course. The museum also hosted its annual symposium at GW in October 2011, bringing world-renowned scholars to campus.

In fall 2011, GW's College of Professional Studies formed a partnership with Northern Virginia Community College to help NOVA students pursue GW degrees in the science, technology, engineering and mathematics (STEM) fields. The partnership creates a pathway for qualified NOVA students with an associate's degree in STEM fields to earn a GW bachelor's degree through CPS' bachelor's degree completion program in integrated information science and technology.

A new partnership between GW and the Dabney S. Lancaster Community College in Clifton Forge, Va., will enable nurses living in the Shenandoah Valley to earn a bachelor's or master's degree from GW's School of Nursing while still serving their home communities. GW's new associate's degree to master's degree online program offers two concentrations to prepare students to be either a family nurse practitioner or nurse midwife. The program will increase the number of primary care providers and provide more obstetric care in rural Virginia.

Through an agreement with Suzhou Industrial Park (SIP) in Jiangsu, China, GW will offer advanced degrees to Chinese students. The new educational opportunities will be provided initially through the GW School of Business and within the SIP's Suzhou Dushu Lake Science Education and Innovation District.

GW also forged a partnership with the University of Jordan in Aqaba, Jordan, lending its expertise in tourism to support the institution's new tourism and hospitality school.

And GW's Graduate School of Education and Human Development is now the new home of the Center on Education Policy, an internationally renowned source of information to guide educational improvement. Maria Voles Ferguson, formerly of the nonprofit Alliance for Excellent Education, will lead the center as its executive director.

GW President Steven Knapp and NOVA President Robert G. Templin Jr. announced a partnership between NOVA and GW's College of Professional Studies in September 2011.

A partnership with The Textile Museum is creating new opportunities for GW students.

PLANNING FOR THE FUTURE

The university is creating a new academic strategic plan, under the leadership of GW Provost Steven Lerman, to guide the next 10 years. Dr. Lerman created four working groups around globalization, governance and policy, innovation through interdisciplinary collaboration, and citizenship and leadership and gathered ideas from the university community. The result is dozens of concrete actions the university plans to take over the next decade, including hiring more interdisciplinary faculty; creating additional interdisciplinary research institutes; and admitting students to the university as a whole. The final plan will be released in February 2013.

The Office of the Vice President for Research has launched a new Research Advisory Board to provide advice and feedback for GW's research planning. The board's 13 members come from both within and outside the university and were invited by Leo Chalupa, vice president for research, for their broad experience and varied backgrounds.

Board members include Philip Bourne, a professor of pharmacology at the University of California, San Diego, and associate director of the RCSB Protein Data Bank; Alan Leshner, CEO of the American Association for the Advancement of Science and executive publisher of the journal "Science"; and Ferid Murad, GW university professor and Nobel laureate for medicine. Local and national organizations including the National Institutes of Health, the National Science Foundation, the Northern Virginia Technology Council and the GW Alumni Association are also represented.

The university will also be launching a new graduate degree program and a new center focused on cybersecurity research this fall. The School of Engineering and Applied Science will begin offering a master's of science in cybersecurity – the first of its kind in D.C. and one of only a handful among top U.S. universities. The program seeks to meet the rapidly increasing global demand for experts able to confront the growing threat of cyber crime.

GW hired 76 new faculty members in the past academic year, including 40 women and 15 members of underrepresented groups, enhancing the diversity of the faculty. New hires include Alex Pyron, who travels to the Amazon each summer to study firsthand the biodiversity of tropical snakes; Jay Shambaugh, a leading authority on international finance; and Paula Lantz, a renowned expert in public health and health policy.

The university also welcomed two new institute leaders: Mary Ellsberg to direct its new Global Women's Institute and Keith Crandall to head its Computational Biology Institute.

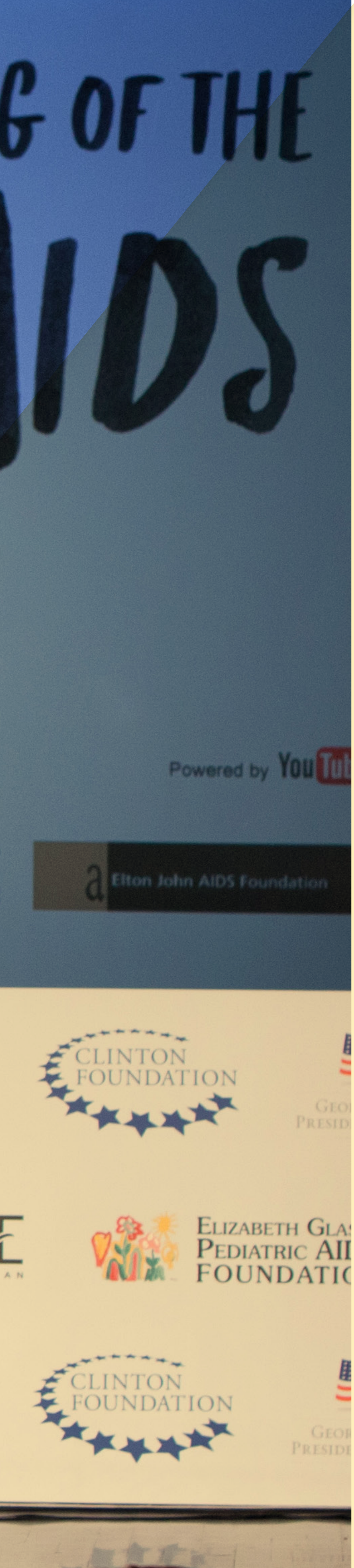
The goal of the Global Women's Institute is to enhance the roles of women and girls worldwide through research, teaching and engaged service in the areas of health, education, rights and security. Dr. Ellsberg is heading the institute's efforts in facilitating research collaborations and curriculum development and in developing financial support through grants and donations.

The Computational Biology Institute, which is still in the developmental stages, will eventually be located on the university's Virginia Science and Technology Campus. Dr. Crandall is a widely respected researcher who most recently served as chair of the biology department at Brigham Young University.

Renowned researcher Keith Crandall will head GW's new Computational Biology Institute.

Faculty, staff and students provided input in a series of meetings and a retreat for the university's new academic strategic plan.

The university hosted President Barack Obama, along with other world leaders, AIDS activists and celebrities on World AIDS Day 2011.



PASSION FOR CHANGING THE WORLD

Fulfilling a longstanding mission of service, GW students, faculty and alumni volunteer in local organizations and lend a hand across the nation and the globe. They host summits and conferences, joining policymakers, celebrities and even former presidents to effect change. And they give back to those who have given most—student veterans—by supporting their education. Through it all, they strive to leave a positive mark on the world.

