THE GEORGE WASHINGTON UNIVERSITY

FINANCIAL REPORT

2012–2013

ENGAGING *the* WORLD

FROM THE NATION'S CAPITAL

The George Washington University's strong financial position is enabling the university to spearhead innovative academic initiatives, strengthen our curricula and scholarship, and develop world-class facilities for learning and research.

Among the university's accomplishments in 2013 is the adoption of a new strategic plan, which will guide the university into its third century. The plan builds on the university's strengths by focusing on the themes of innovation through cross-disciplinary collaboration, globalization, civic leadership, and governance and policy.

These critical areas are linked to actions and initiatives that will strengthen the educational experience and allow students and faculty to make an increased impact on local, national and global communities.

Along with the strategic plan, the university launched initiatives this year that create new learning and research opportunities across disciplines. Efforts like Colonial One, the university's investment in a high-performance computer cluster, ensure students and faculty are equipped with cutting-edge technology and modern research capabilities.

The university is also committed to investing in its physical infrastructure. This year, the university made tremendous progress in the construction of the Science and Engineering Hall and a new building to house the School of Public Health and Health Services. These two projects are illustrative of the university's goal to maximize campus space for learning and research and capitalize on GW's unique location at the heart of the nation's capital.

Since its establishment by President Knapp in 2009, the Innovation Task Force has enabled the university to reinvest $34 million in savings and new recurring sources of revenue into academic priorities. This is an example of the university's culture of sound financial management and investment in our core missions of education and research.

The following pages highlight the many ways the university is building an even stronger future.

Louis H. Katz
Executive Vice President and Treasurer

KNOWLEDGE *in* ACTION

Renowned chef José Andrés taught his first-ever class, "The World on a Plate: How Food Shapes Civilization," at GW.

Six beehives on the roof of Lisner Hall, operating in partnership with the Founding Farmers restaurant, provide a learning and research opportunity for GW faculty and students. The beehives are an initiative of GW's Urban Food Task Force.

At the George Washington University, learning and research are fueled by constant innovation and a look toward the future. New initiatives, distinguished leadership and a 10-year strategic plan guide the university as it continues to move forward.

President Steven Knapp celebrates the opening of GW's Confucius Institute, the only one of its kind in Washington, D.C.

A NEW VISION

After a comprehensive development process involving members of every sector of the university community, the George Washington University Board of Trustees unanimously approved a 10-year strategic plan for the university in May 2013. The plan provides a framework for transformational progress throughout the next decade. It will be funded with resources generated through philanthropy, Innovation Task Force savings, additional funds from the university's academic budget, school-based resources and sponsored research. Implementation planning is underway.

The plan's four theme areas include innovation through cross-disciplinary collaboration, globalization of educational and research programs, expansion of programs that focus on governance and policy in the public and private sectors, and infusion of ideas of citizenship and leadership into what the university does.

CROSSING DISCIPLINES

As called for in the strategic plan, the university is forging new cross-disciplinary initiatives in areas including computational biology, cybersecurity, high-performance computing and the arts.

Led by renowned researcher Keith Crandall, GW's Computational Biology Institute focuses on large-scale integrative bioinformatics and genomics, building on the university's strengths in life sciences and computational science and drawing on the wealth of research centers in the Washington area.

GW launched its Cybersecurity Initiative in December 2012. The interdisciplinary effort, led by former U.S. Secretary of Homeland Security Michael Chertoff, is working to provide research-based solutions and hosting in-depth discussions on cybersecurity challenges. With its location near the epicenter of policymaking, the university is the ideal institution to convene critical players in cybersecurity in fields including business, law, international affairs and engineering.

Colonial One, a new high-performance computer cluster housed on the Virginia Science and Technology Campus, is a $2 million investment in GW's research computing infrastructure. The effort is a joint venture among the Columbian College of Arts and Sciences, the School of Medicine and Health Sciences and the Division of Information Technology.

Efforts under the university's Arts Initiative include the National Civil War Project, a multiyear partnership of four universities and four professional theater organizations; the construction of a new museum building on the Foggy Bottom Campus and a collections and conservation resource center on the Virginia Science and Technology Campus; and the Phillips Collection Partnership and Fellowship, which brings contemporary artists to campus for a lecture series while also supporting a postdoctoral fellow in modern art. The university also completed renovations to its historic Lisner Auditorium.

Professor of Theatre Leslie Jacobson speaks at the launch of the National Civil War Project.

Colonial One, a new high-performance computer cluster, is expanding the university's research capabilities.

Renovations and improvements to Lisner Auditorium, GW's historic performing arts venue, were completed in 2013.

EFFECTIVE LEADERSHIP

GW is bolstering its team of senior staff with experienced leaders.

Ben Vinson III was appointed dean of the Columbian College of Arts and Sciences, which has the largest student body of George Washington's 10 schools with more than 5,000 undergraduate students and nearly 2,000 graduate students. Dr. Vinson succeeds Peg Barratt, who led the college for five years before returning to full-time faculty status this year.

Dr. Vinson is responsible for providing leadership, vision and guidance to more than 40 academic departments and programs, 27 centers and institutes and over 1,000 faculty members. He served as vice dean for centers, interdepartmental programs and graduate programs at the Johns Hopkins University's Zanvyl Krieger School of Arts and Sciences. A member of Johns Hopkins University's faculty since 2006, Dr. Vinson was also the Herbert Baxter Adams Professor of Latin American History and directed the university's Center for Africana Studies.

Jeffrey Akman, M.D. '81, is leading the academic and research mission of GW's School of Medicine and Health Sciences (SMHS) as the dean and vice president for health affairs, a position he had held on an interim basis since 2010. He was also named the Walter A. Bloedorn Chair of Administrative Medicine.

Dr. Akman is working to build on the school's tradition of outstanding clinical education; encourage the growth of research, programmatic excellence and faculty recruitment; enhance interdisciplinary collaboration within SMHS and across campus; expand opportunities for students through increased scholarship support; encourage diversity among the student body and faculty; and expand global relationships. Dr. Akman will also lead a strategic planning process that includes a fundraising campaign for key priorities in SMHS.

In 2013, the university also announced a new university librarian and vice provost for libraries. Geneva Henry was most recently the executive director of digital scholarship services at Rice University in Houston. At GW, she is responsible for planning, directing and overseeing all operations of the Estelle and Melvin Gelman Library, Eckles Library and the Virginia Science and Technology Campus Library.

Columbian College of Arts and Sciences Dean Ben Vinson III speaks with Susan Sampsell, managing director of finance and administration for Columbian College.

Vice Admiral (retired) Mel Williams joined the university in 2013 as its first senior associate dean for military and veterans affairs. Adm. Williams, a nuclear submariner, most recently served as associate deputy secretary of energy and was responsible for the day-to-day management and operations of the U.S. Department of Energy. Prior to that position, he served for 32 years as a commissioned officer and one year as an enlisted sailor in the U.S. Navy. At GW, Adm. Williams is guiding the university on issues surrounding student veterans and the military.

The university also named a director for the museum under construction at the Foggy Bottom Campus in 2013. John Wetenhall will lead development of the forthcoming museum efforts, including transitioning The Textile Museum to GW's campus. In addition, Dr. Wetenhall holds the appointment of associate professor of museum studies. He previously served in executive leadership roles at the Carnegie Museums of Pittsburgh; the John and Mable Ringling Museum of Art in Sarasota, Fla.; and the Cheekwood Museum of Art in Nashville.

