2019-2020

Financial Report

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

Message from Mark Diaz

Executive Vice President and Chief Financial Officer

I am pleased to present to you on behalf of the George Washington University the highlights of our financial reports for fiscal 2020. The university's sound fiscal management and strategic approach to mitigating challenges continue to support our efforts to fulfill our core teaching and research mission and position the university for future success.

During fiscal 2020, we have continued to collaborate closely with our faculty, students, staff, and the Board of Trustees to identify areas for improvement and investment.

The university is investing in academic and research priorities, inside and outside of the classroom, that support the academic mission. We are making significant commitments to improving the student experience and providing our students with the resources and services they need to succeed. Renovation of Thurston Hall, our largest residence hall for first-year students, is underway and on schedule for completion by fall 2022. We also continue to contemplate the university's comprehensive campus and facilities master plan to ensure our facilities meet our teaching and research aspirations.

As was the case for all institutions of higher education, the final months of fiscal 2020 were marked by a high degree of uncertainty driven by the pandemic. Such uncertainty required the university to be as prudent and preemptive as possible. Due to the strength of the university's financial position, we were able to make decisions in a deliberate and informed manner as the university transitioned to virtual learning in March and most students left on-campus housing. The pandemic affected the operations of the GW Medical Faculty Associates including a decline in patient visits and elective medical procedures along with increased costs for testing and personal protective equipment.

We immediately prioritized the health, safety, and care of our community, including by caring for COVID-19 patients and making critical investments in testing infrastructure and other health and safety capabilities. We also provided students living in on-campus residence halls credits for their unused housing through the end of the spring semester. Further, the university received $9.1 million from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, and all of these funds were distributed directly to students, focusing on those with the highest need, by the end of July 2020. The university is continuing to take actions that prioritize health, safety, and care while ensuring long-term fiscal sustainability.

Considering the current public health and economic circumstances, the financial position detailed in the following pages is solid and relatively stable. This positioning allows the university to fulfill our core academic mission through this unprecedented time as we continue to pursue excellence into our third century.

Sincerely,
Mark Diaz

Management Discussion and Analysis of Financial Condition and Results of Operations – FY 20

The purpose of this discussion is to augment the financial statements by providing management's perspective on the university's financial health and the related impact on our mission and aspirations. We also describe in greater detail significant items that influenced the university's financial statements in FY20.

COVID-19 Pandemic Response

The university's response to the COVID-19 pandemic has been careful and deliberate. Our campuses were closed in March 2020 following Spring Break and students living in residence halls were refunded their unused housing through the end of the semester. The university evaluated and prepared for reopening campus in fall 2020, but ultimately determined for the safety and well-being of the campus community to provide only online classes for the majority of students and to house a very limited number of residential students with extenuating circumstances.

Our response to the pandemic, while we believe it the correct one to ensure the health and well-being of our community, had financial implications, including lost housing revenue and additional tuition discounts. The university received CARES Act (The Coronavirus Aid, Relief, and Economic Security Act) Higher Education Emergency Relief Fund funding which was intended to provide financial aid to students as well as institutions at the beginning of this crisis. While the CARES Act called for at least 50% of the aid to be given to students, the university decided that 100% of the $9.1 million in aid allotted to the university would be given to students.

The clinical practice of GW faculty physicians, Medical Faculty Associates (MFA), has also experienced losses and expenses due to the pandemic, including a decline in patient visits and elective medical procedures as well as costs for testing and personal protective equipment. The MFA received CARES Act funding, which helped to alleviate some of the burden of the unexpected costs as well as provide capital to increase telehealth appointment options. See Note 18 for more details on our COVID-19 response.

Medical Faculty Associates (MFA) Consolidation Update

FY20 includes a full year of MFA activity, which resulted in several of the variances between the FY19 and FY20 Consolidated Statements of Activities and Cash Flows. MFA activity was consolidated with the university's beginning mid-December 2018 following the change in the governance structure of the MFA. The restructuring has created stability in MFA cash flow and corporate practices. As part of the restructuring, the university now provides guidance and assistance to the MFA in areas of accounting, the Office of the General Counsel, real estate lease administration and risk management.

Lease Standard Implementation

The university adopted the new accounting standard for Leases (ASC 842) in FY20. The major impact of this new standard on the consolidated financial statements is related to office space that is leased for administrative, academic or medical office purposes. These arrangements are now considered operating leases and have been recorded on the Consolidated Balance Sheets as right-of-use assets in Other assets and the corresponding liabilities in Accounts payable and accrued expenses. Finance leases for equipment, formerly known as capital leases, had a minor impact and continue to be reported in Property, plant and equipment, net and Long-term debt, net. See Notes 1 and 9 for full details of the lease standard implementation.

FY20 Results of Operations

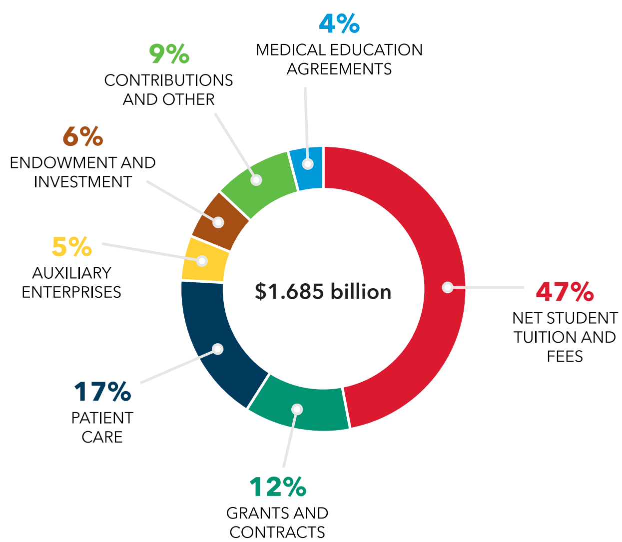
Our consolidated balance sheet remains strong with growth in total assets of $352 million, including $300 million in cash raised in May through a new term loan and a new line of credit that have provided liquidity as the university responded to the COVID-19 pandemic. An additional driver of the increase in assets was the adoption of the lease accounting standard, which resulted in the recognition of lease assets and corresponding lease liabilities on the balance sheet.

Consolidated net assets decreased by $61 million in FY20, with $18 million of the decrease attributable to the university and $43 million to the clinical practice of GW faculty physicians, Medical Faculty Associates (MFA). The decreases are primarily the result of the COVID-19 pandemic. The university closed its residence halls in mid-March, and they remained closed through the end of the fiscal year, resulting in decreased Auxiliary enterprises revenue. MFA experienced a decline in patient visits and medical procedures performed due to state and local government mandates in Washington, D.C., Maryland and Virginia. These restrictions contributed to a significant decline in patient service revenue when compared to historical and forecasted results for the period. Despite these impacts, the university's overall financial health remains strong with positive cash flows from operating activities.

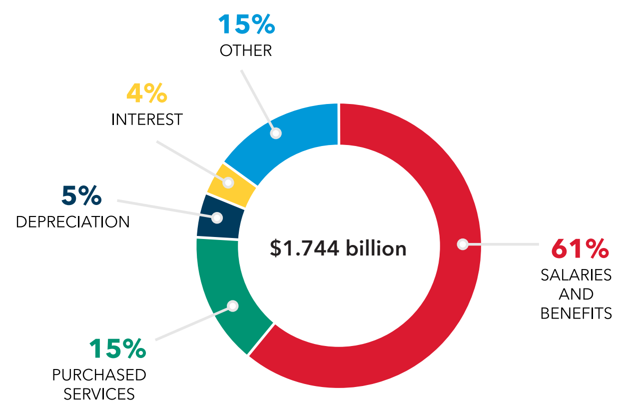
In terms of the university's stand-alone performance, revenue decreased by 1% over the prior year while expenses increased by 2% over the prior year. The COVID-19-related impacts previously discussed were concentrated in the final quarter of the fiscal year and had an immediate impact on revenue. Although the university began to implement cost-saving strategies in spring 2020, the impact on expenses was more gradual.

FY20 is the first year the Consolidated Statement of Activities includes a full year of MFA's activities. For FY19, only the revenues earned and expenses incurred after December 14, 2018, the date of the business combination, were included in the Consolidated Statement of Activities. Therefore, when comparing the current year to the prior year, both the revenue and the expenses reported for MFA within the Consolidated Statement of Activities increased substantially.