BRINGING SERVICE LEADERS TOGETHER

GW hosted the fifth annual Clinton Global Initiative University (CGI U) in March 2012, which drew more than 1,000 college students from all 50 states, 82 countries and 300 universities to campus. Participants brought a "Commitment to Action"—a specific plan to address a problem—and learned how to implement it from speakers like President Bill Clinton and daughter Chelsea Clinton, former Secretary of State Madeleine Albright, musician Usher, Twitter cofounder Biz Stone and "Daily Show" host Jon Stewart.

At the conference's closing ceremony, GW students Chris Deschenes, Jon Torrey and Matthew Wilkins took first place after receiving the most votes for their "Panda Cycles" commitment, which aims to provide affordable and sustainable bamboo bikes to developing countries.

As the hosting university, GW made its own commitment through GW+Phones=Hope. The university, in partnership with the Hope Phones organization, collected used cell phones and portable electronic devices like laptops and iPods, recycling them to raise money to fund maternal and child health mobile technology projects in Africa and Nepal. The university also partnered with Washington Metropolitan Area Transit Authority to collect the devices at 15 Metro stations and distribute information about Text4baby, which supports mothers by providing accurate, text-length health information and resources in a personal and timely format.

The university hosted President Barack Obama on World AIDS Day, Dec. 1, 2011. At an event in Jack Morton Auditorium, the president, along with U2's Bono, musician Alicia Keys, CNN's Sanjay Gupta and a number of politicians and experts, emphasized the importance of HIV/AIDS education and ensuring treatment reaches the world's neediest communities. Former Presidents George W. Bush and Bill Clinton, as well as Tanzanian President Jakaya Kikwete, spoke via satellite.

SERVING THE COMMUNITY

In the 2011-12 academic year, the George Washington community logged a record 251,868 service hours. This is significantly more than the amount the university completed in 2010 when First Lady Michelle Obama challenged GW to fulfill 100,000 hours.

In the university's flagship service event, the annual Freshman Day of Service, held on Sept. 11, 2011, more than 2,000 students painted, gardened and cleaned at D.C. public schools, veterans' retirement homes and the National Park Service's Fort Dupont Park. In January 2012, on Martin Luther King Jr. Day of Service, more than 400 GW students beautified schools and D.C. community centers as part of the President's Interfaith and Community Campus Challenge.

The Center for Civic Engagement and Public Service helps students serve over the long term. The GW Neighbors Project connects 2,000 GW students to volunteer in more than 40 local nonprofits, and more than 300 students helped local elementary students improve their reading through D.C. Reads. The university's AmeriCorps Jumpstart program engaged 45 GW students in 300 hours of service over the year, helping preschool students in eight classrooms develop their literacy and cognitive skills.

George Washington student service is also academic. More than 1,000 GW students enrolled in over 40 service-learning courses in the 2011-12 academic year. Areas of study included urban geography, human services and GW's Interdisciplinary Student Community Patient Education Service (ISCOPES), which deployed 18 teams of students in yearlong community-designed projects to improve access and remove barriers to care.

GW's Public Service Grant Commission offers small grants to encourage and mobilize student-led service projects, and the Knapp Fellowship for Entrepreneurial Service-Learning, established in 2010 by Dr. Knapp and Diane Robinson Knapp, provides grants to help students make their entrepreneurial service-learning ideas real.

Continuing a strong tradition of service abroad, the university ranked first among the Peace Corps' list of medium-sized schools producing volunteers. Since the Peace Corps' inception in 1961, 1,094 GW alumni have served in the corps. GW has 78 alumni currently in service.

To help stimulate the local economy, GW hosted a job creation summit in September 2011, convening area business, educational institutions and community members to brainstorm initiatives that will create jobs and support business formation in the District's Ward 8.

On the 10th anniversary of the 9/11 terrorist attacks, thousands of GW students participated in the university's annual Freshman Day of Service.

GW+Phones=Hope collected cell phones and other portable electronic devices to fund maternal and child health mobile technology projects in Africa and Nepal.

SUPPORTING STUDENT VETERANS

The university, which has been recognized as "military friendly" by "G.I. Jobs" magazine, is furthering its longstanding commitment to veterans. Almost all student veterans in GW's Yellow Ribbon Program are now able to earn a degree at little or no cost, as the university increased its financial assistance for both undergraduate and graduate student veterans for the 2012-13 academic year. In the 2011-12 year, more than 900 student veterans were enrolled at GW, including more than 400 who applied to the Yellow Ribbon Program. About 70 percent of those students were enrolled in graduate programs.

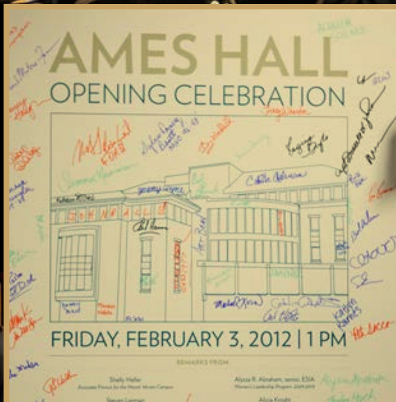
The university's 2011 Veterans Day ceremony in Kogan Plaza concluded GW's first Veterans Awareness Week.


keep a chil
alive


CLASS OF 2015


niversity
2012


THE GEORGE
WASHINGTON
UNIVERSITY


AMES HALL
OPENING CELEBRATION
FRIDAY, FEBRUARY 3, 2012 | 1 PM

REPORT
of Independent Auditors

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

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of unrestricted activities, consolidated statements of activities and consolidated statements of cash flows present fairly, in all material respects, the financial position of The George Washington University and its subsidiaries (the University) at June 30, 2012 and 2011, 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 consolidated 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
September 18, 2012

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2012 and 2011

(in thousands)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 498,972	$ 257,182
Deposits with trustees	3,076	3,032
Accounts receivable, net	56,452	67,658
Prepaid expenses	12,718	10,018
Pledges receivable, net	68,288	45,400
Investments	1,684,691	1,703,944
Loans and notes receivable, net	29,747	28,728
Physical properties, net:		
Land and buildings	1,043,575	982,041
Furniture and equipment	76,645	78,578
Other assets	9,992	33,611
Total assets	$ 3,484,156	$ 3,210,192
LIABILITIES		
Accounts payable and accrued expenses	$ 181,123	$ 170,152
Deferred revenue:		
Tuition and other deposits	30,489	28,640
Grants and contracts payments	13,910	14,065
Insurance reserves	8,771	6,373
Bonds and notes payable	1,390,181	1,102,119
Funds advanced for student loans	28,532	28,199
Total liabilities	1,653,006	1,349,548
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(23,513)	(23,470)
Unrestricted capital and investing	1,375,291	1,413,948
Total unrestricted	1,351,778	1,390,478
Temporarily restricted	255,393	248,976
Permanently restricted	223,979	221,190
Total net assets	1,831,150	1,860,644
Total liabilities and net assets	$ 3,484,156	$ 3,210,192

