THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

2014–15 FINANCIAL REPORT

ENGAGING THE WORLD FROM THE NATION'S CAPITAL

The George Washington University's financial health remains strong, with robust enrollments at the undergraduate level, growing research expenditures and dynamic new partnerships. While we, like many universities, have experienced some decline in graduate enrollments, we have worked university-wide to increase enrollments and control costs to ensure expenditures are in line with revenues. We have implemented strategies to take advantage of historically low interest rates, including refinancing debt, and have continued to make long-term investments in the future of the university.

Key capital projects were completed in 2015, including Science and Engineering Hall, with state-of-the-art laboratories, classrooms and core facilities that have elevated the university's academic enterprise and attracted outstanding students and faculty. Fiscal year 2015 also saw the university complete the first academic year of its historic collaboration with the Corcoran Gallery of Art, the Corcoran College of Art + Design and the National Gallery of Art, with GW increasing its capacity to offer innovative arts education in the heart of our nation's capital. The university opened the George Washington University Museum and The Textile Museum, which is not only a spectacular new home for the world-class collection of The Textile Museum but also a key part of the university's hub for the arts and culture, creating connections and opportunities across the university's academic disciplines. GW also marked the "topping out" of District House, which will be the university's second largest residence hall when it opens in fall 2016, and celebrated the opening of the Colonial Health Center, which brings together in one location comprehensive healthcare and mental health services for GW students.

Philanthropy is providing critical funding for long-term investments, and this year marked the first year of the public phase of "Making History: The Campaign for GW." As of June 30, GW has raised $771.9 million toward the overall goal of $1 billion to support students, enhance academics and break new ground through cutting edge research and discovery. The university raised $232.2 million during the last fiscal year, the largest fundraising year its 194-year history.

These highlights are just a few of many outlined in the following pages that show how the George Washington University continues to achieve its mission of educating the next generation of citizen-leaders.

Louis H. Katz
Executive Vice President and Treasurer

KNOWLEDGE *in Action*

THE FIRST YEAR OF A NEW MUSEUM AND A NEW ARTS SCHOOL, THE LAUNCHING OF CENTERS FOR CANCER AND AIDS RESEARCH, AND THE WORK OF FACULTY AND STUDENT RESEARCHERS HAVE HELPED CEMENT GW'S POSITION AS A HUB FOR THE ARTS AND SCIENCES IN THE HEART OF OUR NATION'S CAPITAL.

SCIENCE AND ENGINEERING UNDER ONE ROOF

LEFT: The opening of Science and Engineering Hall nearly doubles the space on campus available to science and engineering programs. RIGHT: The 500,000-square-foot facility opened at the start of the spring 2015 academic semester.

The opening of the 500,000-square-foot Science and Engineering Hall (SEH) marked a new era of research and inquiry at GW. More than a decade in the making, SEH opened at the start of the spring 2015 academic semester. It comprises approximately 140 faculty members from 10 academic departments, bringing together instructors, researchers and students in laboratories and classrooms previously spread across a dozen campus buildings. They will be joined in 2016 by researchers from the Milken Institute School of Public Health, the School of Medicine and Health Sciences and the GW Cancer Center.

Not only does SEH nearly double the space on campus available to a variety of science and engineering programs, it also gives students and faculty access to state-of-the-art labs and industry-level equipment. The building includes an expansive, three-story "high bay" for conducting large-scale experiments, a nanofabrication lab for building nano-devices and an imaging suite that houses high-resolution microscopes capable of magnifying samples by 1 million times.

Thanks to an in-kind grant of software licenses from Siemens, announced at the SEH opening ceremony, GW students will also have access to design tools used throughout the global manufacturing industry. The Siemens software is used to design, develop and manufacture products in a variety of industries, including aerospace, automotive, medical devices, machinery and shipbuilding.