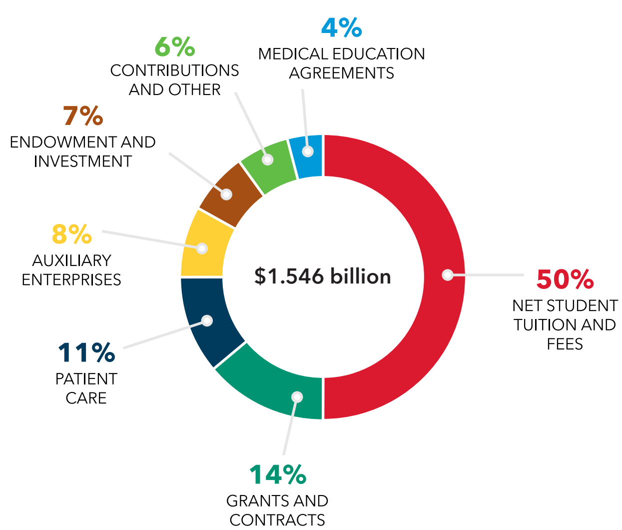
FY20 Operating Revenue



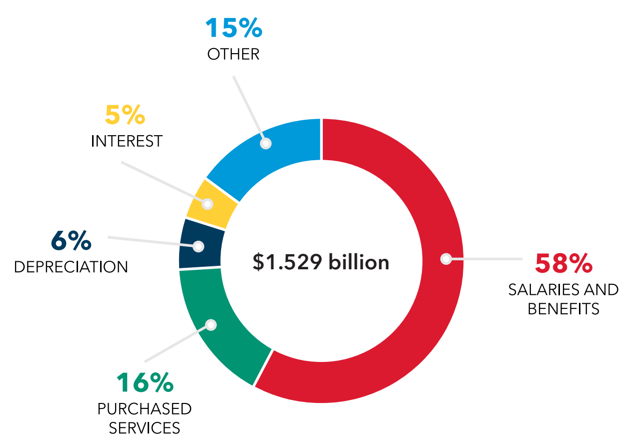
FY20 Operating Expenses



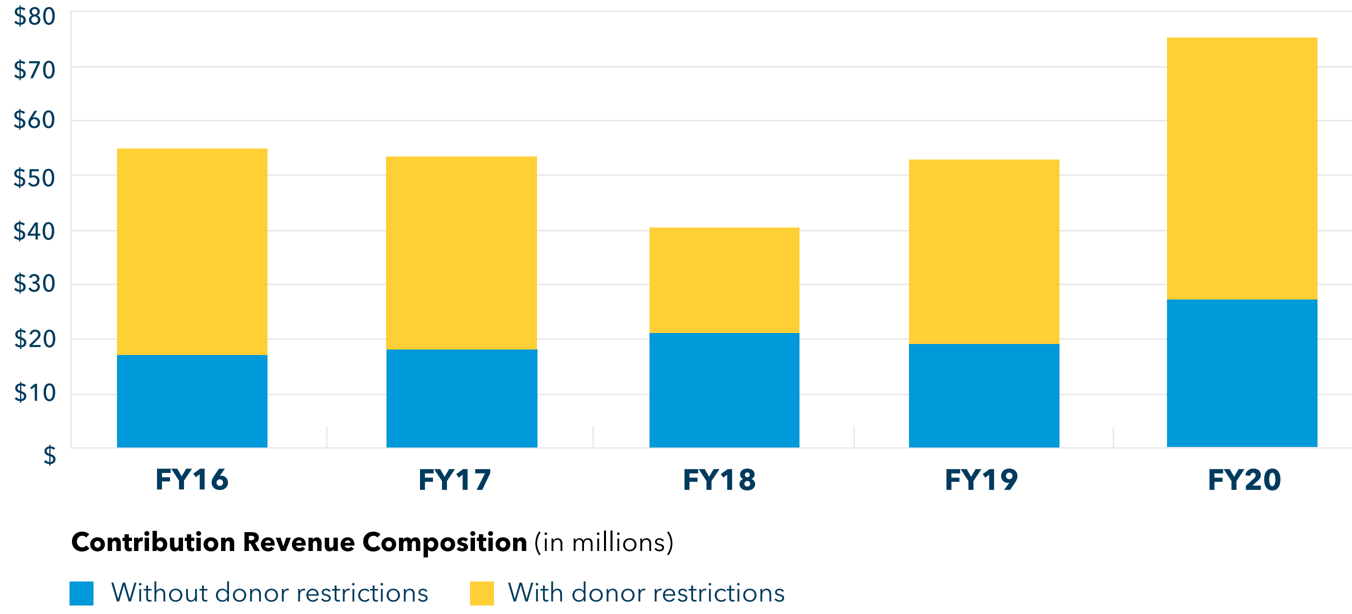
FY19 Operating Revenue



FY19 Operating Expenses



Contributions



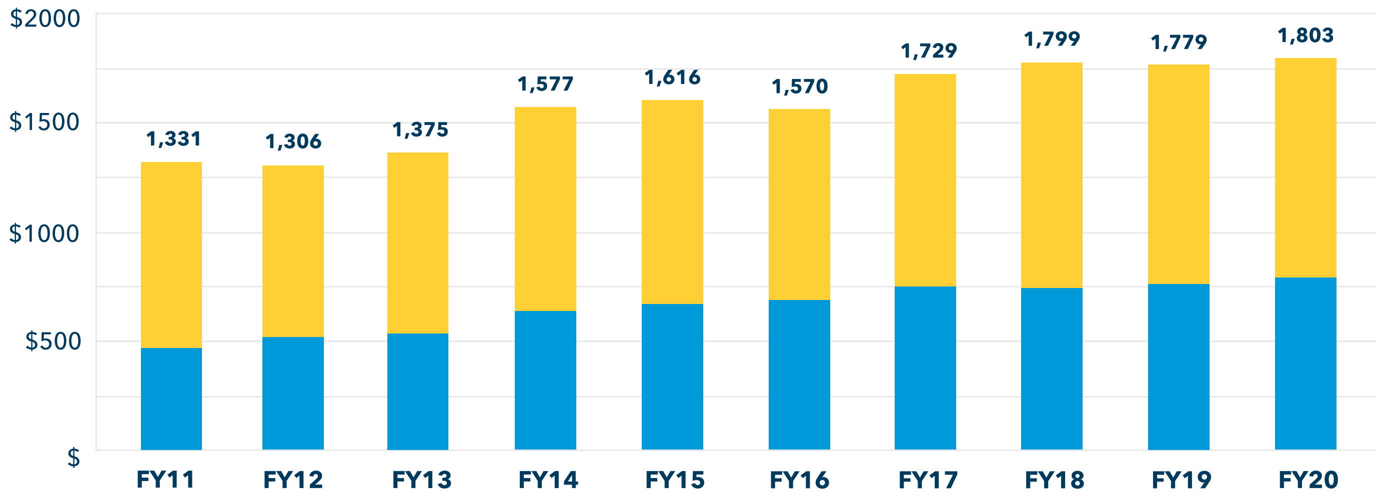
Contributions to the university have provided vital funding for key academic priorities, critical aid for students affected by the COVID-19 pandemic and helped build for a strong future by growing the university's endowment.

During FY20, the Fitzhugh Mullan Institute for Health Workforce Equity received an additional $13.6 million from The Atlantic Philanthropies to expand its fellowship program and extend its operation through 2028. Through the year-long program, fellows learn to think critically about the foundations of health inequity, including the social determinants of health, and apply frameworks to reduce health disparities in different settings around the world.

In addition, The Atlantic Philanthropies contributed $3 million to endow the Fitzhugh Mullan Professor of Health Workforce Equity. This professorship will advance the initiatives of the Mullan Institute, conduct research aimed at strengthening health workforce equity in the United States and around the world, and collaborate with faculty and students at Milken Institute School of Public Health.

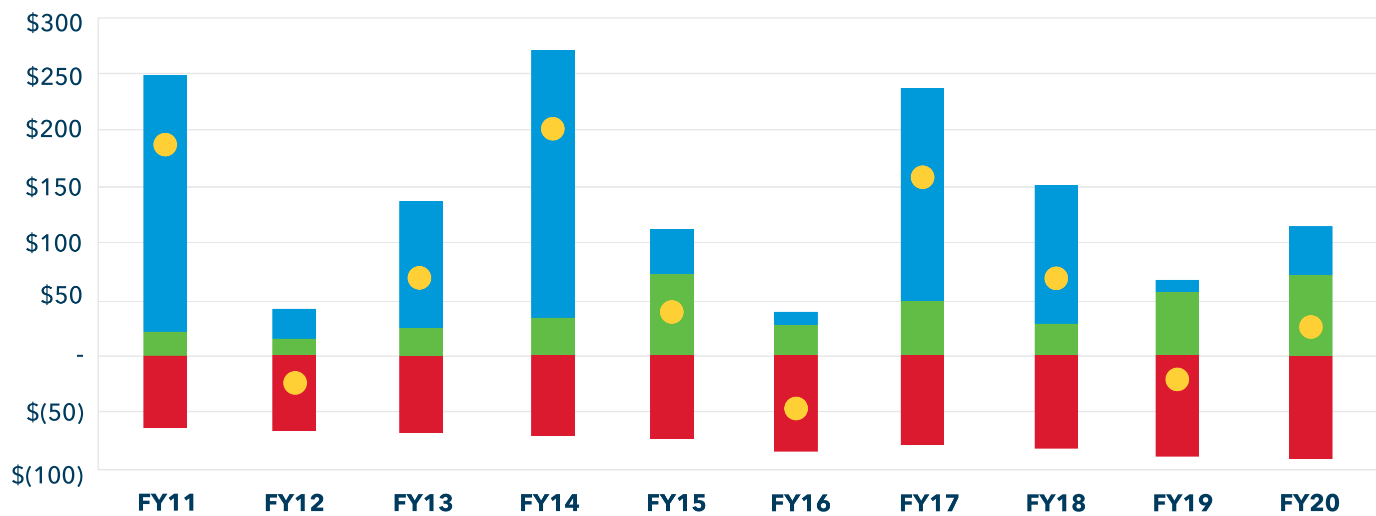
To help students who have faced unexpected hardship due to COVID-19, the university established the GW Cares Student Assistance Fund during FY20. Thanks to the generosity of donors, over 750 students received aid to help with transportation expenses, housing expenses, to offset income from lost jobs, and to be able to complete their schoolwork in a safe and secure environment.