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2012 and 2011

(in thousands)

	2012		
	Operating	Capital and Investing	Total Unrestricted
REVENUE			
Student tuition and fees	$ 789,371	$ -	$ 789,371
Less: University funded scholarships	(220,409)	-	(220,409)
Net student tuition and fees	568,962	-	568,962
Grants and contracts			
Program funds	136,303	681	136,984
Indirect cost recoveries	21,027	-	21,027
Investment income (loss), net	31	(16,109)	(16,078)
Investment real property rents and appreciation	-	81,092	81,092
Change in value of split-interest agreements	-	(48)	(48)
Auxiliary enterprises	98,474	-	98,474
Contributions, net	11,963	436	12,399
Net assets released from restrictions	7,358	20,304	27,662
Medical education agreements	53,109	2,832	55,941
Other income	23,699	3,089	26,788
Total revenue	920,926	92,277	1,013,203
EXPENSES			
Salaries and wages	471,492	-	471,492
Fringe benefits	105,917	-	105,917
Purchased services	165,439	699	166,138
Supplies	13,587	4	13,591
Equipment	11,698	1,968	13,666
Bad debt	1,082	-	1,082
Occupancy	60,175	60,072	120,247
Investment real property expense	-	39,355	39,355
Scholarships and fellowships	17,590	-	17,590
Communications	5,083	-	5,083
Travel and training	24,548	2	24,550
Interest	4	34,944	34,948
Other	28,480	6,310	34,790
Total expenses	905,095	143,354	1,048,449
OTHER INCREASES (DECREASES) IN NET ASSETS			
Debt service and mandatory purposes	(51,288)	51,288	-
Endowment support	53,339	(54,447)	(1,108)
Capital expenditures	(18,168)	18,168	-
Postretirement related changes	-	(1,147)	(1,147)
Support/investment	243	(1,442)	(1,199)
Total other changes in net assets	(15,874)	12,420	(3,454)
Increase (decrease) in net assets	(43)	(38,657)	(38,700)
Net assets (deficit) at the beginning of the year	(23,470)	1,413,948	1,390,478
Net assets (deficit) at the end of the year	$ (23,513)	$ 1,375,291	$ 1,351,778

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

2011		
Operating	Capital and Investing	Total Unrestricted
$ 747,836	$ -	$ 747,836
(209,218)	-	(209,218)
538,618	-	538,618
145,593	657	146,250
21,641	-	21,641
226	97,422	97,648
-	134,612	134,612
-	135	135
96,903	-	96,903
11,652	455	12,107
5,919	29,838	35,757
46,926	2,832	49,758
24,417	3,345	27,762
891,895	269,296	1,161,191
465,124	-	465,124
104,843	-	104,843
162,408	603	163,011
13,376	18	13,394
10,434	1,158	11,592
491	-	491
57,212	68,431	125,643
-	38,167	38,167
18,130	-	18,130
5,252	-	5,252
22,085	11	22,096
-	31,236	31,236
24,206	4,339	28,545
883,561	143,963	1,027,524
(50,250)	50,250	-
52,112	(53,383)	(1,271)
(17,629)	17,629	-
-	7,775	7,775
5,832	(7,514)	(1,682)
(9,935)	14,757	4,822
(1,601)	140,090	138,489
(21,869)	1,273,858	1,251,989
$ (23,470)	$ 1,413,948	$ 1,390,478

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2012 and 2011

(in thousands)

	2012			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Student tuition and fees	$ 789,371	$ -	$ -	$ 789,371
Less: University funded scholarships	(220,409)	-	-	(220,409)
Net student tuition and fees	568,962	-	-	568,962
Grants and contracts				
Program funds	136,984	-	-	136,984
Indirect cost recoveries	21,027	-	-	21,027
Investment income (loss), net	(16,078)	(13,396)	7	(29,467)
Investment real property rents and appreciation	81,092	-	-	81,092
Change in value of split-interest agreements	(48)	(382)	(1,287)	(1,717)
Auxiliary enterprises	98,474	-	-	98,474
Contributions, net	12,399	47,787	1,811	61,997
Net assets released from restrictions	27,662	(27,662)	-	-
Medical education agreements	55,941	-	-	55,941
Other income	26,788	-	21	26,809
Total revenue	1,013,203	6,347	552	1,020,102
EXPENSES				
Salaries and wages	471,492	-	-	471,492
Fringe benefits	105,917	-	-	105,917
Purchased services	166,138	-	-	166,138
Supplies	13,591	-	-	13,591
Equipment	13,666	-	-	13,666
Bad debt	1,082	-	-	1,082
Occupancy	120,247	-	-	120,247
Investment real property expense	39,355	-	-	39,355
Scholarships and fellowships	17,590	-	-	17,590
Communications	5,083	-	-	5,083
Travel and training	24,550	-	-	24,550
Interest	34,948	-	-	34,948
Other	34,790	-	-	34,790
Total expenses	1,048,449	-	-	1,048,449
OTHER INCREASES (DECREASES) IN NET ASSETS				
Endowment support	(1,108)	(218)	1,326	-
Postretirement related changes	(1,147)	-	-	(1,147)
Support/investment	(1,199)	288	911	-
Total other changes in net assets	(3,454)	70	2,237	(1,147)
Increase (decrease) in net assets	(38,700)	6,417	2,789	(29,494)
Net assets at the beginning of the year	1,390,478	248,976	221,190	1,860,644
Net assets at the end of the year	$ 1,351,778	$ 255,393	$ 223,979	$ 1,831,150

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

2011			
Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 747,836	$ -	$ -	$ 747,836
(209,218)	-	-	(209,218)
538,618	-	-	538,618
146,250	-	-	146,250
21,641	-	-	21,641
97,648	55,478	11	153,137
134,612	-	-	134,612
135	987	3,306	4,428
96,903	-	-	96,903
12,107	34,047	504	46,658
35,757	(35,757)	-	-
49,758	-	-	49,758
27,762	-	20	27,782
1,161,191	54,755	3,841	1,219,787
465,124	-	-	465,124
104,843	-	-	104,843
163,011	-	-	163,011
13,394	-	-	13,394
11,592	-	-	11,592
491	-	-	491
125,643	-	-	125,643
38,167	-	-	38,167
18,130	-	-	18,130
5,252	-	-	5,252
22,096	-	-	22,096
31,236	-	-	31,236
28,545	-	-	28,545
1,027,524	-	-	1,027,524
(1,271)	(349)	1,620	-
7,775	-	-	7,775
(1,682)	1,327	355	-
4,822	978	1,975	7,775
138,489	55,733	5,816	200,038
1,251,989	193,243	215,374	1,660,606
$ 1,390,478	$ 248,976	$ 221,190	$ 1,860,644