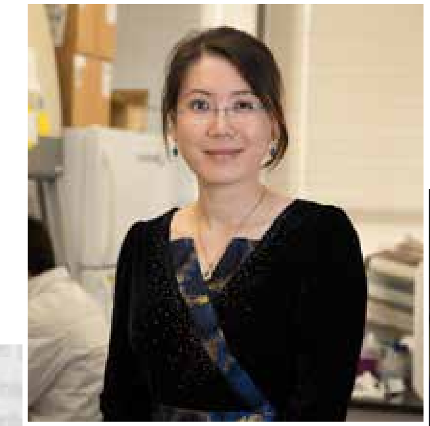
CENTERS FOR CANCER AND AIDS RESEARCH

GW researchers are making large strides toward ending the HIV epidemic in Washington, D.C. In September, a group of researchers received an estimated $23.8 million grant from the Centers for Medicare and Medicaid Services to study a new health care model that aims to improve HIV prevention and care while lowering costs in the District. The project's team, led by Milken Institute School of Public Health Professor Freya Spielberg, is developing a shared information technology system that will provide D.C. Medicaid participants with medical services that are integrated across a range of settings.

In the spring, a $7.5 million grant from the National Institutes of Health launched the D.C. Center for AIDS Research (CFAR), headed by GW Professors Alan Greenberg, chair of the Department of Epidemiology and Biostatistics, and Gary Simon, the Walter G. Ross Professor of Medicine and of Microbiology and Tropical Medicine. The CFAR designation is awarded to fewer than 20 other centers in the United States. The D.C. center brings together nearly 200 members from GW and five other local institutions to advance HIV research, fund new HIV investigations and increase interdisciplinary collaborations. Two of the center's primary research areas will be preventing the spread of HIV among highly affected populations and finding a cure for the virus.

The university also brought cancer research to the forefront this year with the launch of the GW Cancer Center and the hiring of Eduardo M. Sotomayor as its inaugural director. The center's mission is to provide the most advanced, compassionate care to cancer patients in the Washington, D.C., region, and it will have a strong focus on personalized medicine. Dr. Sotomayor, a leader in lymphoma and immunotherapy research, is striving for the center to attain a prestigious National Cancer Institute designation within the next decade.

Eduardo M. Sotomayor joined GW in July as the inaugural director of the GW Cancer Center.



TOP: GW researchers at the Milken Institute School of Public Health are making strides toward ending the HIV epidemic in D.C. RIGHT: Researchers at GW expended more than $175 million in funds from federal and private agencies in fiscal year 2015.

RESEARCH WITH AN IMPACT

Fiscal year 2015 was a significant year for research at GW. The university expended more than $175 million in funds from federal and private agencies. Key examples include:

In the fall of 2014, researchers in the Milken Institute School of Public Health received $1.5 million from the U.S. Department of Health and Human Services to address poor nutrition and obesity in Langley Park, Md., a predominantly Latino community. The team, led by Associate Professor Mark Edberg, believes that its assessment will lead to positive health changes in a suburb that has a majority of immigrant residents from El Salvador, Guatemala, Honduras and other Latin American countries.

Also during the fall semester, the U.S. Department of Energy awarded $1 million to Stephen Hsu, a professor in the School of Engineering and Applied Science (SEAS). Dr. Hsu's goal is for his energy-efficient technology to increase vehicles' fuel economy by at least 2 percent, which could save the United States 140 million barrels of oil per year.

Lijie Grace Zhang, an assistant professor in SEAS, received a 2014 Director's New Innovator Award from the National Institutes of Health. Her project introduces a new 3D bioprinting technique that can treat large bone defects. The prestigious award totals $2.3 million and is designed to support "unusually creative new investigators."

A team of physicians in the School of Medicine and Health Sciences is helping communities better respond to emergency situations, such as earthquakes and chemical spills, with a $1.3 million grant from the Federal Emergency Management Agency awarded in November 2014. The programs designed by SMHS faculty will train citizens to provide medical care during mass casualty events when there may be a delay in response.