Endowment



End of Year Total Endowment Market Value (in millions)

Real Estate Pooled Endowment



Change in Endowment Market Value (in millions)

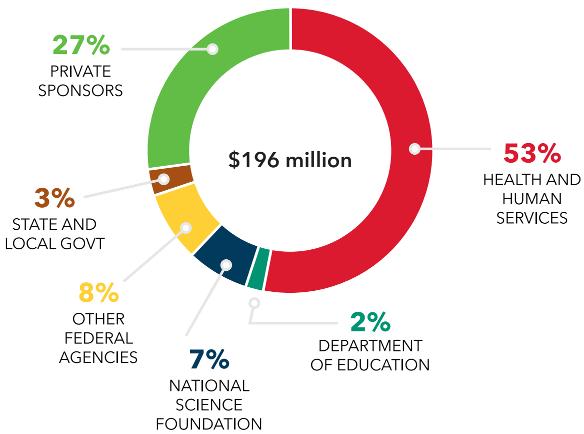
Gifts and Transfers Investment Return, net

Endowment Distribution Net Change in Market Value

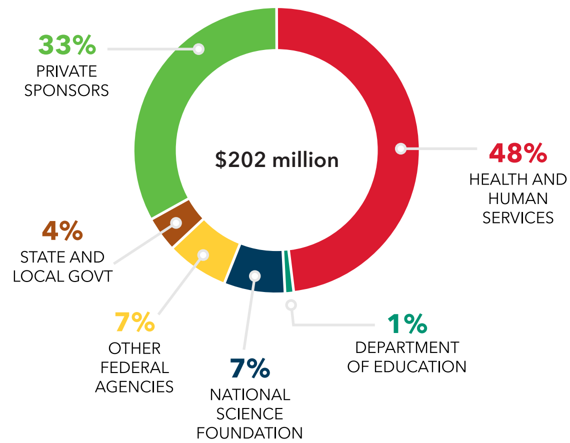
Endowed funds are the cornerstone of philanthropy. These funds yield enduring returns and perpetual impact, enabling us to strategically plan for the university's future. In FY20, the total endowment market value increased by 1% to $1.803 billion, due primarily to new gifts and modest returns exceeding withdrawals under the spending policy. Endowment payout provided $90.9 million in support of university activities. The endowment assets in aggregate generated a five-year annualized investment return of 4.9% and a 10-year annualized investment return of 7.5%.

During FY20, the Board of Trustees created the Environmental, Social and Governance (ESG) Responsibility Task Force to establish a long-term, proactive approach to managing ESG responsibility. Based on the ESG Responsibility Task Force's recommendation, in June 2020, the Board of Trustees pledged to not make any new investments in businesses that derive the majority of their revenue from the extraction of fossil fuels and agreed to eliminate 100% of all such investments from its endowment over the next five years.

Research



FY20 Externally Funded Research



FY19 Externally Funded Research

FY20 Research revenue, included in Grants and contracts on the Consolidated Statement of Activities, decreased 3%, primarily due to non-federal projects. Federal research revenue, however, did increase with the renewal of the AIDS and Cancer Specimen Resource (ACSR) cooperative agreement. The ACSR has the largest collection of annotated HIV malignancy specimens globally available to qualified researchers studying HIV and HIV-associated cancers through an established specimen application process. The GW School of Medicine and Health Sciences will serve as the primary ACSR site for the next five years.

Two additional federally funded projects reporting higher revenue in FY20 are the Data Coordinating Center for Multicenter Maternal-Fetal Medicine Units and Community Programs for Clinical Research on AIDS. The ACSR and these additional two projects are all sponsored by the National Institutes of Health, which falls under the U.S. Department of Health and Human Services, its parent agency, on the above chart.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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of The George Washington University

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The George Washington University and its subsidiaries (the "University"), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audit. We conducted our audit 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 the auditor's 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, the auditor considers 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 consolidated financial position of The George Washington University and its subsidiaries as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the consolidated financial statements, the University has adopted new accounting guidance for the year ended June 30, 2020 related to lease accounting. Our opinion is not modified with respect to this matter.

Other matters

The consolidated financial statements of the University as of and for the year ended June 30, 2019 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2019 consolidated financial statements in their report dated October 3, 2019.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Balance Sheet as of June 30, 2020 and Consolidating Statement of Activities for the year ended June 30, 2020 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, MA
September 24,2020

CONSOLIDATED BALANCE SHEETS

As of June 30, 2020 and 2019
(in thousands)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 696,429	$ 162,476
Short-term investments	100	269,524
Accounts receivable, net	129,026	141,351
Contributions receivable, net	29,349	36,677
Investments	2,329,157	2,306,287
Loans and notes receivable, net	20,983	26,368
Property, plant, and equipment, net	1,771,307	1,780,440
Other assets	123,907	24,925
Total assets	$ 5,100,258	$ 4,748,048
LIABILITIES		
Accounts payable and accrued expenses	$ 395,258	$ 305,578
Deferred revenue	140,254	117,079
Long-term debt, net	2,244,657	1,940,133
Funds advanced for student loans	25,030	29,612
Total liabilities	2,805,199	2,392,402
NET ASSETS		
Without donor restrictions	1,609,161	1,668,158
With donor restrictions	685,898	687,488
Total net assets	2,295,059	2,355,646
Total liabilities and net assets	$ 5,100,258	$ 4,748,048

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020
(in thousands)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Student tuition and fees, net of $340,440 university funded scholarships	$ 784,524	$ -	$ 784,524
Patient care, net	278,212	-	278,212
Grants and contracts including indirect cost recoveries	209,133	-	209,133
Auxiliary enterprises, net	90,387	-	90,387
Endowment income distributed for operations	86,581	-	86,581
Medical education agreements	61,472	-	61,472
Contributions	27,248	-	27,248
Investment income used in operations	18,321	-	18,321
Net assets released from restrictions	12,200	-	12,200
Other	117,026	-	117,026
Total operating revenue	1,685,104	-	1,685,104
OPERATING EXPENSES			
Salaries and benefits	1,042,738	-	1,042,738
Purchased services	266,940	-	266,940
Depreciation	93,808	-	93,808
Interest	73,953	-	73,953
Scholarships and fellowships	26,471	-	26,471
Other	240,401	-	240,401
Total operating expenses	1,744,311	-	1,744,311
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(59,207)	-	(59,207)
NON-OPERATING ACTIVITIES			
Investment income, net	55,749	(5,998)	49,751
Net assets released from restriction	35,077	(47,277)	(12,200)
Contributions, net	-	48,270	48,270
Endowment income distributed for operations	(87,775)	1,194	(86,581)
Other	(2,841)	2,221	(620)
Total non-operating activities	210	(1,590)	(1,380)
DECREASE IN NET ASSETS	(58,997)	(1,590)	(60,587)
NET ASSETS AT THE BEGINNING OF THE YEAR	1,668,158	687,488	2,355,646
NET ASSETS AT THE END OF THE YEAR	$ 1,609,161	$ 685,898	$ 2,295,059

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019
(in thousands)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Student tuition and fees, net of $333,821 university funded scholarships	$ 774,143	$ -	$ 774,143
Patient care, net	171,188	-	171,188
Grants and contracts including indirect cost recoveries	206,391	-	206,391
Auxiliary enterprises, net	119,752	-	119,752
Endowment income distributed for operations	86,575	-	86,575
Medical education agreements	65,391	-	65,391
Contributions	19,079	-	19,079
Investment income used in operations	25,671	-	25,671
Net assets released from restrictions	13,351	-	13,351
Other	64,625	-	64,625
Total operating revenue	1,546,166	-	1,546,166
OPERATING EXPENSES			
Salaries and benefits	891,934	-	891,934
Purchased services	250,860	-	250,860
Depreciation	90,372	-	90,372
Interest	70,593	-	70,593
Scholarships and fellowships	17,270	-	17,270
Other	208,509	-	208,509
Total operating expenses	1,529,538	-	1,529,538
INCREASE IN NET ASSETS FROM OPERATING ACTIVITIES	16,628	-	16,628
NON-OPERATING ACTIVITIES			
Investment income, net	40,284	(848)	39,436
Net assets released from restriction	40,994	(54,345)	(13,351)
Contributions, net	-	34,069	34,069
Endowment income distributed for operations	(88,697)	2,122	(86,575)
Other	(4,594)	401	(4,193)
Total non-operating activities	(12,013)	(18,601)	(30,614)
INCREASE (DECREASE) IN NET ASSETS	4,615	(18,601)	(13,986)
NET ASSETS AT THE BEGINNING OF THE YEAR	1,663,543	706,089	2,369,632
NET ASSETS AT THE END OF THE YEAR	$ 1,668,158	$ 687,488	$ 2,355,646