Michelle Obama delivers the keynote address at the "Building a Healthier Future 2013" summit, held at Lisner Auditorium.

STRIDES IN RESEARCH AND MEDICINE

A record-breaking grant, faculty elected to the prestigious Institute of Medicine and an agreement that will help train nurses in communities in need made this year a particularly strong one for the university's research, medicine and health efforts.

John Lachin, professor of biostatistics, epidemiology and statistics, was awarded a five-year, $134 million grant from the National Institutes of Health's National Institute of Diabetes and Digestive and Kidney Diseases to conduct a clinical trial examining long-term effects of glucose-lowering medications to treat people with type 2 diabetes. The grant is one of the largest ever received by the university.

Shortly after the close of FY13, GW received more than $13 million in federal research funding for the School of Medicine and Health Sciences, School of Public Health and Health Services, Elliott School of International Affairs and Graduate School of Education and Human Development.

Paula M. Lantz, professor and chair of the Department of Health Policy, and Sara Rosenbaum, the Harold and Jane Hirsh professor of health law and policy, were also recognized for their achievements in public health. They were both elected to the Institute of Medicine for their outstanding professionalism and commitment to service, marking the first time two GW faculty members have been recognized simultaneously. Induction to the Institute of Medicine, which was established in 1970 by the National Academy of Sciences, is considered one of the highest honors in the field of health.

To help train qualified medical professionals who will serve communities in need, the School of Nursing announced it will guarantee admission to students who have received an associate's degree from an accredited nursing program at a Virginia community college. The governor of Virginia joined Dr. Knapp in signing the agreement, which addresses the primary-care shortage in rural and underserved communities.

The university also hosted high-profile speakers and conferences addressing pressing issues in health care. First Lady Michelle Obama delivered a keynote address in Lisner Auditorium on health and childhood obesity, closing the "Building a Healthier Future 2013" summit hosted by the Partnership for a Healthier America. In an event sponsored by the School of Public Health and Health Services, actress and humanitarian Ashley Judd focused her attention on women's health.

CONNECTING ACROSS THE GLOBE

The university has created a new institute focused on women across the globe, led several initiatives aimed at strengthening relationships with China and received recognition for its number of Fulbright scholars studying around the world.

The launch of the Global Women's Institute (GWI) in 2012 showcased the university's commitment to supporting the rights of women and girls worldwide. Led by Director Mary Ellsberg, GWI connects faculty and students to international researchers, practitioners, activists and policymakers with the goal of improving the situation of women and girls through research, education and civic engagement.

China is one of the geographic areas the university has identified in its strategic plan as a research and teaching priority. In 2013, the university partnered with Nanjing University in Jiangsu to open a Confucius Institute, a center designed to promote the study of Chinese language and culture. The institute is the only one of its kind in Washington, D.C. The university also served as the sole education partner for the 2013 Fortune Global Forum held in June in Chengdu, China. Leading up to the forum, the campus community welcomed former U.S. Secretary of the Treasury Hank Paulson for a discussion on the economic and political climate of China.

Students and alumni have been recognized for their achievements in learning and connecting with others around the world. The Chronicle of Higher Education listed GW as a top producer of recipients of Fulbright Scholarships, a program conceived by GW alumnus and U.S. Sen. J. William Fulbright, L.L.B. '34. Twelve recipients—eight GW alumni and four graduate students—spent the 2012-13 year teaching and completing research in Europe, Africa, Asia and South America.

LEARNING FROM AN EXPERT

Students had the unique opportunity to learn from a world-renowned cooking legend: Spanish chef José Andrés, who served up lessons on hunger, obesity and food culture in spring 2013 during his first-ever course. The 1.5-credit hour course, "The World on a Plate: How Food Shapes Civilization," examined topics ranging from food culture, hunger, health and obesity.

In addition to classes taught by Mr. Andrés, students learned from guest lecturers including Andrew Zimmern of the Travel Channel series "Bizarre Foods" and Harold McGee, author of "On Food and Cooking."

In the final class, teams of students presented solutions to food issues during a contest judged by local chefs and university faculty. Mission Nutrition, which aimed to educate fourth graders on eating healthier by reading labels, won first prize. Mr. Andrés ended the class with one last treat: paella cooked in Kogan Plaza for all his students to enjoy.

Mary Ellsberg leads the interdisciplinary Global Women's Institute.

PASSION *for* CHANGING *the* WORLD

Nearly 2,400 students served at sites across the D.C. area in GW's annual Freshman Day of Service.

GW students help make care kits for U.S. service members, veterans and first responders at the Dr. Martin Luther King Jr. Day of Service.

George Washington University students, faculty and alumni are upholding the university's longstanding commitment to service, investing their talents and time locally, nationally and globally. They have transformed their social concern and political activism into action, offering support to those devastated by natural disasters, rallying around the nation's veterans, sharing their passion for education and traveling across the world to improve communities.

The class of 2016 came together in September 2012 for Freshman Convocation and the fourth annual Freshman Day of Service, volunteering at 35 service sites including schools, parks, recreation sites and retirement facilities. In addition to coinciding with the National Day of Service and Remembrance, created to pay tribute to the first responders and others who served their country in the aftermath of 9/11, the day also supports President Barack Obama's Interfaith and Community Service Campus Challenge.

The George Washington University partnered with Points of Light, Target and a host of local organizations for the Dr. Martin Luther King Jr. Day of Service in January 2013. Vice President Joe Biden and then-Homeland Security Secretary Janet Napolitano addressed the 10,000 participants, including more than 800 GW students, who stuffed more than 85,000 care kits with necessities for U.S. service members, wounded warriors, veterans and first responders. A second service day also in January offered 250 students the opportunity to beautify classrooms, prep materials for teachers and read with children in local elementary schools with support from Teach for America and Jumpstart.

This collaboration came after Teach for America released a report in 2012 listing GW as 13th in the nation for medium-sized schools for contributing the greatest number of graduating seniors to the nonprofit teaching corps. Eight percent of 2012 graduates applied to the program, and 33 served this year. Nearly 300 George Washington alumni have participated in the program throughout its 22-year history.

GW also was listed third on the Peace Corps list of the top 25 volunteer-producing colleges in the medium school category. Fifty-three undergraduate alumni are currently serving as Peace Corps volunteers overseas. To date, more than 1,100 George Washington University alumni have served, making the university the 29th top volunteer-producing school of all time.

Provost Steven Lerman lends a hand during Freshman Day of Service.

Students are also aiding communities in need through the GW Center for Civic Engagement and Public Service's alternative break sessions. During the winter break, more than 100 students and staff members participated in service trips to beautify communities, build schools and more in San Juan Comalapa, Guatemala; Los Angeles; New Orleans; and Las Marías, Puerto Rico. Nearly 200 students took part in the alternative spring break offering their services through programs across the country, including New York City; Tuscaloosa, Ala.; and Joplin, Mo.

In the aftermath of Hurricane Sandy, students came together from across the university to found GW Responds. The organization, housed within the Center for Civic Engagement and Public Service, is serving affected communities in New York, New Jersey and Maryland. The effort has included a blood drive with the American Red Cross, a Hurricane Sandy Benefit Showcase with proceeds donated to Adopt-A-Classroom, a food and clothing drive that collected an estimated $7,000 worth of goods, and service trips for more than 30 students and staff.

In 2013, the Princeton Review recognized GW students as the nation's most politically active. Their passion for politics was on display during January's presidential inauguration. A social media contest captured the experiences of 350 students and alumni on Inauguration Day, featuring videos on the revamped Making History microsite as a part of the launch of GW's new visual identity. The festivities ended with the sold-out GW Inaugural Ball, the only inaugural ball hosted by a major university.