SEAS Assistant Professor David Broniatowski will use a $1.5 million grant, awarded in January, to continue ongoing research using social media as a data source to study the public's attitudes on vaccinations.

In March, an interdisciplinary team of SMHS researchers—led by Institute for Neuroscience Director Anthony LaMantia—received a $6.2 million grant to uncover how early brain disruptions lead to swallowing and eating problems in children with neurodevelopmental disorders. The researchers will collaborate with physicians at Children's National Health System to translate their findings into clinical practice.

GW scientists have also moved their research from the lab to the marketplace. In December, the university signed a license agreement with La Jolla Pharmaceutical Company to test a new treatment for shock in a phase III clinical trial. The drug was developed by a group of emergency room doctors in GW Hospital's Intensive Care Unit. A miniature device invented by Chemistry Professor Akos Vertes was licensed and commercialized by Protea Biosciences, Inc., in June and is now available for sale. The technology, called the REDIchip, is capable of rapidly detecting chemical and biological threats.

NEW LEADERS AT THE HELM

Pamela R. Jeffries and Ambassador Reuben E. Brigety II were introduced in 2015 as the new leaders of the School of Nursing and Elliott School of International Affairs, respectively.

The university welcomed two new deans this year. In January, GW announced Pamela R. Jeffries would succeed Jean Johnson as dean of the School of Nursing. In August, Ambassador Reuben E. Brigety II was introduced as the new dean of the Elliott School of International Affairs, succeeding Michael E. Brown.

Dr. Jeffries previously served as both a professor of nursing and vice provost of digital initiatives at Johns Hopkins University. She was also the Johns Hopkins School of Nursing associate dean for academic affairs and vice dean of faculty from 2009 to 2013.

Prior to joining GW, Dr. Brigety served as the U.S. representative to the African Union and the U.S. permanent representative to the United Nations Economic Commission for Africa. He previously oversaw southern African and regional security affairs as deputy assistant secretary of state in the Bureau of African Affairs.

The deans were among several new faces on campus in 2015:

In July, Dr. Sotomayor joined the university to lead the GW Cancer Center. He joined GW after serving as the scientific director of the DeBartolo Family Personalized Medicine Institute at Moffitt Cancer Center in Tampa, Fla. The medical oncologist has dedicated his career to studying immune responses (or lack thereof) to cancer and designing novel immunotherapeutic approaches, particularly for patients with aggressive forms of lymphomas.

In August, longtime arts advocate and educator Sanjit Sethi was named the first director of the Corcoran School of the Arts and Design. Mr. Sethi served for the last three years as director of the Santa Fe Art Institute, where he launched several programs, led a fundraising campaign to renovate the institute and secured funding from the National Endowment of the Arts and the Andy Warhol Foundation.

Doug Shaw, former associate dean for planning, research and external relations at the Elliott School of International Affairs, began a new position in July as GW's first senior associate provost for international strategy. The position, designed to be GW's chief officer for international programs and engagement, was created to enhance the international student experience and facilitate educational partnerships around the world.

The university will launch a STEM Academy in October, bringing together faculty from across the university to advance the way science, technology, engineering and mathematics courses are taught. Jerry Dwyer, director of the STEM Center for Outreach, Research & Education at Texas Tech University, will be the academy's inaugural director.

Robert Miller, who joined the SMHS faculty in 2014 as senior associate dean for research and professor of anatomy and regenerative biology, was installed as the Vivian Gill Distinguished Research Professor in May. A neuroscientist who has authored 198 peer-reviewed publications, Dr. Miller focuses on research expansion and determining the infrastructure, funding and technology required to advance GW's research mission.