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2012 and 2011

(in thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (29,494)	$ 200,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(2,564)	(406)
Depreciation, amortization and accretion expenses	61,061	66,999
Provision for bad debt	1,082	641
Change in value of split-interest agreements	1,717	(4,428)
Net unrealized (gain) loss on investments	3,504	(162,783)
Net realized (gain) on investments	(12,034)	(51,479)
(Increase) decrease in operating assets:		
Accounts receivable	10,118	(22,497)
Prepaid expenses	(2,700)	1,744
Pledges receivable	(22,888)	(9,378)
Deposits with trustees	(44)	(957)
Other assets	23,766	(5,340)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,962	18,700
Tuition and other deposits	1,849	(2,780)
Grants and contracts deferred revenue	(155)	3,143
Insurance reserves, net	2,398	(1,640)
Contributions restricted for long-term investment	(6,602)	(5,430)
Net cash provided by operating activities	32,976	24,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(376,383)	(381,554)
Proceeds from sales and maturity of investments	404,153	403,812
Purchases and renovations of land and buildings	(91,767)	(62,192)
Additions of furniture and equipment	(18,476)	(21,375)
(Increase) decrease in other loans and notes receivable	(513)	776
Net cash (used in) investing activities	(82,986)	(60,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	6,602	5,430
Principal payments and refinancing of bonds and notes payable	(63,123)	(11,817)
Proceeds from borrowings and refinancing of bonds and notes payable	350,000	100,000
Payments of debt issuance costs	(2,012)	(865)
Increase in refundable advances from the U.S. Government	333	342
Net cash provided by financing activities	291,800	93,090
Net increase in cash and cash equivalents	241,790	56,704
Cash and cash equivalents at the beginning of the year	257,182	200,478
Cash and cash equivalents at the end of the year	$ 498,972	$ 257,182
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 47,380	$ 43,049
Gross value of additions to capital leases	600	2,331
Note receivable on sale of real property	500	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – The University

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and reporting practices prescribed for not-for-profit entities. The consolidated statements include the accounts of The George Washington University and its wholly owned subsidiaries, Mount Vernon College, a tax-exempt Section 501(c)(3) supporting organization of the University and George Washington World Wide, LLC (GWWW). GWWW was formed in 2012 to support the University's work in China and other areas abroad. Significant intercompany transactions and balances have been eliminated.

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, other short-term, highly liquid investments, and collateralized interest-bearing repurchase agreements that are carried at fair value.

Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount currently insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation and, therefore, bear 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 the balance sheet date are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing as required by fair value measurement accounting standards. Allowance is made for uncollectible contributions based upon management's judgment after analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Self-Insurance

The University has a liability included as Insurance reserves based upon the estimated cost of asserted and unasserted malpractice claims for Residents in the University's Graduate Medical Education training program prior to 2007 and those of the Medical Faculty Associates (MFA) prior to their separate incorporation in 2000. Currently, malpractice claims for both groups are covered under professional liability insurance provided by the MFA. 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 4.28% and 4.56% for the years ended June 30, 2012 and 2011, 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 assets 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. The University's beneficial interests in charitable remainder trusts held by third parties are shown at present value which is calculated using the fair value of the trust assets at the measurement date, discounted based on various actuarial assumptions impacting the timing of cash flows. These beneficial interests are included in Investments (Note 5).

Accounts Receivable

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

Loans Receivable

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts, of $0.13 million for both years ended June 30, 2012 and 2011. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. 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.

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.

Physical Properties

Land is stated at cost or appraised value at date of donation; buildings, furniture, and equipment are stated at cost. Buildings, 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. 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.

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 that stipulate they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

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

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

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

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

Other Increases (Decreases) in Net Assets

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 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, 2012 and 2011.

Legally Restricted Balances

The University's federal loan programs have cash restricted as to their use of $2.6 million and $3.0 million as of June 30, 2012 and 2011, respectively.

Use of Estimates

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

Occupancy

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

Reclassifications to Prior Year Financial Statements

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

Subsequent Events

On July 2, 2012, the University issued 2012A Series taxable, 1.827% fixed-rate bonds in the amount of $168 million. The proceeds of these bonds were used to redeem the Series 1999B/C bonds on August 1, 2012 as described in Note 10.

The University has performed an evaluation of subsequent events through September 18, 2012, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2012.

Note 3 – Accounts Receivable

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

(in thousands)	2012	2011
Grants and contracts	$ 14,489	$ 20,383
Student tuition and fee accounts	18,189	15,137
Medical resident FICA tax refund receivable	12,944	26,886
Due from hospital limited partnership	6,697	3,646
Due from affiliation agreements	3,621	3,345
Other	3,055	1,031
Allowance for doubtful accounts	(2,543)	(2,770)
Total	$ 56,452	$ 67,658

Note 4 – Pledges Receivable

Pledges receivable are summarized as follows as of June 30:

(in thousands)	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 27,041	$ 19,673
One year to five years	51,392	31,508
More than five years	1,216	1,956
Subtotal	79,649	53,137
Allowance for uncollectible pledges	(4,070)	(3,410)
Unamortized discount to present value	(7,291)	(4,327)
Total	$ 68,288	$ 45,400

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, 2012 and 2011, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $131 million and $120 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)	2012	2011
Cash and cash equivalents	$ 58,126	$ 59,312
Equity – global	328,068	333,602
Equity – strategic (private, long-term)	276,311	265,960
Fixed income – asset-backed securities	9,739	17,950
Fixed income – convertible bonds	52,520	55,122
Fixed income – corporate debt securities	37,664	53,907
Fixed income – credit funds	22,029	66,401
Fixed income – municipal bonds	795	4,335
Fixed income – mutual funds	3,073	3,326
Real estate	793,312	748,688
Split-interest agreements – GW as trustee	11,948	11,214
Split-interest agreements – trusts held by others	25,284	24,922
Deferred compensation plan assets	20,551	18,333
Other	45,271	40,872
Total	$ 1,684,691	$ 1,703,944

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, 2012 and 2011, and therefore has not been accounted for in the financial statements.