Students line up to tell their GW stories as part of the university's Making History campaign.

GW's Inaugural Ball, the only one in the nation hosted by a major university, sold out all 5,500 tickets on Election Day.

Jill Biden meets with GW student veterans and members of the military as part of a national listening tour on veterans' issues.

SUPPORTING VETERANS

GW continued to make veterans' needs a priority this year. Under Adm. Mel Williams, GW's new senior associate dean for military and veterans affairs, the university announced Operation VALOR (Veterans Accelerate Learning Opportunities and Rewards), an interdisciplinary initiative to provide increased flexibility and career support for veteran and military students and their dependents.

GW also signed the Yellow Ribbon Program agreement with the U.S. Department of Veterans Affairs for the 2013-14 academic year, which authorized an increase for the university's law school and graduate school contributions, a change that will cover full tuition costs for law and most master's degrees. The program continues to fully fund undergraduate student veterans.

BUILDING A STRONGER GW

Construction is progressing on GW's Science and Engineering Hall, scheduled to open in late 2014.

Setting the stage for GW's university-wide Commencement ceremony, held on the National Mall.

The university is constructing and renovating state-of-the-art spaces on campus for learning, research and living.

The Science and Engineering Hall, now under construction, 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, including laboratories, classrooms, offices and conference rooms. Construction has reached above ground level with an anticipated completion date of late 2014.

The university celebrated the "topping off" of a new building to house the School of Public Health and Health Services in spring 2013. Located on Washington Circle, the building is anticipated to be completed in spring 2014 and will have approximately 115,000 square feet of research and classroom space.

In summer 2013, GW completed renovations to the entrance level of the Estelle and Melvin Gelman Library. The main library entrance has been relocated from H Street to Kogan Plaza to create a new "front door" as well as an entire floor of space that enhances the library's media-based resources, including traditional computer stations, laptop bars, wireless integration, collaborative learning spaces and a centralized service area that will provide patrons with ready access to reference services and technological support.

A new residence hall facing both Eye and H streets will provide nearly 900 on-campus housing spots and add student meeting and retail space in the core of the Foggy Bottom Campus. The hall is being created by retaining the existing facades and historically significant front portions of Crawford, Schenley and West End residence halls and constructing a new 12-story building between the existing halls on what is currently an open-air alley and parking area. A completion date of summer 2016 is planned, with occupancy scheduled for the fall 2016 semester.

The excavation of a building site for a new museum on GW's Foggy Bottom Campus is complete. Located at 21st and G streets, the building incorporates the historic Woodhull House for a total of more than 46,000 square feet. The museum will foster the study and appreciation of art, history and culture through its affiliation with The Textile Museum and through its university collections, including the Albert H. Small Washingtoniana Collection. The first exhibit is planned for fall 2014.

A collections and conservation resource center is under construction for the long-term protection, study and care of the university's collections as well as those of The Textile Museum and the Albert H. Small Washingtoniana Collection. The center will be a 22,000-square-foot, state-of-the-art, environmentally controlled structure on the Virginia Science and Technology Campus. Adjoining this facility will be a 30,000-square-foot structure to be designed and built for future academic and research activities. Substantial completion of the project is anticipated for late 2013 and, following collections relocation, full operation of the facility will begin in 2014.

Renovations to Gelman Library include a new entrance and significant enhancements to its media-based resources.

FURTHERING INNOVATION

Thanks to the Innovation Task Force, the university has been able to invest funds in academic initiatives that expand students' learning opportunities and enable faculty to address some of the most challenging issues of our time. Established by President Steven Knapp in 2009, the task force has the charge of generating annual, recurring savings and new revenue for reinvestment in the university's top academic priorities. Six new innovation ideas are selected for implementation every six months.

To date, the university has invested $34 million into research and academic programs from savings generated by the Innovation Task Force. Academic initiatives funded include the interdisciplinary Global Women's Institute and Computational Biology Institute. The funds have also made possible increased resources for academic advising and technology transfer and degree audit programs.

Graduates celebrate at GW's university-wide Commencement ceremony on the National Mall.

University administrators and faculty participate in the Innovation Task Force's Showcase of Ideas.

FOSTERING SUSTAINABILITY

A new undergraduate minor, a comprehensive energy efficiency plan and an unprecedented selection for an international energy competition highlighted GW's commitment to sustainability this year.

In fall 2012, GW launched an 18-credit undergraduate minor in sustainability, which begins with an interdisciplinary, team-taught introductory course and culminates in an experiential learning opportunity. More than 160 students enrolled in the Sustainability 1001 class in its first year, and more than 70 students are declared minors. The university has established 116 undergraduate "green leaf" courses and 123 graduate courses. Sustainability experts have been hired in chemistry, economics, international affairs, biology and business.

To help achieve its Climate Action Plan goals, GW will rely on a comprehensive energy efficiency plan. To date, the university has launched numerous energy efficiency projects funded in part by the Eco-Building Program, an idea selected by the Innovation Task Force. The university's Facilities Services and the Office of Sustainability are implementing and managing the Eco-Building Program on a block-by-block basis throughout the Foggy Bottom Campus.

The first phase of the program has included making renovations in 12 buildings on the H Street block between 21st and 22nd streets. These renovations include replacing or updating old and inefficient heating and cooling systems; installing occupancy sensors, window film and smart power strips; and upgrading to more energy-efficient lighting. The university is committed to a minimum of LEED Silver in new construction, and these combined efforts help both new and old GW buildings become more efficient and environmentally sustainable.

Students from GW placed in the top 10 in the Solar Decathlon 2013—an international competition sponsored by the Department of Energy—in partnership with students from American and Catholic universities. The Team Capitol DC built an efficient, solar-powered recycled-steel house, Harvest House, which will eventually become home to a U.S. veteran from the war in Iraq or Afghanistan through the Wounded Warrior Homes Organization. The home incorporates sustainable features while creating an innovative biomedical atmosphere that aids both the resident and the environment.

Only 20 Solar Decathlon teams were selected from around the world, and this year marks the first that universities from the District of Columbia have been awarded a spot in the decathlon. Team Capitol DC includes students from GW's civil and environmental engineering, electrical and computer engineering, interior design and landscape design departments.

Through the Solar Decathlon, GW students helped build a sustainable house for a U.S. veteran.

WASHINGTON, DC.

Attracts some of the most

POWERFUL MINDS

in the

WORLD.

So does OUR

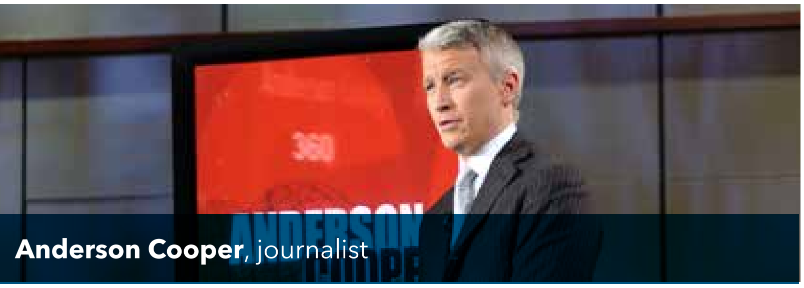
CAMPUS.