WORLD-CLASS FACULTY

GW scholars are distinguishing themselves as leaders in their fields. In fiscal year 2015, their peers have recognized many for their distinguished accomplishments. The American Academy of Arts and Sciences elected Sarah Binder as one of 197 new members of its honorary society. Dr. Binder, a professor of political science in the Columbian College, now joins a group of inductees who include Nobel Prize-winner Brian Kobilka, Tony Award-winner Audra McDonald and novelist Tom Wolfe. This spring, the Council on Foreign Relations elected Mark Kennedy, director of the Graduate School of Political Management (GSPM), to join the nonpartisan think tank. Mr. Kennedy, who has served as GSPM director since 2012, is a former three-term U.S. congressman from Minnesota who served as a presidentially appointed trade adviser under Presidents George W. Bush and Barack Obama. The university also continues to attract outstanding faculty who have made critical contributions to society and will serve as inspiration for the next generation of thought leaders.

CLOCKWISE FROM TOP: Leading cardiovascular disease researcher Igor Efimov joined the university in January. Graduate School of Political Management Director Mark Kennedy was elected to the Council on Foreign Relations in the spring.

Igor Efimov, a leader in cardiovascular disease research, joined the university and SEAS in January as the Alisann and Terry Collins Professor of Biomedical Engineering and chair of the new Department of Biomedical Engineering, which launched in fall 2014. Dr. Efimov comes to GW from Washington University in St. Louis, where he advanced new therapies for treating cardiac arrhythmias. Since his arrival, he has already secured funding from the National Institutes of Health to advance his low-energy defibrillation technology.

The university also welcomed two new faculty members to the Elliott School. After directing Oxford University's Poverty and Human Development Initiative for eight years, development economist Sabina Alkire joined the school as the Oliver T. Carr Jr. Professor in International Affairs. In January, Allison Macfarlane, former chairman of the U.S. Nuclear Regulatory Commission, became director of the Center for International Science and Technology Policy, as well as the M.A. program in international science and technology policy.

Sarah Binder was elected to the American Academy of Arts and Sciences.

Chryssa Kouveliotou, a scholar on gamma-ray bursts, joined the Physics Department from NASA's Marshall Space Flight Center in February. A member of the National Academy of Sciences, she was among Time Magazine's 25 most influential people in 2012.

Archaeologist and GW Professor Eric Cline's book, "1177 B.C.: The Year Civilization Collapsed," was nominated for a Pulitzer Prize. The book is the first in a "Turning Points in Ancient History" series by Princeton Press.

HISTORIC ARTS AGREEMENTS TAKE SHAPE

GW welcomed the community of approximately 300 Corcoran students in August 2014. The historic arts agreements between GW, the Corcoran Gallery of Art, the Corcoran College of Art + Design and the National Gallery of Art has taken arts education at the university to new heights.

The university took its arts education to new heights during its first year managing the Corcoran College, now renamed the Corcoran School of the Arts and Design within the Columbian College of Arts and Sciences.

The historic arts agreements between the Corcoran Gallery of Art and Corcoran College of Art + Design, the National Gallery of Art and the George Washington University were approved in summer 2014. GW assumed ownership of the school and the Corcoran's 17th Street and Fillmore buildings, as well as custody of the building's Canova Lions, Salon Doré and French Mantle artworks. The agreement also transferred $43 million to GW for the renovation of the 17th Street building and operations of the school. The university later sold the Corcoran School's Fillmore Building in Georgetown for $16.5 million.

GW welcomed the community of approximately 300 Corcoran students in August 2014 and brought in staff and faculty as part of the transition. The partnership allowed the Corcoran student body to take advantage of more than 100 GW arts courses through the Columbian College, and granted them access to the resources of a comprehensive university. The Corcoran library, consisting of more than 40,000 books, periodicals and special collections, was transferred to the first floor of the Estelle and Melvin Gelman Library.

GW will continue enhancing its arts programs with the Corcoran School. The proceeds of the Fillmore Building sale will be used to fund renovations and operations of the school. In May GW hired the internationally renowned architecture, engineering and planning firm Leo A Daly to lead phased renovations of the Corcoran School's 17th Street building. The firm will be responsible for detailed planning and historically sensitive architectural design work for the renovations at the 17th Street building.