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019
(in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (60,587)	$ (13,986)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution - MFA business combination	-	(3,109)
Contributions restricted for long-term investment	(4,068)	(7,885)
Donated assets	(140)	(206)
Depreciation, amortization, and accretion expenses	93,961	90,434
Net realized/unrealized (gain) on investments	(34,795)	(23,285)
Other non-cash items	3,852	3,755
Changes in operating assets and liabilities:		
Accounts receivable	8,043	(2,696)
Contributions receivable	7,328	10,694
Other assets	(98,902)	3,664
Accounts payable and accrued expenses	96,240	10,560
Deferred revenue	28,186	(2,617)
Net cash provided by operating activities	39,118	65,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(463,972)	(739,348)
Sales and maturity of investments	748,210	777,396
Purchases of property, plant, and equipment	(87,855)	(86,727)
Cash investment - MFA business combination	-	11,774
Change in other loans and notes receivable	5,411	4,404
Net cash provided by (used in) investing activities	201,794	(32,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	4,068	7,885
Payments of long-term debt	(2,211)	(474)
Proceeds from borrowings	125,000	-
Net proceeds from borrowings on lines of credit	174,091	1,310
Refunds (payments) of debt issuance costs	(30)	75
Payments of finance lease obligations	(3,295)	(1,941)
Change in refundable government student loan funds	(4,582)	(9)
Net cash provided by financing activities	293,041	6,846
NET CHANGE IN CASH AND CASH EQUIVALENTS	533,953	39,668
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	162,476	122,808
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 696,429	$ 162,476
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Net interest paid	$ 85,609	$ 79,910
Income tax payments	2,668	1,341

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, housing, fees, and patient service revenue. The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and reporting practices prescribed for not-for-profit entities. The consolidated financial statements include the accounts of the George Washington University and its wholly owned subsidiaries which includes the Medical Faculty Associates, Inc. (MFA) as of December 14, 2018, following the business combination described in Note 17. All material intercompany transactions and balances have been eliminated.

Medical Faculty Associates, Inc.

MFA is a 501(c)(3) corporation formed in February 2000 to operate exclusively for the benefit of the University in providing clinical, teaching, and research services. Clinical services include professional physician and related health care services to patients in the greater Washington, D.C. community. MFA Physicians Insurance Company (MFA-PIC) is a wholly owned subsidiary of MFA and provides professional liability insurance for MFA and its employed physicians and providers. MFA maintains its accounts and prepares stand-alone financial statements in conformity with GAAP applicable to not-for-profit health care entities. MFA-PIC is a foreign nonprofit corporation controlled by MFA and exempt from taxation by the Government of the Cayman Islands until July 20, 2024. It is a separate entity for federal, state, and local income tax purposes.

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 in the endowment fund and by investment managers are included in Investments. Purchases and sales of investment cash equivalents are netted for reporting on the Consolidated Statements of Cash Flows.

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as revenue with or without donor restrictions based on the terms of gift agreements. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Promises to give with payments to be received after one year from the date of the financial statements are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing. 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 net asset categories based on the existence or absence of 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 associated liabilities to beneficiaries in these arrangements are calculated based on various actuarial assumptions and are recorded in Accounts payable and accrued expenses (Note 10). The University manages the following types of arrangements:

- **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. Patient receivables are recorded at net realizable value based on certain assumptions determined by each payor. The initial estimate of the balance is established by reducing the standard rate by any explicit and implicit price concessions. 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 $0.5 million at June 30, 2020 and 2019. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 7%. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students. Health Profession funds may be loaned again after collection. The Perkins Loan program was not reauthorized by the federal government in September 2017, and therefore, collected funds will be returned to the U.S. Government and the University proportionate to their original funding. These federal loan programs have cash restricted as to their use of $7.3 million and $7.4 million as of June 30, 2020 and 2019, respectively.

Property, Plant, and Equipment

Land, buildings, furniture, and equipment are stated at cost or fair value at the date of donation. Buildings, furniture, and equipment are depreciated on a straight-line basis over the estimated useful lives ranging from 3 to 40 years. Interest cost incurred during construction is capitalized as part of the cost of capital projects. 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.

Leases

The University adopted ASC 842, *Leases*, effective July 1, 2019. Refer to page 17 for further discussion of the impact of adoption.

The University determines if an arrangement is a lease at inception. All leases are recorded on the Consolidated Balance Sheets except for leases with an initial term less than 12 months for which the University made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets are included in Other assets and the related liabilities are included in Accounts payable and accrued expenses in the Consolidated Balance Sheets. At lease commencement, lease liabilities are recognized based on the preset value of the remaining lease payments and discounted using the University's incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term as Occupancy expense within Other operating expenses in the Consolidated Statement of Activities. Lease agreements with lease and non-lease components are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Finance lease ROU assets are included in Property, plant, and equipment, net, and the related liabilities are included in Long-term debt in the Consolidated Balance Sheets.

Net Asset Classes

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are available for operations or designated by the Board of Trustees for specific purpose or quasi-endowment.

With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations and may be restricted by time or purpose, or may be restricted in perpetuity. Those restricted by time or purpose contain stipulations that may be or will be met either by actions of the University and/or by the passage of time. Those restricted in perpetuity are subject to stipulations that the asset 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.

All revenues, gains, and expenses not restricted by donors are included in net assets without donor restrictions and are generally available for operations. Contributions are reported as increases in the appropriate category of net assets, except contributions with restrictions that are met in the same fiscal year they are received are included in revenues without donor restrictions. Expirations of 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 net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire or construct long-lived assets are considered met in the period in which the assets are placed in service.

Non-operating items include net investment returns that are available for future use, contributions with donor restrictions, net assets released from restrictions or for use in current year operations, changes in postretirement benefit obligations other than service costs, and significant non-recurring transactions not directly related to operations.

Tuition, Fees, and Scholarships

The University recognizes revenues from student tuition and fees within the fiscal year in which educational services are provided. Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, are 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.

Deferred revenue

Summer term tuition revenue and cash deposits received for summer housing contracts which span across the fiscal year-end are recognized to the extent the University has met the performance obligations as of the end of the fiscal year and the remainder is deferred to the following fiscal year.

As of June 30, 2020, $41.1 million of remaining performance obligations under open service contracts is reported as Deferred revenue on the Consolidated Balance Sheet. The University expects to recognize this entire amount in operating revenues during the fiscal year ending June 30, 2021. As of June 30, 2019, the University reported $48.3 million of remaining performance obligations under open service contracts as Deferred revenue, which was recognized as operating revenues during the fiscal year ending June 30, 2020.

Auxiliary Enterprises

Auxiliary enterprises revenue is primarily composed of housing revenue. Revenue from housing is recognized over the period it is earned as housing services are provided. Financial aid awarded specifically for housing is recorded as a reduction of auxiliary revenues and totaled $2.3 million and $2.4 million for the fiscal years ending June 30, 2020 and 2019, respectively.

Grants and Contracts

The University recognizes government and private sponsored agreements, grants and contracts as either contributions or exchange transactions. These grants and contracts are for various activities performed by the University, including but not limited to research and education programs. Most of the University's sponsored agreements are conditional contributions.

Typically, grant and contract agreements contain a right of return or right of release from obligation provision on the part of the grantor and the University has limited discretion over how funds transferred should be spent. As such, the University recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

For grants and contracts treated as exchange transactions, the University recognizes revenue when the University has a right to consideration from the sponsoring organization, which is typically based on costs incurred or milestones reached.

Any funding received in advance of revenue recognition is recorded in Deferred revenue on the Consolidated Balance Sheets.

Patient Service Revenue

The University recognizes patient service revenue associated with services provided by MFA to patients who have third party payor coverage on the basis of contractual rates for services rendered. MFA has agreements with third party payors including Medicare, Medicaid, and Blue Shield, as well as other commercial and managed care insurance carriers. Contracts for payment for clinical services are negotiated with each of the carriers at an amount less than the established billing rate. For uninsured patients who do not qualify for charity care, MFA recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy), reduced by estimated implicit price concessions for patients who are unable or unwilling to pay based on historical experience with each class of patients/payors. Patient service revenue is reported as estimated net realizable amounts from patients, third-party payors, government programs and others and is recognized in the period in which services are rendered.

Tax Status

The University is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not required to pay federal income tax on income related to its exempt purposes. The University is subject to tax on unrelated business income. The University has concluded that there are no material uncertain tax positions as of June 30, 2020 and 2019.

Use of Estimates

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

Reclassifications of Prior Year Amounts

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

Recent Accounting Standards

The University adopted ASC 842, *Leases*, effective July 1, 2019. This standard requires lessees to recognize leases on the balance sheet as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the University elected to use practical expedients, including but not limited to, not reassessing past lease and easement accounting, and not recording assets or liabilities for leases with terms of one year or less.

Upon adoption, the University recognized operating right-of–use assets and lease liabilities of $108.9 million. ASC 842 did not have a material effect on our accounting for our lessor contracts or for lessee contracts classified as finance leases.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The University regularly monitors liquidity required to meet its operating needs and commitments while striving to maximize the investment of available funds. The University took proactive measures by securing an additional $300 million of liquidity due to the COVID-19 pandemic by obtaining an additional term loan and drawing on a new line of credit in May 2020.