Ashley Judd, actor and humanitarian


First Lady **Michelle Obama**


Salman Rushdie, Booker Prize-winning author


Sonia Sotomayor, Supreme Court justice


Anderson Cooper, journalist


Antonin Scalia, Supreme Court justice


Hank Paulson, former secretary of the treasury


José Andrés, chef


Ron Paul, U.S. representative from Texas


Buzz Aldrin, astronaut


Second Lady **Jill Biden**


Tony Kushner, American playwright


Kerry Washington, actor and alumna


Kathleen Sebelius, secretary of health and human services

Independent
AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The George Washington University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of unrestricted activities, consolidated statements of activities, and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

McLean, Virginia
September 18, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2013 and 2012 *(in thousands)*

	2013	2012
ASSETS		
Cash and cash equivalents	$ 224,255	$ 498,628
Short-term investments	100,336	344
Accounts receivable, net	40,902	56,452
Pledges receivable, net	68,441	68,288
Investments	1,760,862	1,684,691
Loans and notes receivable, net	29,350	29,747
Physical properties, net:		
Land and buildings	1,213,953	1,043,575
Furniture and equipment	76,935	76,645
Other assets	30,804	25,786
Total assets	$ 3,545,838	$ 3,484,156
LIABILITIES		
Accounts payable and accrued expenses	$ 205,413	$ 189,894
Deferred revenue:		
Tuition and other deposits	30,261	30,489
Grants and contracts payments	11,883	13,910
Bonds and notes payable	1,378,834	1,390,181
Funds advanced for student loans	28,887	28,532
Total liabilities	1,655,278	1,653,006
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(25,731)	(23,513)
Unrestricted capital and investing	1,407,340	1,375,291
Total unrestricted	1,381,609	1,351,778
Temporarily restricted	281,284	255,393
Permanently restricted	227,667	223,979
Total net assets	1,890,560	1,831,150
Total liabilities and net assets	$ 3,545,838	$ 3,484,156

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2013 and 2012
(in thousands)

	2013		
	Operating	Capital and Investing	Total Unrestricted
REVENUE			
Student tuition and fees	$ 827,985	$ -	$ 827,985
Less: University funded scholarships	(229,031)	-	(229,031)
Net student tuition and fees	598,954	-	598,954
Grants and contracts			
Program funds	143,340	8,938	152,278
Indirect cost recoveries	21,171	-	21,171
Investment income (loss), net	286	52,546	52,832
Investment real property rents and appreciation	-	77,775	77,775
Change in value of split-interest agreements	-	11	11
Auxiliary enterprises	101,667	-	101,667
Contributions, net	14,805	2,423	17,228
Net assets released from restrictions	10,266	33,920	44,186
Medical education agreements	55,434	2,832	58,266
Other income	22,328	2,767	25,095
Total revenue	968,251	181,212	1,149,463
EXPENSES			
Salaries and wages	506,304	39	506,343
Fringe benefits	110,322	3	110,325
Purchased services	183,442	1,276	184,718
Supplies	13,246	10	13,256
Equipment	13,574	2,087	15,661
Bad debt	1,672	-	1,672
Occupancy	58,574	62,104	120,678
Investment real property expense	-	39,146	39,146
Scholarships and fellowships	19,373	5	19,378
Communications	5,274	2	5,276
Travel and training	28,398	-	28,398
Interest	8	42,664	42,672
Other	27,877	4,372	32,249
Total expenses	968,064	151,708	1,119,772
OTHER INCREASES (DECREASES) IN NET ASSETS			
Debt service and mandatory purposes	(56,889)	56,889	-
Endowment support	62,531	(63,891)	(1,360)
Capital expenditures	(18,980)	18,980	-
Postretirement related changes	-	1,198	1,198
Support/investment	10,933	(10,631)	302
Total other changes in net assets	(2,405)	2,545	140
Increase (decrease) in net assets	(2,218)	32,049	29,831
Net assets (deficit) at the beginning of the year	(23,513)	1,375,291	1,351,778
Net assets (deficit) at the end of the year	$ (25,731)	$ 1,407,340	$ 1,381,609

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

2012		
Operating	Capital and Investing	Total Unrestricted
$ 789,371	$ -	$ 789,371
(220,409)	-	(220,409)
568,962	-	568,962
136,303	681	136,984
21,027	-	21,027
31	(16,109)	(16,078)
-	81,092	81,092
-	(48)	(48)
98,474	-	98,474
11,963	436	12,399
7,358	20,304	27,662
53,109	2,832	55,941
23,699	3,089	26,788
920,926	92,277	1,013,203
471,492	-	471,492
105,917	-	105,917
165,439	699	166,138
13,587	4	13,591
11,698	1,968	13,666
1,082	-	1,082
60,175	60,072	120,247
-	39,355	39,355
17,590	-	17,590
5,083	-	5,083
24,548	2	24,550
4	34,944	34,948
28,480	6,310	34,790
905,095	143,354	1,048,449
(51,288)	51,288	-
53,339	(54,447)	(1,108)
(18,168)	18,168	-
-	(1,147)	(1,147)
243	(1,442)	(1,199)
(15,874)	12,420	(3,454)
(43)	(38,657)	(38,700)
(23,470)	1,413,948	1,390,478
$ (23,513)	$ 1,375,291	$ 1,351,778

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012
(in thousands)

	2013			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Student tuition and fees	$ 827,985	$ -	$ -	$ 827,985
Less: University funded scholarships	(229,031)	-	-	(229,031)
Net student tuition and fees	598,954	-	-	598,954
Grants and contracts				
Program funds	152,278	-	-	152,278
Indirect cost recoveries	21,171	-	-	21,171
Investment income (loss), net	52,832	31,911	-	84,743
Investment real property rents and appreciation	77,775	-	-	77,775
Change in value of split-interest agreements	11	409	1,995	2,415
Auxiliary enterprises	101,667	-	-	101,667
Contributions, net	17,228	37,513	866	55,607
Net assets released from restrictions	44,186	(44,186)	-	-
Medical education agreements	58,266	-	-	58,266
Other income	25,095	-	13	25,108
Total revenue	1,149,463	25,647	2,874	1,177,984
EXPENSES				
Salaries and wages	506,343	-	-	506,343
Fringe benefits	110,325	-	-	110,325
Purchased services	184,718	-	-	184,718
Supplies	13,256	-	-	13,256
Equipment	15,661	-	-	15,661
Bad debt	1,672	-	-	1,672
Occupancy	120,678	-	-	120,678
Investment real property expense	39,146	-	-	39,146
Scholarships and fellowships	19,378	-	-	19,378
Communications	5,276	-	-	5,276
Travel and training	28,398	-	-	28,398
Interest	42,672	-	-	42,672
Other	32,249	-	-	32,249
Total expenses	1,119,772	-	-	1,119,772
OTHER INCREASES (DECREASES) IN NET ASSETS				
Endowment support	(1,360)	199	1,161	-
Postretirement related changes	1,198	-	-	1,198
Support/investment	302	45	(347)	-
Total other changes in net assets	140	244	814	1,198
Increase (decrease) in net assets	29,831	25,891	3,688	59,410
Net assets at the beginning of the year	1,351,778	255,393	223,979	1,831,150
Net assets at the end of the year	$ 1,381,609	$ 281,284	$ 227,667	$ 1,890,560