Art, history and culture are celebrated at the George Washington University Museum and The Textile Museum.

A MUSEUM OF PEOPLE AND PLACE

The 53,000-square-foot George Washington University Museum and The Textile Museum opened in March as a home to collections that celebrate art, history and culture.

The custom-built museum is made up of the Albert H. Small Washingtoniana Collection of 18th- and 19th-century Washington ephemera, and the world-renowned collections of The Textile Museum, which moved from its former home in Kalorama to Foggy Bottom.

Inaugural exhibitions included shows that provided a glimpse into the best of the museum's collections: "Unraveling Identity: Our Textiles, Our Stories" was the largest exhibition in The Textile Museum's 90-year history and displayed more than 100 objects that communicate self expression; "Seat of Empire: Planning Washington, 1790-1801" used maps from the Washingtoniana Collection to illustrate Pierre L'Enfant's early plans for the city; and "The Civil War and the Making of Modern Washington" offered a look at how D.C. transformed throughout the 1800s to become what it is today.

The two latter exhibitions were designed by GW students and curated by history professors, showing the myriad educational and cross-disciplinary opportunities that the new space will bring to GW.

In May, the university, along with Coldwell Banker Residential Brokerage, announced that The Textile Museum has sold its original historic building in the Kalorama neighborhood to a private owner. The proceeds were directed to The Textile Museum's endowment at GW, which provides ongoing support for The Textile Museum's operations and programs.

RECORD SERVICE HOURS, AN EMPHASIS ON CAREER SERVICES FOR STUDENTS AND A COMMITMENT TO VETERANS HIGHLIGHT GW EFFORTS TO IMPROVE THE WORLD.

PASSION *for* CHANGING *the* WORLD

SERVICE AROUND THE GLOBE

Students, staff and faculty performed more than 655,000 hours of service during the 2014-15 academic year.

Civic engagement is part of the curriculum at GW. Students, staff and faculty performed more than 655,000 hours of service during the 2014-15 academic year, a 62 percent increase over last year's university record. The number is more than six times the challenge goal of 100,000 hours that First Lady Michelle Obama issued in 2009, and brings the university's cumulative total service hours over the past six years to almost 1.9 million in Washington, D.C., and communities around the world.

The year kicked off in September with the sixth annual Freshman Day of Service and Convocation, with more than 2,400 GW freshmen serving throughout the metropolitan area as part of the September 11th National Day of Service and Remembrance. After a convocation ceremony keynoted by urban revitalization strategist Majora Carter, volunteers, including GW President Steven Knapp, worked alongside 44 local partners on projects focused on environmental sustainability, veterans' affairs, community beautification and healthy living.

Many GW volunteers worked alongside local senior citizens to complete community asset surveys in D.C. Wards 5, 6 and 7, documenting issues that impair healthy living and mobility as part of GW's involvement in the city's age-friendly initiative. Others helped document veterans' stories for a Library of Congress military history project. Still more worked on urban farms and at community gardens.

In January, around 700 students spent their federal holiday serving their community as part of the annual Dr. Martin Luther King Jr. Day of Service and Leadership. GW's 18 Alternative Break trips gave students the opportunity to give back during their spring and winter vacations. The program took some groups of students as far as Ecuador, Nicaragua, Los Angeles and Detroit. Others stayed close to home, working within the D.C. community on issues of public health and education.

Annual events, including Freshman Day of Service and MLK Day of Service, connect GW and the greater Washington, D.C., community.

A WORLDWIDE COMMUNITY OF VOLUNTEERS

The commitment to service doesn't end with graduation. GW was again recognized as a top Peace Corps producer, placing third in the medium school category. GW has earned a position among the top five schools in each of the past 10 years and held the No. 1 spot in the category from 2009 to 2012. In 2014, 36 alumni began serving in the Peace Corps, bringing the total number of GW alumni service-members to 1,161 since the organization's founding in 1961.