As of June 30, 2020 and 2019, the following assets could readily be made available within one year to meet general expenses:

(in thousands)	AS OF JUNE 30, 2020		
	Financial assets	Unavailable within one year	Available for general expenditure within one year
Cash and cash equivalents	$ 696,429	$ 7,341	$ 689,088
Short-term investments	100	-	100
Accounts receivable, net	129,026	15,545	113,481
Contributions receivable, net	29,349	28,928	421
Investments - pooled endowment	1,006,803	560,283	446,520
Investments - endowment real estate	1,092,300	1,092,300	-
Investments - other	230,054	230,054	-
Loans and notes receivable, net	20,983	20,983	-
	$ 3,205,044	$ 1,955,434	$ 1,249,610
Liquidity resources - available lines of credit			13,766
Financial assets available for general expenditure within one year			$ 1,263,376

(in thousands)	AS OF JUNE 30, 2019		
	Financial assets	Unavailable within one year	Available for general expenditure within one year
Cash and cash equivalents	$ 162,476	$ 7,404	$ 155,072
Short-term investments	269,524	–	269,524
Accounts receivable, net	141,351	9,586	131,765
Contributions receivable, net	36,677	35,850	827
Investments - pooled endowment	1,025,210	542,574	482,636
Investments - endowment real estate	1,040,700	1,040,700	–
Investments - other	240,377	240,377	–
Loans and notes receivable, net	26,368	26,368	–
	$ 2,942,683	$ 1,902,859	$ 1,039,824
Liquidity resources - available lines of credit			162,927
Financial assets available for general expenditure within one year			$ 1,202,751

NOTE 3 – ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2020	2019
Grants and contracts	$ 28,882	$ 35,264
Patient care	38,838	52,980
Student tuition and fee accounts	31,188	24,701
Due from affiliation agreements	3,301	3,949
Due from hospital limited partnership	12,221	12,545
Reinsurance	14,438	8,565
Other	19,371	19,793
	148,239	157,797
Patient care allowance for doubtful accounts	(16,432)	(14,221)
Other allowances for doubtful accounts	(2,781)	(2,225)
Total	$ 129,026	$ 141,351

NOTE 4 – CONTRIBUTIONS RECEIVABLE

(in thousands)	JUNE 30	
	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 20,552	$ 28,355
One year to five years	12,934	13,793
Over five years	599	542
Subtotal	34,085	42,690
Allowance for uncollectible pledges	(2,960)	(3,980)
Unamortized discount to present value	(1,776)	(2,033)
Total	$ 29,349	$ 36,677

Contributions receivable expected to be fulfilled more than one year from the date of the financial statements are recorded at fair value at the date of the gift, discounted at 3.95% - 4.53% with the discount amortized over the life of the receivable.

At June 30, 2020 and 2019, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $209 million and $223 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.

In addition, at June 30, 2020 and 2019, the University had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of $202 million and $208 million, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

NOTE 5 – INVESTMENTS

(in thousands)	JUNE 30	
	2020	2019
Cash and cash equivalents	$ 39,261	$ 56,470
Exchange traded funds	16,877	16,248
Fixed income:		
Asset-backed securities	23,989	23,521
Corporate debt securities	51,061	43,586
Government debt securities	104,203	99,566
Other	29,692	26,255
Global equity	534,775	501,625
Commodities	695	-
Hedge funds	178,509	196,030
Private equity	88,916	99,974
Real estate	1,116,368	1,064,189
Split-interest agreements - Trusts held by others	42,146	44,096
Balanced funds	14,759	15,716
Annuities	18,710	18,521
Other	45,777	51,914
Net pending trades	21,813	21,561
Fund units receivable	-	25,000
Unrealized gain on open futures contracts	1,606	2,015
Total	$ 2,329,157	$ 2,306,287

The University enters into derivative transactions for market risk management purposes only. The University has not and will not enter into any derivative transaction for speculative or profit generating purposes. As of June 30, 2020 and 2019, the fair value of the derivatives was not material.

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $23.5 million and $23.0 million as of June 30, 2020 and 2019, 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 $38.0 million and $41.9 million as of June 30, 2020 and 2019, respectively.

NOTE 6 - FAIR VALUE

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

The three levels of fair value established by the standard are as follows:

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

(in thousands)	2020			2019		
	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	$ 350,117	$ 346,312	$ 696,429	$ 159,100	$ 3,376	$ 162,476
Short-term investments	-	100	100	269,424	100	269,524
Investments	2,233,584	95,573	2,329,157	2,180,649	125,638	2,306,287
Total	$ 2,583,701	$ 441,985	$ 3,025,686	$ 2,609,173	$ 129,114	$ 2,738,287

Assets not subject to fair value reporting include cash deposits, two limited partnership investments where the University's interest exceeds 20% accounted for under the equity method of accounting, pending trades, fund units receivable, and intangible assets.

For assets reported at fair value, the following table summarizes the valuation of financial instruments by pricing observability levels. Investments that use net asset value (NAV) as a practical expedient to estimate fair value are excluded from the fair value hierarchy.

(in thousands)	AS OF JUNE 30, 2020				
		CLASSIFIED IN FAIR VALUE HIERARCHY			
	NAV	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents at fair value	$ -	$ 339,510	$ 10,607	$ -	$ 350,117
Investments:					
Cash and cash equivalents	-	39,261	-	-	39,261
Exchange traded funds	-	16,877	-	-	16,877
Fixed income:					
Asset-backed securities	23,989	-	-	-	23,989
Corporate debt securities	20,020	-	31,041	-	51,061
Government debt securities	31,433	72,770	-	-	104,203
Other	12,942	10,689	6,061	-	29,692
Global equity	376,961	153,348	-	-	530,309
Commodities	-	695	-	-	695
Hedge funds	178,509	-	-	-	178,509
Private equity	88,916	-	-	-	88,916
Real estate	-	103	-	1,092,748	1,092,851
Split-interest agreements - Trusts held by others	-	-	-	42,146	42,146
Balanced funds	-	14,759	-	-	14,759
Annuities	-	-	10,383	8,327	18,710
Unrealized gain - open futures contracts	-	1,606	-	-	1,606
Total investments at fair value	732,770	310,108	47,485	1,143,221	2,233,584
Total assets at fair value	$ 732,770	$ 649,618	$ 58,092	$ 1,143,221	$ 2,583,701

(in thousands)	AS OF JUNE 30, 2019				
		CLASSIFIED IN FAIR VALUE HIERARCHY			
	NAV	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents at fair value	$ -	$ 153,713	$ 5,387	$ -	$ 159,100
Short-term investments at fair value	-	269,424	-	-	269,424
Investments:					
Cash and cash equivalents	-	56,470	-	-	56,470
Exchange traded funds	-	16,248	-	-	16,248
Fixed income:					
Asset-backed securities	23,521	-	-	-	23,521
Corporate debt securities	14,232	-	29,354	-	43,586
Government debt securities	29,259	67,680	2,627	-	99,566
Other	8,677	10,335	7,243	-	26,255
Global equity	350,085	147,398	-	-	497,483
Hedge funds	196,030	-	-	-	196,030
Private equity	99,974	-	-	-	99,974
Real estate	-	109	-	1,041,059	1,041,168
Split-interest agreements - Trusts held by others	-	-	-	44,096	44,096
Balanced funds	-	15,716	-	-	15,716
Annuities	-	-	10,496	8,025	18,521
Unrealized gain - open futures contracts	-	2,015	-	-	2,015
Total investments at fair value	721,778	315,971	49,720	1,093,180	2,180,649
Total assets at fair value	$ 721,778	$ 739,108	$ 55,107	$ 1,093,180	$ 2,609,173

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above.

- **Cash, cash equivalents, short-term investments, and exchange traded funds** - These investments include cash deposits in investment funds and short-term U.S. Treasury securities, money market accounts, and other short-term, highly liquid investments. Cash equivalents also include a bank repurchase agreement valued at $10.6 million at June 30, 2020 and $5.4 million at June 30, 2019 which is classified as Level 2. The repurchase agreement is collateralized by bank-owned securities issued by the U.S. Government or agencies thereof. All other cash equivalents are priced using independent market prices in the primary trading market and are classified as Level 1.

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

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

- **Commodities** – This investment is an exchange-traded fund which invests in gold and is classified as Level 1.

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

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

- **Real estate** - Real estate investment properties are valued based on results from professional independent appraisals and are included in Level 3. Different assumptions or changes in future market conditions could significantly affect the estimated fair value and such changes could be material to the consolidated financial statements.

AS OF JUNE 30, 2020					
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Hotel	$34,700	Income approach	Exit capitalization rate Discount rate	6.50% 9.00%	6.50% 9.00%
Office building	$212,000	Income approach	Exit capitalization rate Discount rate	6.00% 6.50%	6.00% 6.50%
Ground leased real estate	$845,600	Income approach	Capitalization rate Discount Rate	3.50% 5.00 - 7.00%	3.50% 4.91%

AS OF JUNE 30, 2019					
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range	Weighted Average
Hotel	$44,000	Income approach	Exit capitalization rate Discount rate	6.50% 9.00%	6.50% 9.00%
Office building	$201,000	Income approach	Exit capitalization rate Discount rate	6.00% 6.50%	6.00% 6.50%
Ground leased real estate	$795,700	Income approach	Capitalization rate Discount Rate	3.50 - 3.75% 5.00 - 7.00%	3.57% 4.97%

- **Split-interest agreements – Trusts held by others** - 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.