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

2012			
Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 789,371	$ -	$ -	$ 789,371
(220,409)	-	-	(220,409)
568,962	-	-	568,962
136,984	-	-	136,984
21,027	-	-	21,027
(16,078)	(13,396)	7	(29,467)
81,092	-	-	81,092
(48)	(382)	(1,287)	(1,717)
98,474	-	-	98,474
12,399	47,787	1,811	61,997
27,662	(27,662)	-	-
55,941	-	-	55,941
26,788	-	21	26,809
1,013,203	6,347	552	1,020,102
471,492	-	-	471,492
105,917	-	-	105,917
166,138	-	-	166,138
13,591	-	-	13,591
13,666	-	-	13,666
1,082	-	-	1,082
120,247	-	-	120,247
39,355	-	-	39,355
17,590	-	-	17,590
5,083	-	-	5,083
24,550	-	-	24,550
34,948	-	-	34,948
34,790	-	-	34,790
1,048,449	-	-	1,048,449
(1,108)	(218)	1,326	-
(1,147)	-	-	(1,147)
(1,199)	288	911	-
(3,454)	70	2,237	(1,147)
(38,700)	6,417	2,789	(29,494)
1,390,478	248,976	221,190	1,860,644
$ 1,351,778	$ 255,393	$ 223,979	$ 1,831,150

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012
(in thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 59,410	$ (29,494)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(2,201)	(2,564)
Depreciation, amortization and accretion expenses	63,251	61,061
Provision for bad debt	1,672	1,082
Change in value of split-interest agreements	(2,415)	1,717
Net unrealized (gain) loss on investments	(70,936)	3,504
Net realized (gain) on investments	(22,483)	(12,034)
Realized (gain) on sale of real property	(441)	-
(Increase) decrease in operating assets:		
Accounts receivable	13,869	10,118
Pledges receivable	(153)	(22,888)
Other assets	(1,099)	21,022
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(9,491)	6,360
Tuition and other deposits	(228)	1,849
Grants and contracts deferred revenue	(2,027)	(155)
Contributions restricted for long-term investment	(9,711)	(6,602)
Net cash provided by operating activities	17,017	32,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(306,469)	(376,383)
Proceeds from sales and maturity of investments	328,422	404,153
Purchase of short-term investments	(149,950)	-
Proceeds from sales and maturity of short-term investments	50,000	-
Purchases and renovations of land and buildings	(192,976)	(91,767)
Additions of furniture and equipment	(19,334)	(18,476)
Net proceeds from sale of real property	683	-
(Increase) decrease in other loans and notes receivable	780	(513)
Net cash (used in) investing activities	(288,844)	(82,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	9,711	6,602
Principal payments and refinancing of bonds and notes payable	(348,847)	(63,123)
Proceeds from borrowings and refinancing of bonds and notes payable	338,000	350,000
Payments of debt issuance costs	(1,765)	(2,012)
Increase in refundable advances from the U.S. Government	355	333
Net cash provided by (used in) financing activities	(2,546)	291,800
Net increase (decrease) in cash and cash equivalents	(274,373)	241,790
Cash and cash equivalents at the beginning of the year	498,628	256,838
Cash and cash equivalents at the end of the year	$ 224,255	$ 498,628
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 56,144	$ 47,380
Gross value of additions to capital leases	1,211	600
Note receivable on sale of real property	375	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. Significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

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

Short-Term Investments

The University may invest excess cash in highly liquid securities of varying maturities as a part of a prudent cash and liquidity management strategy to maximize returns available in the market with minimal risk. Investments with maturities at dates of purchase between three months and one year are classified as Short-term investments and include U.S. Treasury securities or other high quality, highly liquid investments carried at 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.

Investments and Investment Income

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

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

The University manages the following types of arrangements. The associated liabilities to beneficiaries in these arrangements are calculated based on various actuarial assumptions and are recorded in Accounts payable and accrued expenses (Note 9).

- **Gift annuities** consist of non-trust assets donated to the University in exchange for a fixed payment for the life of the beneficiary(s).
- **Pooled life income funds** are donated funds received by the University in which the donor receives or assigns a life income. The funds are pooled by the University and are assigned a specific number of units in the pool. The beneficiary(s) is paid the amount of income earned on the donor's assigned units.
- **Charitable remainder trusts** consist of trust assets donated to the University in exchange for a percentage of fair value-based payment for the life of the beneficiary(s).

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

- **Perpetual trusts** where the University has an irrevocable right to income on trust assets in perpetuity, but never receives the assets held in trust. These beneficial interests are shown at fair value of the underlying assets, which approximates the discounted present value of the anticipated cash flows.
- **Charitable remainder trusts** similar to those described above, except that the University does not hold the assets as trustee. These beneficial interests are shown at present value which is calculated using the fair value of the trust assets at the measurement date, discounted based on various actuarial assumptions impacting the timing of cash flows to the University.

Accounts Receivable

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

Loans Receivable and Refundable Advances

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts, of $0.12 million and $0.13 million for the years ended June 30, 2013 and 2012, respectively. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 9%. The carrying value of loans receivable approximates fair value. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be loaned again after collection. These funds are ultimately refundable to the U.S. Government. These federal loan programs have cash restricted as to their use of $4.0 million and $2.6 million as of June 30, 2013 and 2012, respectively.

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. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Equipment under capital leases is included in assets and liabilities at the value of future minimum lease payments discounted by the University's incremental borrowing rate. Property acquired on federally funded awards that meets the University's capitalization criteria is recorded as an asset of the University and depreciated in accordance with the University's depreciation policy. These assets are disposed of as prescribed by relevant federal requirements at the conclusion of the award.

Net Asset Classes

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. 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

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.

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.

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.

Reclassifications to Prior Year Financial Statements

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

Subsequent Events

The University has performed an evaluation of subsequent events through September 18, 2013, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2013.

NOTE 3 - ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2013	2012
Student tuition and fee accounts	$ 20,048	$ 18,189
Grants and contracts	14,678	14,489
Due from hospital limited partnership	3,218	6,697
Due from affiliation agreements	3,008	3,621
Medical resident FICA tax refund receivable	619	12,944
Other	2,135	3,055
Allowance for doubtful accounts	(2,804)	(2,543)
Total	$ 40,902	$ 56,452

NOTE 4 - PLEDGES RECEIVABLE

(in thousands)	JUNE 30	
	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	$ 27,145	$ 27,041
One year to five years	47,699	51,392
More than five years	1,387	1,216
Subtotal	76,231	79,649
Allowance for uncollectible pledges	(2,430)	(4,070)
Unamortized discount to present value	(5,360)	(7,291)
Total	$ 68,441	$ 68,288

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, 2013 and 2012, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $138 million and $131 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

(in thousands)	JUNE 30	
	2013	2012
Cash and cash equivalents	$ 24,464	$ 58,126
Equity - global	449,148	328,068
Equity - strategic (private, long-term)	246,014	276,311
Fixed income - asset-backed securities	2,573	9,739
Fixed income - domestic convertible instruments	63,643	52,520
Fixed income - corporate debt securities	25,036	37,664
Fixed income - credit funds	21,668	22,029
Fixed income - U.S. state & federal bonds	1,273	795
Fixed income - mutual funds	2,963	3,073
Real estate	813,743	793,312
Split-interest agreements - GW as trustee	12,558	11,948
Split-interest agreements - trusts held by others	26,884	25,284
Deferred compensation plan assets	24,845	20,551
Other	46,050	45,271
Total	$ 1,760,862	$ 1,684,691

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, 2013 and 2012, and therefore has not been accounted for in the financial statements.