The university also was named a top contributor to Teach for America for the third year in a row, with 35 alumni joining the teaching corps in 2014.

ADVANCEMENTS IN CAREER SERVICES

A $5 million donation from Trustee Mark R. Shenkman, M.B.A '67, and his wife Rosalind provided a boost for the GW Career Services Enhancement Initiative and F. David Fowler Career Center at the GW School of Business.

The gift established the Shenkman Technology Room, a digital mock interview and virtual career-coaching space for students on the fifth floor of the Marvin Center. The funding also supported the Shenkman Career Services fund for students to engage in career development opportunities and Career Quest, a program that sent 80 students to New York City to meet with potential employers from the Clinton Foundation, Ogilvy Public Relations, Spotify and more during a whirlwind weekend of on-site visits and interviews in spring 2015.

GW was recognized in February by the Princeton Review for providing the best internship opportunities to students among 650 U.S. colleges and universities surveyed. As the top-rated university among the 25 "Best Schools for Internships," GW was recognized for its efforts to connect students with experiential learning opportunities, from internships in the White House and top newsrooms to research laboratories, financial services firms and global nonprofit organizations.

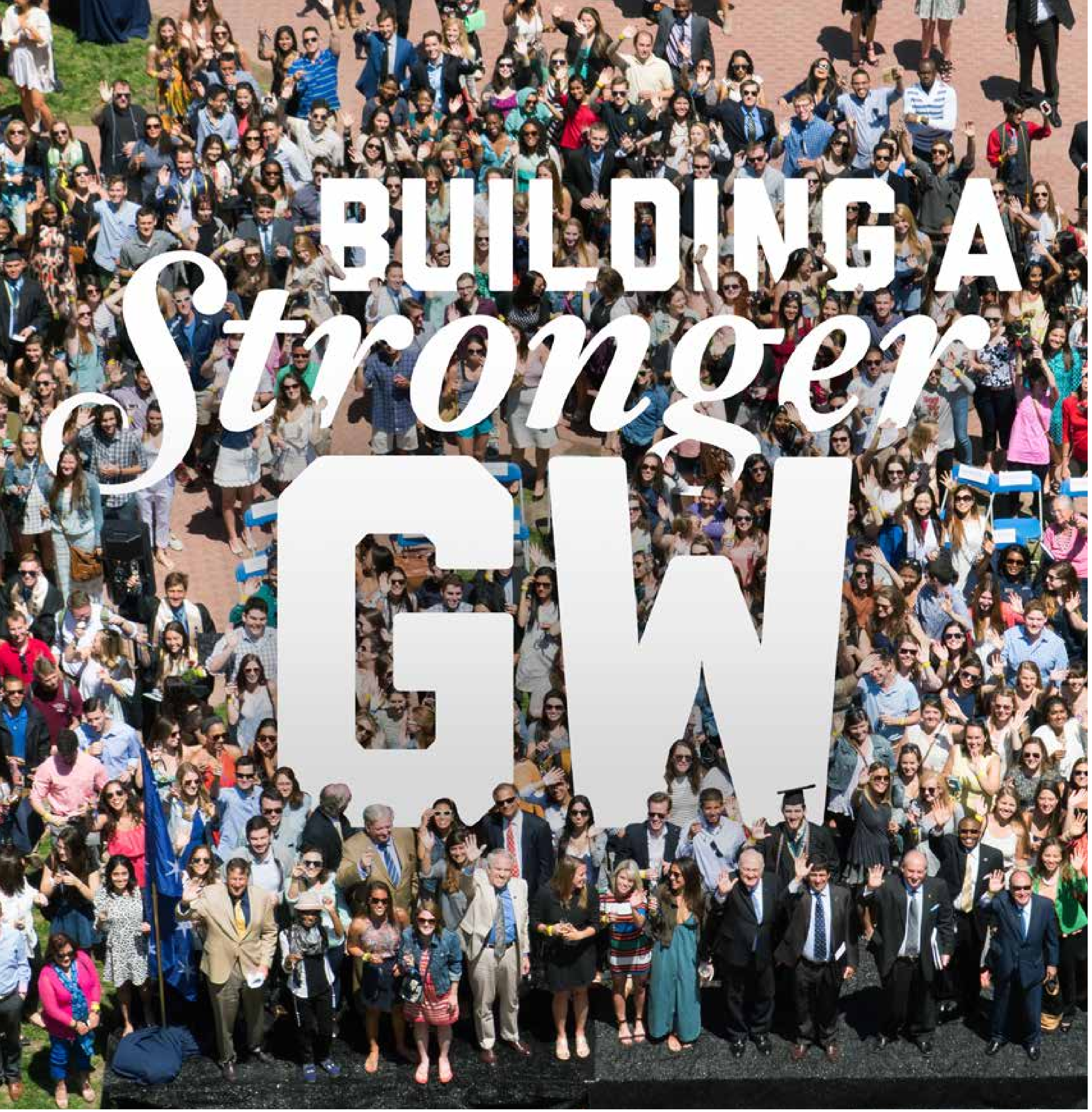
Nana Agyemang at her internship with "CBS This Morning." GW was recognized by the Princeton Review for providing the best internship opportunities to students and connecting them with experiential learning opportunities.