- **Balanced Funds** - These investments, associated with the University's deferred compensation plan, are mutual funds which hold a mix of equity and fixed income investments. These publicly-traded funds are categorized as Level 1.

- **Annuities** - These investments, associated with the University's deferred compensation plan, include both variable- and fixed-rate annuities. Level 2 assets are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets are guaranteed fixed-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)	2020				2019
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period	Fair Value
Fixed income - asset-backed securities	$ 23,989	$ -	Quarterly	15 days	$ 23,521
Fixed income - corporate debt	20,020	-	Quarterly	90 days	14,232
Fixed income - government debt	31,433	-	Daily to monthly	1-15 days	29,259
Fixed income - other	12,942	9,443	Redemption not permitted during life of fund	N/A	8,677
Global equity	376,961	-	Daily to quarterly	1-60 days	350,085
Hedge funds	178,509	-	Quarterly	90 days	196,030
Private equity	88,916	129,645	Redemption not permitted during life of fund	N/A	99,974
Total	$ 732,770	$ 139,088			$ 721,778

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

- **Fixed income - other** - These assets are primarily composed of credit instruments and equity securities in Asia-Pacific, Italy, and North America. There are no funds in liquidation as of June 30, 2020.

- **Private equity** - These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization, buyouts, growth equity, 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 85% of the underlying assets will be liquidated within 10 years.

Changes in Level 3 Assets

(in thousands)	2020					
	Beginning of year	Net realized/ unrealized gains (losses)	Purchases/ additions	Sales/Transfers	End of year	Total net gains (losses) included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2020
Real estate	$ 1,041,059	$ 47,376	$ 4,313	$ -	$ 1,092,748	$ 47,376
Split-interest agreements - trusts held by others	44,096	(1,651)	-	(299)	42,146	(1,684)
Annuities	8,025	253	216	(167)	8,327	-
	$ 1,093,180	$ 45,978	$ 4,529	$ (466)	$ 1,143,221	$ 45,692

(in thousands)	2019					
	Beginning of year	Net realized/ unrealized gains	Purchases/ additions	Sales/Transfers	End of year	Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2019
Real estate	$ 1,009,077	$ 29,972	$ 2,593	$ (583)	$ 1,041,059	$ 29,929
Split-interest agreements - trusts held by others	48,409	24	55	(4,392)	44,096	24
Annuities	7,151	230	644	-	8,025	-
	$ 1,064,637	$ 30,226	$ 3,292	$ (4,975)	$ 1,093,180	$ 29,953

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 in or out of Level 3 during the year ending June 30, 2020. In the fiscal year ending June 30, 2019, charitable remainder trusts totaling $0.5 million transferred from a trust held by others (Level 3) to the University as trustee (Level 1).

Realized/unrealized gains on Level 3 assets included in changes in net assets are reported in the following revenue categories:

(in thousands)	2020		2019	
	Investment income, net		Investment income, net	
Total net gains included in changes in net assets	$	45,725	$	29,996
Change in net unrealized gains relating to assets still held at June 30	$	45,692	$	29,953

NOTE 7 - ENDOWMENT

The University's Endowment (Endowment) consists of the unitized investment pool, investment real estate, and separately managed funds. The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Programs supported by the Endowment include scholarships, chairs and professorships, fellowships, research activities, and libraries. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds without donor restrictions are Board designated.

Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), absent explicit donor stipulations to the contrary, to allow spending from donor-restricted endowments in good faith and with the care that an ordinary prudent person would exercise after considering multiple factors. The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The preservation of the fund over time
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions including the possible effects of inflation and deflation
- The investment policies and expected total return from income and the appreciation of investments
- Other resources of the organization

As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Appreciation on the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

(in thousands)	JUNE 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,235,985	$ 542,574	$ 1,778,559
Investment return, net	47,347	(3,441)	43,906
Contributions	69	48,538	48,607
Endowment payout	(55,858)	(35,037)	(90,895)
Reinvestment of payout and internal transfers	14,830	7,649	22,479
Endowment net assets, end of year	$ 1,242,373	$ 560,283	$ 1,802,656

(in thousands)	JUNE 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,253,818	$ 544,992	$ 1,798,810
Investment return, net	14,008	(2,085)	11,923
Contributions	965	24,867	25,832
Endowment payout	(55,710)	(33,093)	(88,803)
Reinvestment of payout and internal transfers	22,904	7,893	30,797
Endowment net assets, end of year	$ 1,235,985	$ 542,574	$ 1,778,559

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Endowment corpus that is to be maintained in perpetuity totaled $250.3 million and $249.3 million as of June 30, 2020 and 2019, respectively.

As of June 30, 2020, a deficiency of $25.2 million existed on an original gift value of $169.4 million. As of June 30, 2019, a deficiency of $15.5 million existed on an original gift value of $144.0 million. The University's policies permit spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations.

Investment Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed to operations in the form of payout 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, D.C. 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 net assets with donor restrictions until appropriated for spending under the spending policy. At the time of appropriation, the amount of investment income necessary to satisfy the spending policy for the endowment fund and related purpose restrictions, if applicable, is reflected as a Net assets released from restriction, which reduces net assets with donor restrictions and increases net assets without donor restrictions. Any excess of income earned over the approved spending amount is retained in net assets with donor restrictions.

NOTE 8 - PROPERTY, PLANT, AND EQUIPMENT

(in thousands)	JUNE 30	
	2020	2019
Land	$ 198,523	$ 198,523
Buildings	2,344,991	2,294,245
Construction in progress	22,676	24,766
Furniture and equipment	165,211	182,891
Library and historical research materials	66,056	63,977
Equipment under finance leases	31,261	14,710
	2,828,718	2,779,112
Accumulated depreciation	(1,057,411)	(998,672)
Total	$ 1,771,307	$ 1,780,440

Depreciation expense was $93.8 million and $90.4 million for the fiscal years ending June 30, 2020 and 2019, respectively.

NOTE 9 - LEASES

The University leases office space for academic, administrative, and medical practice purposes under operating leases expiring at various dates through 2029. The University leases office space to MFA. The related right-of-use (ROU) asset and corresponding liability recognized by MFA totaled $25.7 million at June 30, 2020. The ROU asset, liability, and related lease cost of $2.8 million associated with MFA have been eliminated in the consolidated financial statements.

(in thousands)	JUNE 30, 2020
Components of lease cost:	
Operating lease cost	$ 21,891
Finance lease cost:	
Amortization of right-of-use assets	4,051
Interest on lease liabilities	1,379
Total finance lease cost	5,430
Total lease cost	$ 27,321

(in thousands)	JUNE 30, 2020
Supplemental cash flow information related to leases:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 21,007
Operating cash flows from finance leases	$ 1,379
Financing cash flows from finance leases	$ 8,066

(in thousands)	FISCAL YEAR ENDING JUNE 30, 2020 FOLLOWING ADOPTION
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 1,252
Finance leases	$ 12,962

(in thousands)	JUNE 30, 2020	
Supplemental balance sheet information related to leases:	Operating	Finance
Right-of-use assets	$ 109,611	$ 31,261
Accumulated amortization	(16,585)	(11,752)
	$ 93,026	$ 19,509
Lease liabilities	$ 106,551	$ 16,997
Weighted Average Remaining Lease Term:	6.35 years	3.22 years
Weighted Average Discount Rate:	3.79%	3.93%
Lease maturity table:		
Fiscal Year Ending June 30:		
2021	$ 21,569	$ 6,856
2022	19,609	5,542
2023	18,736	4,402
2024	18,070	2,769
2025	15,215	434
Thereafter	27,446	-
	120,645	20,003
Less effects of discounting	(14,094)	(3,006)
Total	$ 106,551	$ 16,997

Rent expense under operating leases totaled $21.3 million for the year ended June 30, 2019. The aggregate minimum lease payments under these operating leases as of June 30, 2019, were as follows:

Fiscal Year Ending June 30	*(in thousands)*
2020	$ 21,224
2021	21,783
2022	19,642
2023	18,208
2024	17,491
Thereafter	43,751
Total	$ 142,099

NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30	
	2020	2019
Accrued building construction payable	$ 5,113	$ 19,384
Accrued interest payable	24,048	23,410
Accrued other liabilities	49,379	77,580
Accrued payroll and related liabilities	117,125	102,134
Accumulated postretirement liability	7,750	6,851
Split interest agreements	8,565	7,282
Self-insurance reserves	46,284	35,461
Trade payables	16,643	18,187
Operating lease liability	106,551	-
Other payables	13,800	15,289
Total	$ 395,258	$ 305,578

NOTE 11 – LONG-TERM DEBT

(in thousands)	JUNE 30			
	2020			2019
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Taxable bonds:				
2013 Series General Obligation	9/15/2043	Fixed 4.363%	$ 170,000	$ 170,000
2014 Series General Obligation	9/15/2044	Fixed 4.3%	300,000	300,000
2015 Series General Obligation	9/15/2045	Fixed 4.868%	350,000	350,000
2016 Series General Obligation	9/15/2046	Fixed 3.545%	250,000	250,000
2018 Series General Obligation	9/15/2048	Fixed 4.126%	795,000	795,000
Notes payable:				
MFA term loan secured by real estate	11/22/2023	Fixed 4.40%	34,416	35,352
MFA unsecured subordinated loan	7/1/2027	LIBOR + 6.0%	16,314	17,500
MFA Revolving credit facility, $35.0 million	3/31/2021	LIBOR + 1.45%	21,234	22,073
Unsecured notes payable:				
Department of Education note payable	5/1/2021	Fixed 3.0%	-	35
Revolving line of credit, $175.0 million	5/7/2025	LIBOR + 2.4%	175,000	-
Term loan, $125.0 million	5/7/2025	LIBOR + 2.4%	125,000	-
			2,236,964	1,939,960
Less: Debt issuance costs			(9,304)	(8,727)
Plus: Finance lease liability			16,997	8,900
Total			$ 2,244,657	$ 1,940,133

As of June 30, 2019, the University had two renewable available lines of credit with a national bank totaling $150 million. These lines of credit were terminated by the University on May 7, 2020. At that time, the University entered into a new credit agreement with the same national bank, which included a $175 million revolving credit facility and a $125 million term loan facility. The University guarantees certain debt obligations incurred by MFA and these loans are included as liabilities in the consolidated financial statements.