INVESTMENT INCOME (LOSS), NET:

(in thousands)	JUNE 30	
	2013	2012
Interest and dividends	$ 11,686	$ 10,584
Net gains (losses) on investments carried at fair value	73,008	(40,840)
Net gains on investments carried at other than fair value	9,719	9,183
Administrative expenses	(9,670)	(8,394)
Total	$ 84,743	$ (29,467)

INVESTMENT REAL PROPERTY RENTS AND APPRECIATION:

(in thousands)	JUNE 30	
	2013	2012
Real property rents	$ 57,256	$ 57,827
Net unrealized appreciation	20,519	47,146
Lease receivable	-	(23,881)
Total	$ 77,775	$ 81,092

The University holds two ground leases with a private developer for the redevelopment of Square 54, the former site of the GW Hospital. 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 $22.6 million and $22.9 million as of June 30, 2013 and 2012, 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 $33.6 million and $33.0 million as of June 30, 2013 and 2012, respectively.

NOTE 6 - FAIR VALUE

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

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

(in thousands)	2013			2012		
	Reported at fair value	Not subject to fair value reporting	Total	Reported at fair value	Not subject to fair value reporting	Total
Cash and cash equivalents	$ 217,267	$ 6,988	$ 224,255	$ 492,642	$ 5,986	$ 498,628
Short-term investments	99,992	344	100,336	-	344	344
Investments	1,691,475	69,387	1,760,862	1,615,859	68,832	1,684,691
Total	$ 2,008,734	$ 76,719	$ 2,085,453	$ 2,108,501	$ 75,162	$ 2,183,663

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, and intangible assets.

For items reported at fair value, the following table summarizes the valuation of financial instruments by pricing observability levels.

(in thousands)	JUNE 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 217,267	$ -	$ -	$ 217,267
Short-term investments at fair value	99,992	-	-	99,992
Investments:				
Cash equivalents	23,145	1,279	-	24,424
Equity - global	327,218	-	121,202	448,420
Equity - strategic (private, long-term)	-	-	246,014	246,014
Fixed income - asset-backed securities	-	2,573	-	2,573
Fixed income - domestic convertible instruments	9,677	53,966	-	63,643
Fixed income - corporate debt securities	-	25,036	-	25,036
Fixed income - credit funds	-	18,662	3,006	21,668
Fixed income - U.S. state & federal bonds	463	810	-	1,273
Fixed income - mutual funds	2,963	-	-	2,963
Real estate	-	-	791,174	791,174
Split-interest agreements - GW as trustee	12,558	-	-	12,558
Split-interest agreements - trusts held by others	-	-	26,884	26,884
Deferred compensation plan assets	11,617	9,157	4,071	24,845
Total investments reported at fair value	387,641	111,483	1,192,351	1,691,475
Total assets reported at fair value	$ 704,900	$ 111,483	$ 1,192,351	$ 2,008,734

(in thousands)	JUNE 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 492,642	$ -	$ -	$ 492,642
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 - U.S. state & federal 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	$ 799,144	$ 127,028	$ 1,182,329	$ 2,108,501

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, 2013 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.
- **Short-term investments** - Short-term investments include U.S. Treasury securities with original maturities at dates of purchase of 3 months to one year. These securities are actively traded, are priced using independent market prices in the primary trading market and are classified as Level 1 based on the availability of quotes for identical assets.
- **Equity investments** - Equity investments generally include 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.

» **Privately held securities** - These investments generally include strategic equity, as well as some global equity holdings, and are not publicly traded. The valuations are calculated by the investment manager based on traditional valuation techniques that take into account each fund's underlying assets. 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. All other funds are typically classified as Level 3. Inputs used to determine fair value are based upon the best available information provided by the investment manager and may incorporate management judgments and best estimates after considering a variety of factors. For a small percentage of these investments, the manager reported NAV is prepared using non-U.S. GAAP, which may differ from fair value reported under U.S. GAAP. Where material differences are known to exist, management bases its measurements on fair value estimates obtained from the investment managers. Quantitative information about the significant unobservable inputs used in arriving at these fair value measurements is not readily available. Changes to these inputs may result in changes to the fair value measurement.

- **Fixed income securities** - These investments generally include 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 and are redeemable in the near term, 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 and are included in Level 3. To determine fair value in cases where the two valuation methods yielded resulting values within 5%, the University adopted the average of the two values as the fair value. In cases where the variance between the two valuations was greater than 5%, the University considered the ranges of values provided by the 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. Different assumptions or changes in future market conditions could significantly affect the estimated fair value.

	AS OF JUNE 30, 2013			
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range
Hotels	$58,989	Discounted cash flow	Exit capitalization rate Discount rate	7.50% 9.50–10.50%
Office buildings	$463,360	Discounted cash flow	Exit capitalization rate Discount rate	6.25–7.50% 7.00–8.65%
Investment real estate subject to ground lease	$267,500	Discounted cash flow	Discount rate	5.06%

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

- **Deferred compensation plan assets** - Assets purchased under deferred compensation arrangements include mutual funds, insurance company pooled separate accounts, and variable annuities and are categorized as Level 1, Level 2, or Level 3 based on the observability of pricing inputs for the investment vehicles. Funds that are publicly traded are categorized as Level 1, while Level 2 assets include funds which are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets include annuity contracts issued by an insurance company.

The University follows guidance that allows investment funds without a readily determinable fair value to report NAV or its equivalent as a practical expedient to estimate fair value if certain criteria are met. The fair values of the following investments have been estimated using reported NAV:

(in thousands)	2013				2012
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	Fair Value
Equity – global	$ 158,548	$ 1,960	Daily to bi-annually	30 to 120 days	$ 116,264
Equity – strategic (private, long-term)	246,014	126,895	Redemption not permitted during life of fund	N/A	276,311
Fixed income – credit funds	21,668	-	Monthly	10 days	22,029
Total	$ 426,230	$ 128,855			$ 414,604

- **Equity - global** - These funds are typically composed of publicly traded developed and emerging-market stocks, long/short equity, equity hedges with options, futures or swaps, and preferred stock. Approximately 3% of these are in liquidation and distributions are anticipated over the next 5 years as the underlying assets are sold. Approximately 30% of these assets are currently locked up for up to 1-3 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, 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 71% of the underlying assets will be liquidated within 10 years.
- **Fixed income - credit funds** - These funds are primarily composed of high-yield bonds and distressed debt. Approximately 14% of these assets are in liquidation with distributions anticipated over the next 5 years as the underlying assets are sold.

Changes in Level 3 Assets

(in thousands)	2013					
	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	$ 101,260	$ 276,311	$ 5,155	$ 770,416	$ 25,284	$ 3,903
Net realized/unrealized gains	13,418	8,578	909	20,551	1,662	83
Purchases/additions	10,840	34,536	-	2,054	-	307
Sales	(4,316)	(73,411)	(3,058)	(1,847)	(62)	(222)
Transfers into Level 3	-	-	-	-	-	-
End of year	$ 121,202	$ 246,014	$ 3,006	$ 791,174	$ 26,884	$ 4,071
Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2013	$ 12,309	$ 2,161	$ 3,132	$ 20,563	$ 1,662	$ -

(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)	$ -

Level transfers are accounted for at the beginning of the reporting period and are typically the result of a change in the observability of significant valuation inputs. There were no transfers between Level 1 and Level 2 for the years ended June 30, 2013 and 2012.