University initiatives to help military members, veterans and their families have contributed to the university's longstanding support of military veterans.

MILITARY SERVICES

The military and veteran student population at GW has grown from approximately 1,000 students to 1,500 in the past two years. GW has been named among Military Times' "Best for Vets" universities since 2010 and among G.I. Jobs' "Military-Friendly" institutions since 2009. Special programs have been added for military members and veterans in the School of Nursing, the Graduate School of Political Management, the Columbian College of Arts and Sciences and the Graduate School of Education and Human Development—partnering in an interdisciplinary program with the U.S. Naval Academy—as well as undergraduate online degree completion programs in the School of Medicine and Health Sciences and the College of Professional Studies.

University initiatives to help military members, veterans and their families find success at GW, under the leadership of Vice Admiral (Ret.) Mel Williams, have contributed to the university's longstanding support of military veterans. GW VALOR, established in 2013, has received major grants including the Mark R. Shenkman Career Services Fund, the Miller Endowment and a $1 million grant to the School of Nursing for its "Transition to Nursing" program.



THE UNIVERSITY CONTINUES TO STRENGTHEN BY SUPPORTING STUDENTS, ENHANCING FACILITIES, PROMOTING COLLABORATIVE LEARNING, AND IMPROVING HEALTH AND WELLNESS SERVICES THROUGHOUT THE CAMPUS COMMUNITY.

MAKING HISTORY

The university made significant strides during the first year of the public phase of "Making History: The Campaign for GW," the $1 billion philanthropic effort that will bring GW into its third century.

As of June 30, GW has raised $771.9 million during the campaign, which officially launched July 1, 2011. Gifts are enhancing the university in three key areas: breaking new ground on facilities and in research, enhancing academics and opportunities for cross-disciplinary work, and supporting students through financial aid and career services. GW raised $232.2 million during the last fiscal year, the largest fundraising year in the university's 194-year history and a 21 percent increase over last year's total.

Growth in leadership giving, annual giving and undergraduate alumni donors bolstered the record-breaking fundraising total, as did the inclusion of assets from the university's historic collaboration with the Corcoran Gallery of Art and Corcoran College of Art + Design and the National Gallery of Art, finalized last summer.