As of June 30, 2020, principal payments are due on bonds and note payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2021	$ 24,548
2022	3,354
2023	3,400
2024	33,672
2025	302,330
Thereafter	1,869,660
Total	$ 2,236,964

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

Estimated medical malpractice claims include estimates of the ultimate costs for both reported claims and claims incurred but not yet reported. Insurance reserves at year-end are management's best estimate of the University's liability under its insurance policies.

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 federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse litigation. Receipts from the Medicare and Medicaid programs account for a significant portion of net patient service revenue. MFA has implemented a program to monitor compliance with applicable laws and regulations, but the possibility of future government review and interpretation exists. MFA's management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing or noncompliance with laws and regulations.

NOTE 13 - 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:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and are available for operations or designated by the Board of Trustees for specific purpose or quasi-endowment.

With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations and may be restricted by time or purpose, or may be restricted in perpetuity. Those restricted by time or purpose contain stipulations that may be or will be met either by actions of the University and/or by the passage of time. Those restricted in perpetuity are subject to stipulations that the asset 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.

(in thousands)	JUNE 30, 2020			
Nature of Specific Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Required to be Held in Perpetuity
Donated building funds	$ -	$ 2,371	$ 2,371	$ -
Board designated endowment funds	1,242,373	-	1,242,373	-
Donor restricted endowment funds	-	560,283	560,283	250,290
Net investment in plant	329,658	-	329,658	-
Loan funds	2,512	3,874	6,386	3,874
Contributions receivable	-	29,349	29,349	1,252
Split-interest funds	9,076	48,701	57,777	26,567
Other	25,542	41,320	66,862	13,437
Total	$ 1,609,161	$ 685,898	$ 2,295,059	$ 295,420

(in thousands)	JUNE 30, 2019			
Nature of Specific Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Required to be Held in Perpetuity
Donated building funds	$ -	$ 1,995	$ 1,995	$ -
Board designated endowment funds	1,235,985	-	1,235,985	-
Donor restricted endowment funds	-	542,574	542,574	249,290
Net investment in plant	366,119	-	366,119	-
Loan funds	3,427	3,777	7,204	3,777
Contributions receivable	-	36,677	36,677	940
Split-interest funds	9,005	52,113	61,118	27,017
Other	53,622	50,352	103,974	13,353
Total	$ 1,668,158	$ 687,488	$ 2,355,646	$ 294,377

NOTE 14 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30, 2020					
	Academic and student support	Patient care	Research	Total program	Support services	Total expenses
Salaries and benefits	$ 512,991	$ 279,341	$ 103,160	$ 895,492	$ 147,246	$ 1,042,738
Purchased services	94,156	35,420	70,296	199,872	67,068	266,940
Depreciation	70,064	7,185	5,286	82,535	11,273	93,808
Interest	58,209	5,163	3,866	67,238	6,715	73,953
Scholarships and fellowships	26,471	-	-	26,471	-	26,471
Other	90,109	86,264	11,441	187,814	53,224	241,038
Allocations	141,634	-	11,923	153,557	(153,557)	-
	$ 993,634	$ 413,373	$ 205,972	$ 1,612,979	$ 131,969	$ 1,744,948
Less: Functionalized non-operating postretirement expenses						(637)
Total operating expenses						$ 1,744,311

(in thousands)	JUNE 30, 2019					
	Academic and student support	Patient care	Research	Total program	Support services	Total expenses
Salaries and benefits	$ 503,559	$ 145,564	$ 98,503	$ 747,626	$ 144,308	$ 891,934
Purchased services	103,064	13,168	74,072	190,304	60,556	250,860
Depreciation	70,179	4,300	5,326	79,805	10,567	90,372
Interest	57,417	2,657	5,315	65,389	5,204	70,593
Scholarships and fellowships	17,270	-	-	17,270	-	17,270
Other	97,183	47,839	15,988	161,010	51,708	212,718
Allocations	130,112	-	11,469	141,581	(141,581)	-
	$ 978,784	$ 213,528	$ 210,673	$ 1,402,985	$ 130,762	$1,533,747
Less: Functionalized non-operating postretirement expenses						(4,209)
Total operating expenses						$ 1,529,538

Allocations include costs for the maintenance and operation of physical plant and technology. Maintenance and operation of physical plant costs are allocated based upon periodic inventories of facility square foot usage and totaled $96.3 million and $78.3 million for the years ended June 30, 2020 and 2019, respectively. Depreciation expense is allocated based on facility square foot usage. Interest on plant debt is allocated based on the percentage of actual interest expense attributable to properties.

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. These costs are allocated based upon relative benefits provided to academic and administrative users of the services. Technology costs totaled $77.0 million and $77.5 million for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 - 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 $41.2 million and $40.1 million for the years ended June 30, 2020 and 2019, respectively.

The University provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements. Effective June 1, 2017, the University updated its post retirement benefit plan to provide a Medicare health insurance exchange for retirees and long-term disability participants who are age 65 or older. A Retiree Health Savings Plan is provided for retirees who are under age 65 or are not Medicare eligible. The plan change reduced the accumulated postretirement liability by approximately $16 million. The University's policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of $7.8 million and $6.9 million as of June 30, 2020 and 2019, respectively.

NOTE 16 - RELATED PARTIES

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, 2020 and 2019 was approximately $4.3 million and $12.2 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 $39.7 million and $38.4 million was reported for the years ended June 30, 2020 and 2019, respectively. The receivable from DHP for the unpaid balance of these services is $5.1 million and $4.8 million as of June 30, 2020 and 2019, respectively. DHP has provided a $30.0 million line of credit to the MFA which had an outstanding balance of $16.3 million and $17.5 million as of June 30, 2020 and 2019, respectively.

NOTE 17 – BUSINESS COMBINATION

Effective December 14, 2018, the University and Medical Faculty Associates, Inc. (MFA) restructured their relationship which resulted in the University becoming the sole corporate member of MFA. MFA retains its status as a separate 501(c) (3) non-profit medical group, with the University exercising rights of coordination and control. This change in control was accounted for as a business combination. The new structure will bring more stability to the medical enterprise by consolidating MFA with the University's stronger balance sheet. It also creates greater strategic alignment between the University and MFA, allowing the entities to speak with one voice as they work together to grow and strengthen the University's medical enterprise. The University recorded $3.1 million of contribution revenue in the fiscal year 2019 consolidated statement of activities which represents MFA's net assets at December 14, 2018, and the excess of the fair value of assets acquired over the fair value of liabilities assumed. There was no consideration exchanged between the University and MFA and all intercompany transactions have been eliminated from the date of the combination through June 30, 2019.

The fair value of MFA assets and liabilities as of December 14, 2018, recorded in the consolidated financial statements to affect the combination:

		(in thousands)
Cash	$	11,774
Receivables, net		63,584
Restricted investments		40,280
Other assets		6,460
Land, buildings, and equipment		68,920
Accounts payable, accrued expenses, and self-insurance reserves		(90,917)
Notes payable		(91,527)
Deferred revenue		(5,465)
Net assets	$	3,109

The following is a summary of the MFA activity included in the fiscal year 2019 consolidated statement of activities:

		(in thousands)
Revenue	$	232,457
Expenses	$	240,264

Prior to the combination, MFA was considered a related party. In the six months prior to the combination, MFA provided $13.9 million in services to the University and the University reported $5.5 million in medical education agreement revenue associated with MFA. In fiscal year 2018, MFA provided approximately $34.6 million in services to the University and the University reported $11.0 million in medical education agreement revenue associated with MFA. In previous years, the University had provided a line of credit to MFA which had an outstanding balance of $17.5 million as of June 30, 2018. Ninety percent of that outstanding balance, or $15.8 million, was forgiven by the University in March 2019. The loan forgiveness and the remaining loan balance have been eliminated in the fiscal year 2019 consolidated financial statements.