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

(in thousands)	2012	2011
Interest and dividends	$ 10,584	$ 10,176
Net gains (losses) on investments carried at fair value	(40,840)	138,938
Net gains on investments carried at other than fair value	9,183	12,370
Administrative expenses	(8,394)	(8,347)
Total	$ (29,467)	$ 153,137

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

(in thousands)	2012	2011
Real property rents	$ 57,827	$ 58,391
Net unrealized appreciation	47,146	69,010
Lease receivable	(23,881)	7,211
Total	$ 81,092	$ 134,612

The University holds two ground leases with a private developer for the redevelopment of Square 54, the former site of the GW Hospital. The project has created 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. The lease terms call for escalating payments in subsequent years. For the year ended June 30, 2011, rental income was recognized on a straight-line basis over the life of the arrangement and was included in Investment real property rents and appreciation. This treatment resulted in a lease receivable accumulating in the early years of the lease term as the income recorded exceeded the cash payments received. As of June 30, 2011, a lease receivable of $23.9 million was included in Other assets in the Consolidated Statements of Financial Position. During the year ended June 30, 2012, the University ceased applying the straight-line accounting to rents under the ground leases. This change resulted in removal of the lease receivable from Other assets and was not material to the University's operations.

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $22.9 million and $24.8 million as of June 30, 2012 and 2011, respectively. The University also holds a 20% interest in District Hospital Partners, L.P., accounted for under the equity method, which is included in Other investments, valued at $33.0 million and $28.8 million as of June 30, 2012 and 2011, respectively.

Note 6 – Fair Value

The University determines fair value in accordance with fair value measurement accounting standards. These standards establish a framework for measuring fair value and a fair value hierarchy based on the observability of inputs used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The 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:

(in thousands)	2012		2011	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Items reported at fair value	$ 498,937	$ 1,615,859	$ 251,173	$ 1,635,741
Items not subject to fair value reporting	35	68,832	6,009	68,203
Total	$ 498,972	$ 1,684,691	$ 257,182	$ 1,703,944

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:

(in thousands)	2012			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 498,937	$ -	$ -	$ 498,937
Investments:				
Cash equivalents	56,812	1,314	-	58,126
Equity – global	226,143	-	101,260	327,403
Equity – strategic (private, long-term)	-	-	276,311	276,311
Fixed income – asset-backed securities	-	9,739	-	9,739
Fixed income – convertible bonds	-	52,520	-	52,520
Fixed income – corporate debt securities	-	37,664	-	37,664
Fixed income – credit funds	-	16,874	5,155	22,029
Fixed income – municipal bonds	-	795	-	795
Fixed income – mutual funds	3,073	-	-	3,073
Real estate	-	-	770,416	770,416
Split-interest agreements – GW as trustee	11,948	-	-	11,948
Split-interest agreements – trusts held by others	-	-	25,284	25,284
Deferred compensation plan assets	8,526	8,122	3,903	20,551
Total investments reported at fair value	306,502	127,028	1,182,329	1,615,859
Total assets reported at fair value	$ 805,439	$ 127,028	$ 1,182,329	$ 2,114,796

(in thousands)	2011			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 251,173	$ -	$ -	$ 251,173
Investments:				
Cash equivalents	57,430	138	-	57,568
Equity – global	136,138	129,983	66,691	332,812
Equity – strategic (private, long-term)	-	-	265,960	265,960
Fixed income – asset-backed securities	-	17,950	-	17,950
Fixed income – convertible bonds	-	55,122	-	55,122
Fixed income – corporate debt securities	-	53,907	-	53,907
Fixed income – credit funds	-	59,303	7,098	66,401
Fixed income – municipal bonds	-	4,335	-	4,335
Fixed income – mutual funds	3,326	-	-	3,326
Real estate	-	-	723,891	723,891
Split-interest agreements – GW as trustee	11,214	-	-	11,214
Split-interest agreements – trusts held by others	-	-	24,922	24,922
Deferred compensation plan assets	6,863	8,075	3,395	18,333
Total investments reported at fair value	214,971	328,813	1,091,957	1,635,741
Total assets reported at fair value	$ 466,144	$ 328,813	$ 1,091,957	$ 1,886,914

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 judgments and 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. Cash equivalents as of June 30, 2012 also include a bank repurchase agreement valued at $5.1 million collateralized by bank-owned securities issued by the U.S. Government or agencies thereof. Cash equivalents are priced using independent market prices in the primary trading market and are classified as either Level 1 or Level 2 based on the availability of quotes for identical or similar assets, respectively.

- **Equity investments** – Equity investments include, but are not limited to, separately held accounts, shares in commingled 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 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, 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 in the near term, and require no adjustment to the manager-provided valuation typically are classified as Level 2. Limited partnerships and other nonredeemable funds or funds not redeemable in the near term are typically 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 are limited options 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 judgments and 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 valuations calculated on accounting bases other than U.S. GAAP fair value.

- **Fixed income securities** – These assets include, but are not limited to, asset-backed securities, convertible bonds, corporate debt, investment funds with fixed income portfolios, 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 less active markets, they are typically categorized as Level 2. Investment funds that are not publicly traded may be categorized as Level 2 or 3 depending upon redemption terms.

- **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 is 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, Level 2, or Level 3 based on the observability of pricing inputs for the investment vehicles. Funds that are publicly traded are categorized as Level 1, while Level 2 assets include funds which are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets include annuity contracts issued by insurance companies.

The University follows guidance that allows investment funds without a readily determinable fair value to report NAV as the fair value measurement if certain criteria are met. This guidance requires additional disclosures related to these investment funds. Accordingly, the fair values of the following investment funds have been estimated using reported NAV:

(in thousands)	2012				2011
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	Fair Value
Equity – global	$ 116,264	$ 2,800	Daily to quarterly	30 to 120 days	$ 195,760
Equity – strategic (private, long-term)	276,311	137,162	Redemption not permitted during life of fund	N/A	265,960
Fixed income – credit funds	22,029	-	Monthly	10 days	66,401
Total	$ 414,604	$ 139,962			$ 528,121

- **Equity–global** – These funds are primarily composed of publicly traded developed and emerging-market stocks, long/short equity, market neutral equity, short-biased equity, equity hedges with options, futures or swaps, global macro, Master Limited Partnerships (MLP's), Real Estate Investment Trusts (REITS), exchange-traded funds, convertible bonds and preferred stock. Approximately 7% of these are in liquidation and distributions are anticipated over the next 1-5 years as the underlying assets are sold. Approximately 13% of these assets are currently locked up for up to 3 years.

- **Equity – strategic (private, long-term)** – These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, controlling distressed debt, infrequently traded small-capitalization and micro-capitalization securities. Distributions from the majority of these investments are received through the liquidation of the underlying assets. It is estimated that approximately 65% of the underlying assets will be liquidated within 10 years.