Realized/unrealized gains (losses) on Level 3 assets included in changes in net assets are reported in revenues as follows:

(in thousands)	2013			2012		
	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	$ 22,937	$ 20,519	$ 1,662	$ (6,749)	$ 47,146	$ (1,068)
Change in net unrealized gains (losses) relating to assets still held at June 30	$ 17,646	$ 20,519	$ 1,662	$ (17,535)	$ 47,146	$ (1,148)

NOTE 7 - ENDOWMENT

The University's Endowment (Endowment) includes approximately 1,195 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:

(in thousands)	JUNE 30			
	2013		2012	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$ (4,105)	$ 985,703	$ (5,881)	$ 947,764
Temporarily restricted	203,220	-	176,248	-
Permanently restricted	190,384	-	187,761	-
Total endowment funds	$ 389,499	$ 985,703	$ 358,128	$ 947,764

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

(in thousands)	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 941,883	$ 176,248	$ 187,761	$ 1,305,892
Investment return:				
Investment income	23,956	4,773	-	28,729
Net appreciation (realized and unrealized)	61,319	31,552	-	92,871
Administrative expenses	(5,413)	(4,257)	-	(9,670)
Total investment return	79,862	32,068	-	111,930
Contributions	5,844	14,472	1,462	21,778
Appropriations of assets for expenditure	(47,818)	(20,502)	-	(68,320)
Reinvestment of payout and internal transfers to endowments	1,827	934	1,161	3,922
Endowment net assets, end of year	$ 981,598	$ 203,220	$ 190,384	$ 1,375,202

(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

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 $4.1 million and $5.9 million as of June 30, 2013 and 2012, 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. The specific investment objective to be realized over complete market cycles is to achieve an average annual rate of return, net of investment management fees and expenses, of at least 5% above inflation.

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 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.

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. Any excess of income earned over the approved spending amount is retained in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor restrictions.

NOTE 8 - PHYSICAL PROPERTIES

(in thousands)	JUNE 30	
	2013	2012
Land	$ 151,676	$ 150,682
Buildings	1,345,061	1,277,164
Construction in progress	227,998	87,234
Building under capital lease	6,527	6,527
Accumulated depreciation	(517,309)	(478,032)
Total	$ 1,213,953	$ 1,043,575
Furniture and equipment	$ 116,619	$ 116,628
Library and historical research materials	86,224	86,713
Equipment under capital leases	9,117	8,911
Accumulated depreciation	(135,025)	(135,607)
Total	$ 76,935	$ 76,645

The value of Construction in progress includes the addition of capitalized interest of approximately $4.5 million and $1.9 million as of June 30, 2013 and 2012, respectively.

FURNITURE AND EQUIPMENT EXPENDITURES

(in thousands)	JUNE 30	
	2013	2012
Capitalized	$ 21,244	$ 18,868
Expensed	15,661	13,666
Total	$ 36,905	$ 32,534

DEPRECIATION EXPENSE

(in thousands)	JUNE 30	
	2013	2012
Buildings	$ 39,394	$ 37,370
Furniture and equipment	18,730	18,208
Equipment under capital leases	1,909	2,271
Total	$ 60,033	$ 57,849

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30	
	2013	2012
Accrued building construction payable	$ 44,157	$ 21,690
Accrued interest payable	16,588	15,598
Accrued other liabilities	19,216	17,860
Accrued payroll and related liabilities	66,917	62,506
Accumulated postretirement liability	19,329	20,422
Asset retirement obligation	1,609	1,524
FICA refund due to medical residents	1,101	13,214
Split-interest agreements	6,817	6,731
Trade payables	11,894	11,757
Other payables	17,785	18,592
Total	$ 205,413	$ 189,894

NOTE 10 - BONDS AND NOTES PAYABLE

(in thousands)	JUNE 30			
	2013			2012
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Tax-exempt bonds:				
Series 1999B/C		-	$ -	$ 167,730
Taxable bonds:				
2002 Series A/B		-	-	172,800
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 4.72%	116,435	124,060
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	50,000
2012 Series General Obligation	9/15/2022	Fixed 3.485%	300,000	300,000
2012A Series General Obligation	9/15/2017	Fixed 1.827%	168,000	-
2013 Series General Obligation	9/15/2043	Fixed 4.363%	170,000	-
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%	9,331	9,664
Notes payable – secured by real estate	7/11/2015	Fixed 4.955%	14,940	15,285
Unsecured notes payable	5/01/2021	Fixed 3%	128	642
Total			$ 1,378,834	$ 1,390,181
Estimated fair value (Level 2) at June 30:			$ 1,422,493	$ 1,495,898

The University's long-term debt is not reported at fair value on the Consolidated Statements of Financial Position and the fair value is being provided for disclosure purposes only. The fair value is based on discounted future cash flows using current market interest rates.

RECENT BOND ISSUANCES

(in thousands)				
Issue date	Series	Type	Amount	Purpose
March 2013	2013	Taxable	$170,000	Refund Series 2002A/B taxable bonds
July 2012	2012A	Taxable	$168,000	Refund Series 1999B/C tax-exempt bonds
March 2012	2012	Taxable	$300,000	Provide funding for general University purposes including capital projects

As of June 30, 2013 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 2014. There were no amounts outstanding under lines of credit at June 30, 2013 or 2012.

The agreements for certain debt issuances require the University to deposit and maintain specified amounts in trustee-controlled accounts as repair and maintenance, taxes, and insurance reserves. In satisfaction of these requirements, $3.6 million and $3.1 million were included in Other assets at June 30, 2013 and 2012, respectively. Other assets include unamortized debt issuance costs of $6.4 million and $7.6 million as of June 30, 2013 and 2012, respectively.

(in thousands)		JUNE 30	
Interest expense	Expense Category	2013	2012
Bonds/notes payable	Interest	$ 42,576	$ 34,821
Rental property	Investment real property	14,461	14,732
Capital leases	Interest	96	127
Total		$ 57,133	$ 49,680

As of June 30, 2013, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2014	$ 17,803
2015	8,992
2016	23,335
2017	259,696
2018	178,266
Thereafter	890,742
Total	$ 1,378,834

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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

The University leases certain office, academic, residential, and administrative facilities under non-cancelable operating leases expiring at various dates through 2026. Rent expense under operating leases totaled $30.5 million and $27.8 million for the years ended June 30, 2013 and 2012, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30		*(in thousands)*
2014	$	23,107
2015		16,030
2016		15,335
2017		7,389
2018		3,536
Thereafter		20,018
Total	$	85,415

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)*
2014	$	819
2015		548
2016		227
2017		57
Minimum lease payments		1,651
Less amount representing interest		(46)
Total	$	1,605

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

NOTE 12 - NET ASSETS

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

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

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

Temporarily and permanently restricted net assets consist of the following:

(in thousands)	JUNE 30			
	2013		2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$ 4,803	$ -	$ 4,996	$ -
Endowment funds:				
Instruction & academic support	134,933	122,771	116,589	120,738
Student aid	65,026	66,015	56,576	65,425
Building funds	884	632	829	632
Other endowments	2,377	966	2,254	966
	203,220	190,384	176,248	187,761
Loan funds	-	3,481	-	3,528
Pledges:				
Instruction & academic support	36,125	878	34,431	1,036
Student aid	10,133	246	9,794	294
Building funds	821	19	9,490	285
Other pledges	5,157	127	3,729	144
	52,236	1,270	57,444	1,759
Split-interest agreements	5,288	27,497	4,770	25,896
Other	15,737	5,035	11,935	5,035
Total	$ 281,284	$ 227,667	$ 255,393	$ 223,979

NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30	
	2013	2012
Instruction and academic support	$ 592,143	$ 547,939
Research and research support	146,105	140,377
Auxiliary enterprises	94,089	92,964
Student services	98,830	89,342
Institutional support	126,527	117,504
Independent operations	40,052	39,968
Student aid	22,026	20,355
Total	$ 1,119,772	$ 1,048,449

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

Costs related to the maintenance and operation of physical plant of $169.7 million and $163.1 million for the years ended June 30, 2013 and 2012, respectively, include depreciation of plant assets and interest on plant debt. These costs are allocated among program and supporting activities based upon periodic inventories of facility square foot usage. Interest on plant debt is allocated based on the percentage of actual interest expense attributable to properties.