NOTE 18 – IMPACT OF THE COVID-19 PANDEMIC

As a result of the COVID-19 pandemic, in March 2020, the University asked students not to return to campus after spring break and converted the remainder of the spring semester to a period of virtual learning. Students living in on-campus residence halls received credits for their unused housing through the end of the semester, resulting in lost revenue of $19.0 million, which would have been included in Auxiliary enterprises, net on the Consolidated Statement of Activities for the fiscal year ending June 30, 2020.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief Fund allocated funding of $9.1 million to the University. During the year ended June 30, 2020, $8.8 million was disbursed to qualifying students and recorded as revenue within Grants and contracts including indirect cost recoveries and as expense within Scholarships and fellowships on the Consolidated Statement of Activities. The University expects to disburse the remainder of these funds to qualifying students during the fiscal year ending June 30, 2021.

As a result of the COVID-19 pandemic, MFA experienced a decline in patient visits, medical procedures performed, patient revenues, operating margin, and working capital in the fiscal year ending June 30, 2020. Elective medical procedures were suspended by state and local government mandate in the areas MFA serves (Washington, D.C., Maryland, and Virginia) for varying time periods in each area beginning in mid-March and running through late May 2020, contributing to a significant decline in patient service revenue due to COVID-19 when compared to historical and forecasted results for that period. Additionally, in response to the pandemic, MFA incurred additional costs for testing, personal protective equipment, third party contract services and other operating costs associated with ensuring employee and patient safety while operating during a pandemic.

MFA received grant payments, which are considered non-exchange transactions from the federal government distributed under the CARES Act allocated of $9.0 million, and the Federal Communications Commission awarded MFA $0.8 million for Telehealth. These payments are subject to audit and compliance with federal regulations. While the federal regulations have not been finalized to date, MFA believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2020 in the Consolidated Balance Sheet. The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program for patient services. Under the program, MFA received $12.7 million in April 2020, and recorded these payments as Deferred revenue on the Consolidated Balance Sheet. Once the recoupment period begins, amounts billed to Medicare for services provided will be offset against the advance payments received until the advance is fully recouped by the Medicare program. MFA will have one year to offset future claims against the advance. If the advance has not been entirely offset by claims at the end of this period, MFA will be required to repay the remaining amount.

NOTE 19 – SUBSEQUENT EVENTS

Refer to Note 18 for a discussion of COVID-19 pandemic impacts through June 30, 2020.

Keeping the health and safety of its community top of mind, the University decided to hold undergraduate courses and the majority of graduate programs online for the fall 2020 semester. This decision will significantly impact the University's financial operations for the fiscal year ending June 30, 2021, especially the loss of housing and other Auxiliary enterprises revenues. The University has evaluated the financial implications and is working to mitigate lost revenue by implementing cost-saving strategies.

The University has performed an evaluation of subsequent events through September 24, 2020, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2020.

SUPPLEMENTARY CONSOLIDATING INFORMATION

SUPPLEMENTAL SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATING BALANCE SHEET

As of June 30, 2020

(in thousands)

	GWU	MFA	ELIMINATION	TOTAL
ASSETS				
Cash and cash equivalents	$ 694,983	$ 1,446	$ -	$ 696,429
Short-term investments	100	-	-	100
Accounts receivable, net	88,886	58,822	(18,682)	129,026
Contributions receivable, net	29,349	-	-	29,349
Investments	2,289,706	42,560	(3,109)	2,329,157
Loans and notes receivable, net	22,636	-	(1,653)	20,983
Property, plant, and equipment, net	1,706,871	64,436	-	1,771,307
Other assets	87,595	62,063	(25,751)	123,907
Total assets	$ 4,920,126	$ 229,327	$ (49,195)	$ 5,100,258
LIABILITIES				
Accounts payable and accrued expenses	$ 272,164	$ 167,527	$ (44,433)	$ 395,258
Deferred revenue	124,601	15,653	-	140,254
Long-term debt, net	2,169,089	77,221	(1,653)	2,244,657
Funds advanced for student loans	25,030	-	-	25,030
Total liabilities	2,590,884	260,401	(46,086)	2,805,199
NET ASSETS				
Without donor restrictions	1,643,344	(31,074)	(3,109)	1,609,161
With donor restrictions	685,898	-	-	685,898
Total net assets	2,329,242	(31,074)	(3,109)	2,295,059
Total liabilities and net assets	$ 4,920,126	$ 229,327	$ (49,195)	$ 5,100,258

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

SUPPLEMENTAL SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATING STATEMENTS OF ACTIVITIES

Year Ended June 30, 2020
(in thousands)

	GWU	MFA	ELIMINATION	TOTAL
OPERATING REVENUE				
Student tuition and fees, net of $340,440 university funded scholarships	$ 784,524	$ -	$ -	$ 784,524
Patient care, net	-	278,212	-	278,212
Grants and contracts including indirect cost recoveries	207,478	5,303	(3,648)	209,133
Auxiliary enterprises, net	89,716	671	-	90,387
Endowment income distributed for operations	86,581	-	-	86,581
Medical education agreements	69,031	18,981	(26,540)	61,472
Contributions	27,248	-	-	27,248
Investment income used in operations	17,108	1,349	(136)	18,321
Net assets released from restrictions	12,200	-	-	12,200
Other	32,345	99,942	(15,261)	117,026
Total operating revenue	1,326,231	404,458	(45,585)	1,685,104
OPERATING EXPENSES				
Salaries and benefits	744,233	298,365	140	1,042,738
Purchased services	265,396	37,843	(36,299)	266,940
Depreciation	86,623	7,185	-	93,808
Interest	68,790	5,299	(136)	73,953
Scholarships and fellowships	26,471	-	-	26,471
Other	150,971	98,720	(9,290)	240,401
Total operating expenses	1,342,484	447,412	(45,585)	1,744,311
DECREASE IN NET ASSETS FROM OPERATING ACTIVITIES	(16,253)	(42,954)	-	(59,207)
NON-OPERATING ACTIVITIES				
Investment income, net	49,751	-	-	49,751
Net assets released from restriction	(12,200)	-	-	(12,200)
Contributions, net	48,270	-	-	48,270
Endowment income distributed for operations	(86,581)	-	-	(86,581)
Other	(620)	-	-	(620)
Total non-operating activities	(1,380)	-	-	(1,380)
DECREASE IN NET ASSETS	(17,633)	(42,954)	-	(60,587)
NET ASSETS AT THE BEGINNING OF THE YEAR	2,346,875	11,880	(3,109)	2,355,646
NET ASSETS AT THE END OF THE YEAR	$ 2,329,242	$ (31,074)	$ (3,109)	$ 2,295,059

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

NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS

BASIS OF PRESENTATION – SUPPLEMENTARY CONSOLIDATING INFORMATION

The consolidating supplemental schedules as of and for the year ending June 30, 2020, are derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating supplemental schedules are presented for purposes of additional analysis of the consolidated financial statements and are not a required part of the consolidated financial statements. The individual components of the consolidating schedules are disclosed in Note 1 to the consolidated financial statements.

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JUNE 1, 2020 - MAY 31, 2021

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Summary of Financial Results

FINANCIAL RESULTS	YEAR END	
(in thousands)	2020	2019
Assets	$ 5,100,258	$ 4,748,048
Net Assets	$ 2,295,059	$ 2,355,646
Decrease in net assets	$ (60,587)	$ (13,986)
Investments	$ 2,329,157	$ 2,306,287
Long-term debt, net	$ 2,244,657	$ 1,940,133
Operating revenues	$ 1,685,104	$ 1,546,166
Operating expenses	$ 1,744,311	$ 1,529,538
Non-operating activities	$ (1,380)	$ (30,614)
Capital expenditures	$ 87,855	$ 86,727

ENROLLMENT	ACADEMIC YEAR END				
	2020	2019	2018	2017	2016
STUDENTS-FTE					
Undergraduate	11,459	11,649	11,203	10,724	10,435
Graduate	9,428	9,725	9,931	9,579	8,983
Law (J.D.)	1,532	1,498	1,446	1,632	1,663
Medical (M.D.)	715	701	705	718	727
Non-degree	241	215	217	213	225
Total fall enrollment	23,375	23,788	23,502	22,866	22,033
UNDERGRADUATE ADMISSIONS					
Applications	26,978	26,512	26,987	25,488	19,837
Selectivity Ratio	41%	42%	41%	40%	46%
Matriculation Ratio	24%	26%	24%	25%	28%
GRADUATE ADMISSIONS					
Applications	25,473	25,620	26,116	23,715	22,348
Selectivity ratio	50%	50%	51%	51%	51%
Matriculation ratio	36%	37%	39%	41%	41%
LAW (J.D.)					
Applications	8,019	7,942	7,460	7,214	7,028
Selectivity ratio	31%	34%	33%	37%	40%
Matriculation ratio	20%	21%	16%	17%	16%
MEDICINE (M.D.)					
Applications	12,057	11,107	11,432	12,393	11,839
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	54%	53%	52%	54%	56%
DEGREES CONFERRED					
Baccalaureate	3,005	3,021	2,725	2,595	2,441
Master's	4,780	4,597	4,774	4,363	4,109
First professional	581	668	694	797	733
Doctoral	330	406	455	368	372

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

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