- **Fixed income – credit funds** – These funds are primarily composed of bank loans, levered loans, debtor-in-possession (DIP) loans, liquid distressed debt, loan origination, high-yield bonds, emerging-market debt, and asset-backed securities. Approximately 23% of these assets are in liquidation with distributions anticipated over the next 1-5 years as the underlying assets are sold.

Changes in Level 3 Assets – for years ended June 30:

(in thousands)	2012					
	Equity – global	Equity – strategic (private, long-term)	Fixed income – credit funds	Real estate	Split-interest agreements – trusts held by others	Deferred compensation plan assets
Beginning of year	$ 66,691	$ 265,960	$ 7,098	$ 723,891	$ 24,922	$ 3,395
Net realized/unrealized gains (losses)	(1,831)	(4,879)	368	46,739	(1,068)	96
Purchases/additions	-	45,669	-	1,101	1,811	412
Sales	(21,104)	(30,439)	(2,639)	(1,315)	(381)	
Transfers into Level 3	57,504	-	328	-	-	-
End of year	$ 101,260	$ 276,311	$ 5,155	$ 770,416	$ 25,284	$ 3,903
Total net gains (losses) included in earnings attributable to the change in net unrealized gains (losses) for assets still held at June 30, 2012	$ (2,507)	$ (14,870)	$ 220	$ 46,768	$ (1,148)	$ -

(in thousands)	2011					
	Equity – global	Equity – strategic (private, long-term)	Fixed income – credit funds	Real estate	Split-interest agreements – trusts held by others	Deferred compensation plan assets
Beginning of year	$ 41,564	$ 238,604	$ 17,944	$ 655,765	$ 22,183	$ 2,836
Net realized/unrealized gains (losses)	10,921	53,739	(145)	68,126	2,707	72
Purchases/additions	20,000	41,620	-	-	32	487
Sales	(10,815)	(68,003)	(10,701)	-	-	-
Transfers into Level 3	5,021	-	-	-	-	-
End of year	$ 66,691	$ 265,960	$ 7,098	$ 723,891	$ 24,922	$ 3,395
Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2011	$ 9,988	$ 25,902	$ 3,373	$ 68,126	$ 2,707	$ -

Transfers into and out of Level 3 are typically the result of a change in the observability of significant valuation inputs required by various models. There were no transfers between Level 1 and Level 2 for the years ended June 30, 2012 and 2011.

Realized/unrealized gains (losses) on Level 3 assets included in changes in net assets are reported in revenues for the years ended June 30 as follows:

(in thousands)	2012			2011		
	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements
Total net gains (losses) included in changes in net assets	$ (6,749)	$ 47,146	$ (1,068)	$ 63,631	$ 69,010	$ 2,707
Change in net unrealized gains (losses) relating to assets still held at June 30	$ (17,535)	$ 47,146	$ (1,148)	$ 38,379	$ 69,010	$ 2,707

Note 7 – Endowment

The University's Endowment (Endowment) includes approximately 1,175 individual endowment funds, as well as the real estate investment properties. 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 approved management's interpretation of the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) in the period it was 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)	2012		2011	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$ (5,881)	$ 947,764	$ (2,056)	$ 949,315
Temporarily restricted	176,248	-	199,421	-
Permanently restricted	187,761	-	184,420	-
Total endowment funds	$ 358,128	$ 947,764	$ 381,785	$ 949,315

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

(in thousands)	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 947,259	$ 199,421	$ 184,420	$ 1,331,100
Investment return:				
Investment income	25,221	3,128	-	28,349
Net appreciation (depreciation) (realized and unrealized)	20,061	(13,385)	-	6,676
Administrative expenses	(5,282)	(3,112)	-	(8,394)
Total investment return	40,000	(13,369)	-	26,631
Contributions	1,485	9,159	2,078	12,722
Appropriations of assets for expenditure	(47,410)	(19,297)	-	(66,707)
Reinvestment of payout and internal transfers to endowments	549	334	1,263	2,146
Endowment net assets, end of year	$ 941,883	$ 176,248	$ 187,761	$ 1,305,892

(in thousands)	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 816,567	$ 145,358	$ 181,656	$ 1,143,581
Investment return:				
Investment income	25,116	3,660	-	28,776
Net appreciation (realized and unrealized)	152,579	56,046	-	208,625
Administrative expenses	(4,907)	(3,440)	-	(8,347)
Total investment return	172,788	56,266	-	229,054
Contributions	2,751	16,060	1,238	20,049
Appropriations of assets for expenditure	(45,295)	(18,535)	-	(63,830)
Reinvestment of payout and internal transfers to endowments	448	272	1,526	2,246
Endowment net assets, end of year	$ 947,259	$ 199,421	$ 184,420	$ 1,331,100

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 $5.9 million and $2.1 million as of June 30, 2012 and 2011, respectively.

Return Objectives and Risk Parameters

The goal of the Endowment is to preserve and enhance its purchasing power while providing a relatively predictable and stable source of income to meet the needs that 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, to be realized over complete market cycles, are: (1) to achieve an average annual rate of return, net of investment management fees and expenses, of at least 5% above inflation, and (2) to control portfolio risk such that portfolio volatility is consistent with the broad equity market.

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 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)	2012	2011
Land	$ 150,682	$ 139,353
Buildings	1,277,164	1,204,737
Construction in progress	87,234	90,397
Building under capital lease	6,527	6,527
Accumulated depreciation	(478,032)	(458,973)
Total	$ 1,043,575	$ 982,041
Furniture and equipment	$ 116,628	$ 117,076
Library and historical research materials	86,713	88,722
Equipment under capital leases	8,911	23,636
Accumulated depreciation	(135,607)	(150,856)
Total	$ 76,645	$ 78,578

The value of buildings includes the addition of capitalized interest of approximately $1.9 million and $1.2 million as of June 30, 2012 and 2011, respectively.

Furniture and equipment expenditures for the years ended June 30 totaled:

(in thousands)	2012	2011
Capitalized	$ 18,868	$ 20,993
Expensed	13,666	11,592
Total	$ 32,534	$ 32,585

Depreciation expense is summarized as follows as of June 30:

(in thousands)	2012	2011
Buildings	$ 37,370	$ 43,575
Furniture and equipment	18,208	19,110
Equipment under capital leases	2,271	2,591
Total	$ 57,849	$ 65,276

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. There were no asset retirement obligations capitalized for the years ended June 30, 2012 and 2011. Accumulated depreciation totaled $0.5 million for both years ended June 30, 2012 and 2011. The ARO liability is included in Accounts payable and accrued expenses (Note 9).