Technology costs of $75.4 million and $70.6 million for the years ended June 30, 2013 and 2012, respectively, are allocated to other functions based upon relative benefits provided to academic and administrative users of the services. Technology costs include expenses associated with the operation and maintenance of administrative systems, campus network and telecommunications systems, computing labs, and related support for students and faculty.

NOTE 14 - RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

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

The plan consists of both a noncontributory and a matching component. All eligible participants receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the program, the University contributes an additional amount equal to 1½% for each 1% of eligible compensation contributed by the employee, but not to exceed an amount equal to 6% of the participant's eligible compensation. Participants are immediately fully vested in both types of the University's contributions. Eligible participants direct the investment of contributions made on their behalf. For eligible participants who do not provide investment direction for contributions, the University contributions are invested in a Qualified Default Investment Alternative based on the expected year of retirement. University contributions to the retirement plan amounted to $33.1 million and $31.3 million for the years ended June 30, 2013 and 2012, 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.

NET PERIODIC POSTRETIREMENT BENEFIT COSTS:

(in thousands)	JUNE 30	
	2013	2012
Service cost - benefits earned during the year	$ 556	$ 411
Interest cost on accumulated benefit obligation	844	1,005
Amortization of net actuarial loss	66	-
Amortization of transition obligation	231	231
Net periodic benefit cost	$ 1,697	$ 1,647

The postretirement benefit plan's funded status and the amount of accumulated postretirement benefit plan costs, using a measurement date of June 30, consist of the following:

(in thousands)	YEARS ENDED JUNE 30	
	2013	2012
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 20,422	$ 18,902
Service cost	556	411
Interest cost	844	1,005
Net actuarial (gain)/loss	(901)	1,378
Plan participants' contributions	1,643	1,523
Medicare subsidy	-	265
Benefits paid	(3,235)	(3,062)
Accumulated postretirement benefit obligation at end of year	19,329	20,422
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	-	-
Plan participants' contributions	1,643	1,523
Employer contributions	1,592	1,274
Medicare subsidy	-	265
Benefits paid	(3,235)	(3,062)
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	$ (19,329)	$ (20,422)
Amounts Not Recognized in Net Periodic Benefit Cost:		
Net actuarial loss	$ 1,602	$ 2,569
Transition obligation	458	689
Total	$ 2,060	$ 3,258

	JUNE 30	
Discount rates:	2013	2012
Net periodic benefit cost	4.30%	5.50%
Postretirement benefit obligation	4.90%	4.30%

The following changes were recognized in unrestricted net assets for the year ended June 30, 2013:

(in thousands)	
Current year net actuarial gain	$ 901
Amortization of transition obligation	231
Amortization of loss	66
Total	$ 1,198

A portion of the transition obligation of $0.23 million is expected to be amortized from unrestricted net assets into net periodic benefit cost for the year ending June 30, 2014.

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, 2013 above assumes a 7.0% increase in health care costs for the year ended June 30, 2014, with the rate decreasing by 0.4% annually for the next five years to an ultimate trend rate of 5.0% thereafter. The liability calculation as of June 30, 2012, assumed a 7.5% increase in health care costs for the year ended June 30, 2013, with the rate of increase diminishing by 0.5% annually for the next five 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:

(in thousands)	JUNE 30	
	2013	2012
Effect of a 1% increase:		
Postretirement benefit obligation	$ 538	$ 753
Net periodic benefit cost	136	173
Effect of a 1% decrease:		
Postretirement benefit obligation	$ (2,654)	$ (2,864)
Net periodic benefit cost	(205)	(221)

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)*
2014	$ 1,584
2015	1,551
2016	1,456
2017	1,365
2018	1,306
2019 – 2023 (total)	5,264

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 $10.7 million and $9.9 million was reported for the years ended June 30, 2013 and 2012, respectively. Approximately $25.9 million and $24.9 million in purchased services from the MFA were reported for the years ended June 30, 2013 and 2012, respectively. The University had an outstanding receivable balance due from MFA of $0.9 million and $1.1 million as of June 30, 2013 and 2012, respectively. The University had an outstanding payable balance due to MFA of $0.9 million and $0.7 million as of June 30, 2013 and 2012, respectively.

DISTRICT HOSPITAL PARTNERS, L.P.

The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University 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, 2013 and 2012 was approximately $7.2 million and $7.5 million, respectively.

The University and DHP have executed several agreements, which reimburse or compensate the University for providing services or personnel to assist in the continued operations of the GW Hospital. Medical education agreements revenue of approximately $30.4 million and $29.8 million was reported for the years ended June 30, 2013 and 2012, respectively. The receivable from DHP for the unpaid balance of these services is $3.2 million and $6.7 million as of June 30, 2013 and 2012, respectively. Approximately $0.4 million and $0.1 million in purchased services from the GW Hospital were reported for the years ended June 30, 2013 and 2012, respectively.

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Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2013	2012
Assets	$ 3,545,838	$ 3,484,156
Net assets	$ 1,890,560	$ 1,831,150
Increase/(Decrease) in net assets	$ 59,410	$ (29,494)
Fair value of investments	$ 1,760,862	$ 1,684,691
Bonds and notes payable	$ 1,378,834	$ 1,390,181
Revenues	$ 1,177,984	$ 1,020,102
Expenses	$ 1,119,772	$ 1,048,449
Capital expenditures	$ 212,310	$ 110,243

ENROLLMENT	ACADEMIC YEAR END				
	2013	2012	2011	2010	2009
STUDENTS-FTE					
Undergraduate	9,921	9,905	9,793	9,916	9,892
Graduate	8,938	8,576	8,172	7,967	7,632
Law (J.D.)	1,624	1,701	1,671	1,581	1,618
Medical (M.D.)	710	714	719	717	716
Non-degree	228	228	299	323	313
Total fall enrollment	21,421	21,124	20,654	20,504	20,171
UNDERGRADUATE ADMISSIONS					
Applications	21,756	21,591	21,433	19,842	19,430
Selectivity Ratio	33%	33%	32%	37%	37%
Matriculation Ratio	33%	31%	35%	36%	34%
GRADUATE ADMISSIONS					
Applications	22,780	21,356	20,268	18,584	16,628
Selectivity ratio	44%	47%	45%	50%	49%
Matriculation ratio	45%	44%	46%	46%	47%
LAW (J.D.)					
Applications	7,227	8,652	9,610	10,021	9,316
Selectivity ratio	29%	27%	23%	23%	24%
Matriculation ratio	19%	20%	28%	25%	27%
MEDICINE (M.D.)					
Applications	10,504	10,625	10,588	10,557	10,315
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	55%	49%	54%	51%	60%
DEGREES CONFERRED					
Baccalaureate	2,454	2,296	2,172	2,405	2,428
Master's	4,210	3,883	3,929	3,664	3,611
First professional	758	746	669	685	717
Doctoral	313	304	305	320	294

THE GEORGE WASHINGTON UNIVERSITY

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