Accretion expense for the ARO was $0.10 million and $0.21 million for the years ended June 30, 2012 and 2011, respectively. Depreciation expense for the ARO was $0.04 million for both years ended June 30, 2012 and 2011 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)	2012	2011
Accrued building construction payable	$ 21,690	$ 14,553
Accrued interest payable	15,598	13,298
Accrued other liabilities	17,860	15,201
Accrued payroll and related liabilities	62,506	63,402
Accumulated postretirement liability	20,422	18,902
Asset retirement obligation	1,524	1,724
FICA refund due to medical residents	13,214	13,065
Split-interest agreements	6,731	6,219
Trade payables	11,757	13,265
Other payables	9,821	10,523
Total	$ 181,123	$ 170,152

Note 10 – Bonds and Notes Payable

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

(in thousands)	2012			2011
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Tax-exempt bonds:				
Series 1999B/C	9/15/2029	Variable 0.28%	$ 167,730	$ 167,730
Series 2001A	--	--	-	50,305
Taxable bonds:				
2002 Series A/B	9/15/2032	Fixed 5.095%	172,800	176,600
2007 Series General Obligation	2/01/2017	Fixed 5.3%	50,000	50,000
2009 Series General Obligation	2/01/2019	Fixed 6.0%	200,000	200,000
2010 Series General Obligation	9/15/2020	Fixed 4.65%	124,060	131,240
2011 Series General Obligation	9/15/2021	Fixed 4.452%	100,000	100,000
2011A Series General Obligation	9/15/2021	Fixed 3.576%	50,000	-
2012 Series General Obligation	9/15/2022	Fixed 3.485%	300,000	-
Non-recourse debt:				
Notes payable – secured by real estate	3/11/2017	Fixed 5.9%	200,000	200,000
Notes payable – secured by real estate	5/11/2014	Fixed 5.703%	9,664	9,977
Notes payable – secured by real estate	7/11/2015	Fixed 4.955%	15,285	15,612
Unsecured notes payable	5/01/2021	Fixed 3-5%	642	655
Total			$ 1,390,181	$ 1,102,119
Estimated fair value at June 30			$ 1,495,898	$ 1,159,858

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

In March 2012, the University issued $300 million in Series 2012 taxable, fixed-rate bonds. The proceeds provide funding for general University purposes including capital projects. In August 2011, the University issued $50 million in Series 2011A taxable, fixed-rate bonds. The proceeds were used to refund the Series 2001A tax-exempt, fixed-rate bonds. In March 2011, the University issued $100 million in Series 2011 taxable, fixed-rate bonds. The proceeds provided funding for general University purposes including capital projects.

As described in Note 2, the Series 1999B/C bonds were redeemed on August 1, 2012 with the proceeds from the 2012A Series taxable, 1.827% fixed-rate bonds issued by the University on July 2, 2012 in the amount of $168 million.

As of June 30, 2012 the University has two renewable available lines of credit with a national bank totaling $150 million. These lines of credit have variable interest rates and expire in 2013 and 2014. There were no amounts outstanding under lines of credit at June 30, 2012 or 2011.

In conjunction with a line of credit, which expired during the year ended June 30, 2012, the University agreed to maintain a portion of its working capital on deposit with the bank in return for more favorable pricing on the line of credit. Under this arrangement, commonly known as a compensating balance requirement, the University was required to maintain a minimum average daily balance of $4.0 million in deposits during the term of the line of credit. The University was in compliance with this requirement throughout the life of this facility.

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 $3.0 million were included in Deposits with trustees at June 30, 2012 and 2011, respectively. Other assets include unamortized debt issuance costs of $7.6 million and $7.3 million as of June 30, 2012 and 2011, respectively.

Interest expense included the following items for the years ended June 30:

(in thousands)	Expense Category	2012	2011
Bonds/notes payable	Interest	$ 34,821	$ 31,045
Rental property	Investment real property	14,732	14,781
Capital leases	Interest	127	191
Total		$ 49,680	$ 46,017

As of June 30, 2012, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2013	$ 12,317
2014	22,203
2015	13,592
2016	28,335
2017	264,896
Thereafter	1,048,838
Total	$ 1,390,181

The 2002 Series A/B bonds have a fixed interest rate through March 2013. At the end of the fixed rate period, the University, in consultation with its remarketing agent, will determine a new interest rate mode and execute the appropriate conversion. The scheduled principal payments reflected in the debt maturity schedule above are not affected by an interest rate mode conversion.

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 noncancelable operating leases expiring at various dates through 2026. Rent expense under operating leases totaled $27.8 million and $26.2 million for the years ended June 30, 2012 and 2011, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	*(in thousands)*
2013	$ 24,818
2014	22,724
2015	16,258
2016	15,252
2017	7,389
Thereafter	23,554
Total	$ 109,995

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)*
2013	$ 1,538
2014	469
2015	194
2016	35
Minimum lease payments	2,236
Less amount representing interest	(69)
Total	$ 2,167

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

Note 12 – Net Assets

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 that stipulate they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

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

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

(in thousands)	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$ 4,996	$ -	$ 3,729	$ -
Endowment funds:				
Instruction & academic support	116,589	120,738	131,989	118,321
Student aid	56,576	65,425	63,852	64,501
Building funds	829	632	981	632
Other endowments	2,254	966	2,599	966
	176,248	187,761	199,421	184,420
Loan funds	-	3,528	-	3,587
Pledges:				
Instruction & academic support	34,431	1,036	12,844	447
Student aid	9,794	294	9,699	337
Building funds	9,490	285	5,340	186
Other pledges	3,729	144	4,036	127
	57,444	1,759	31,919	1,097
Split-interest agreements	4,770	25,896	3,023	27,051
Other	11,935	5,035	10,884	5,035
Total	$ 255,393	$ 223,979	$ 248,976	$ 221,190

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:

(in thousands)	2012	2011
Instruction and academic support	$ 547,939	$ 533,052
Research and research support	140,377	143,254
Auxiliary enterprises	92,964	92,598
Student services	89,342	86,878
Institutional support	117,504	111,128
Independent operations	39,968	39,104
Student aid	20,355	21,510
Total	$ 1,048,449	$ 1,027,524

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

Costs related to the maintenance and operation of physical plant of $163.1 million and $161.6 million for the years ended June 30, 2012 and 2011, respectively, include depreciation of plant assets and interest on plant debt. These costs are allocated among program and supporting activities based upon periodic inventories of facility square foot usage. Interest on plant debt is allocated based on the percentage of actual interest expense attributable to properties.

Technology costs of $54.6 million and $56.1 million for the years ended June 30, 2012 and 2011, 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.

Note 14 – Retirement Plans and Postretirement Benefits

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

The plan consists of both a noncontributory and a matching component. All eligible participants receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the program, the University contributes an additional amount equal to 1½% for each 1% of eligible compensation contributed by the employee, but not to exceed an amount equal to 6% of the participant's eligible compensation. Participants are immediately fully vested in both types of the University's contributions. Eligible participants direct the investment of contributions made on their behalf. For eligible participants who do not provide investment direction for contributions, the University contributions are invested in a Qualified Default Investment Alternative based on the expected year of retirement. University contributions to the retirement plan amounted to $31.3 million and $31.2 million for the years ended June 30, 2012 and 2011, 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 net periodic postretirement benefit costs for the years ended June 30 consist of the following:

(in thousands)	2012	2011
Service cost – benefits earned during the year	$ 411	$ 892
Interest cost on accumulated benefit obligation	1,005	1,247
Amortization of net actuarial loss	-	897
Amortization of transition obligation	231	231
Net periodic benefit cost	$ 1,647	$ 3,267

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 (using a measurement date of June 30):

(in thousands)	2012	2011
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 18,902	$ 24,547
Service cost	411	892
Interest cost	1,005	1,247
Net actuarial (gain)/loss	1,378	(6,647)
Plan participants' contributions	1,523	1,349
Medicare subsidy	265	265
Benefits paid	(3,062)	(2,751)
Accumulated postretirement benefit obligation at end of year	20,422	18,902
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	-	-
Plan participants' contributions	1,523	1,349
Employer contributions	1,274	1,137
Medicare subsidy	265	265
Benefits paid	(3,062)	(2,751)
Fair value of plan assets at end of year	-	-
Funded Status at End of Year – Accumulated postretirement liability reflected in the Consolidated Statements of Financial Position in Accounts payable and accrued expenses	$ (20,422)	$ (18,902)
Amounts Not Recognized in Net Periodic Benefit Cost:		
Net actuarial loss	$ 2,569	$ 1,191
Transition obligation	689	920
Total	$ 3,258	$ 2,111

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

	2012	2011
Net periodic benefit cost	5.50%	5.20%
Postretirement benefit obligation	4.30%	5.50%

The following changes were recognized in unrestricted net assets for the year ended June 30, 2012:

(in thousands)		
Current year net actuarial (loss)	$	(1,378)
Amortization of transition obligation		231
Total	$	(1,147)

The following amounts are expected to be amortized from unrestricted net assets into net periodic benefit cost for the year ending June 30, 2013:

(in thousands)		
Net actuarial loss	$	66
Transition obligation		231
Total	$	297

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, 2012 above assumes a 7.5% increase in health care costs for the year ended June 30, 2013, with the rate decreasing by 0.5% annually for the next five years to an ultimate trend rate of 5.0% thereafter. The liability calculation as of June 30, 2011, assumed an 8.0% increase in health care costs for the year ended June 30, 2012, with the rate of increase diminishing by 0.5% annually for the next six 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 ended June 30:

(in thousands)		2012		2011
Effect of a 1% increase:				
Postretirement benefit obligation	$	753	$	942
Net periodic benefit cost		173		232
Effect of a 1% decrease:				
Postretirement benefit obligation	$	(2,864)	$	(2,283)
Net periodic benefit cost		(221)		(193)

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

Fiscal Year Ending June 30		*(in thousands)*
2013	$	1,592
2014		1,549
2015		1,503
2016		1,408
2017		1,353
2018–2022 (total)		5,288

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. Medical education agreements revenue of approximately $9.9 million and $10.3 million was reported for the years ended June 30, 2012 and 2011, respectively. Approximately $24.9 million and $23.8 million in purchased services from the MFA were reported for the years ended June 30, 2012 and 2011, respectively. The University had an outstanding receivable balance due from MFA of $1.1 million and $1.4 million as of June 30, 2012 and 2011, respectively. The University had an outstanding payable balance due to MFA of $0.7 million for both years ended June 30, 2012 and 2011.

District Hospital Partners, L.P.

The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University in developing and maintaining the medical academic and research programs. The University's investment in DHP is recorded on the equity basis of accounting. The University's share of the partnership's profits for the years ended June 30, 2012 and 2011 was approximately $7.5 million and $9.0 million, respectively.

The University and DHP have executed several agreements, which reimburse or compensate the University for providing services or personnel to assist in the continued operations of the GW Hospital. Medical education agreements revenue of approximately $29.8 million and $27.1 million was reported for the years ended June 30, 2012 and 2011, respectively. The receivable from DHP for the unpaid balance of these services is $6.7 million and $3.6 million as of June 30, 2012 and 2011, respectively. Approximately $0.1 million and $0.2 million in purchased services from the GW Hospital were reported for the years ended June 30, 2012 and 2011, respectively.

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Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2012	2011
Assets	$ 3,484,156	$ 3,210,192
Net assets	$ 1,831,150	$ 1,860,644
(Decrease)/Increase in net assets	$ (29,494)	$ 200,038
Fair value of investments	$ 1,684,691	$ 1,703,944
Bonds and notes payable	$ 1,390,181	$ 1,102,119
Revenues	$ 1,020,102	$ 1,219,787
Expenses	$ 1,048,449	$ 1,027,524
Capital expenditures	$ 110,243	$ 83,567

ENROLLMENT	ACADEMIC YEAR END				
	2012	2011	2010	2009	2008
STUDENTS-FTE					
Undergraduate	9,905	9,793	9,916	9,892	9,969
Graduate	8,576	8,172	7,967	7,632	7,474
Law (J.D.)	1,701	1,671	1,581	1,618	1,611
Medical (M.D.)	714	719	717	716	704
Non-degree	228	299	323	313	350
Total fall enrollment	21,124	20,654	20,504	20,171	20,108
UNDERGRADUATE ADMISSIONS					
Applications	21,591	21,433	19,842	19,430	19,606
Selectivity Ratio	33%	32%	37%	37%	37%
Matriculation Ratio	31%	35%	36%	34%	30%
GRADUATE ADMISSIONS					
Applications	21,356	20,268	18,584	16,628	15,803
Selectivity ratio	47%	45%	50%	49%	52%
Matriculation ratio	44%	46%	46%	47%	48%
LAW (J.D.)					
Applications	8,652	9,610	10,021	9,316	10,655
Selectivity ratio	27%	23%	23%	24%	19%
Matriculation ratio	20%	28%	25%	27%	28%
MEDICINE (M.D.)					
Applications	10,625	10,588	10,557	10,315	10,213
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	49%	54%	51%	60%	57%
DEGREES CONFERRED					
Baccalaureate	2,296	2,172	2,405	2,428	2,485
Master's	3,883	3,929	3,664	3,611	3,461
First professional	746	669	685	717	683
Doctoral	304	305	320	294	273

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