Principal-level individual gifts over the past year include a $7 million donation from alumnus Gilbert Cisneros, B.A. '94, and his wife, Jacki, to create the GW Cisneros Hispanic Leadership Institute; a $2.5 million gift from GW Trustee Terry Collins, D.Sc. '76, and his late wife, Alisann, to create scholarships for eight students and an endowed professorship in the School of Engineering and Applied Science; and a $2 million donation from Trustee Ave Tucker, B.B.A. '77, to support the School of Business, GW Law School and athletics department.

Philanthropy is enhancing the university by enabling GW to break new ground on facilities and in research, enhance academics and support students through financial aid and career services.

POWER, PROMISE, AND A CHALLENGE ACCEPTED

Philanthropy is strengthening the university in many ways. Power & Promise, a student scholarship fund that helps lower the cost of a GW education and reduce loan burdens of graduates, has raised more than $120 million for scholarships and fellowships since 2009. Science and Engineering Hall, which opened in spring 2015, features state-of-the-art labs and equipment and a transparent, open layout that encourages cross-disciplinary collaboration. Faculty installed in endowed positions during the past fiscal year included Milken Institute School of Public Health Dean Lynn Goldman (the Michael and Lori Milken Dean of Public Health), Eric Arnesen (James R. Hoffa Teamsters Professor in Modern American Labor History), Igor Efimov (Alisann and Terry Collins Professor of Biomedical Engineering) and Robert Miller (Vivian Gill Distinguished Research Professor).

In May, members of the GW Class of 2015 celebrated the success of a record-breaking senior class gift campaign in which graduating seniors donated to support the university program or department of their choice, from academics and athletics to scholarships, student organizations and administrative departments. It marked the fourth consecutive year that students have met the participation and fundraising challenges of the senior class gift campaign.

NEW FACES TO ADVANCE GW

New leaders joined the university, and familiar faces stepped into new roles. In February, George Washington President Steven Knapp named Aristide Collins Jr. vice president for development and alumni relations. In June, the GW Alumni Association transitioned from the two-year presidency of Steve Frenkil, B.A. '74, to that of his successor, Jeremy Gosbee, B.A. '98, M.B.A. '02. And in August 2015, Matthew Manfra joined the university as associate vice president for alumni relations.

TOP: Jeremy Gosbee is the new president of the GW Alumni Association. BOTTOM: Aristide Collins Jr. was named vice president for development and alumni relations in February.

Science and Engineering Hall, left, opened in January. GW celebrated the "topping out" of District House, right, in May.

BUILDING COMMUNITY

Fiscal year 2015 marked another banner year for the university's development of campus facilities that contribute to health and wellness, research, teaching and learning.

The 500,000-square-foot Science and Engineering Hall opened in January on the Foggy Bottom Campus, nearly doubling the space dedicated to science and engineering programs. The George Washington University Museum and The Textile Museum celebrated its inaugural opening weekend in March with more than 2,000 visitors.

GW celebrated the "topping out," or completion of the highest point, of District House in May. The student residence hall is slated to open in fall 2016. The 12-story building is the university's second largest residence hall and boasts suite-style housing for affinity groups, two floors dedicated to student space and five retail spaces. The university is enhancing student living through a renovation cycle for existing residence halls that began in summer 2014. To date, renovations have been made to Dakota, International, City, Mitchell and Strong halls and Building JJ.

Student wellness took center stage with the opening of the Colonial Health Center in January. The 18,000-square-foot wellness hub located on the ground floor of the Marvin Center brought together in one central location student Mental Health Services, Medical Services and Health Promotion and Prevention Services. The center is also home to the GW Parenting Initiative, a support program for students, staff and faculty who are new or expecting parents.

WELLNESS EFFORTS

The opening of Colonial Health Center did more than create a wellness hub in the heart of campus, it sent a clear message prioritizing student and community health.

The university launched Healthy GW—signifying a renewed focus on health, wellness and safety—at the grand opening of Colonial Health Center. The initiative unifies wellness efforts across the university, including the GW Parenting Initiative, the Urban Food Task Force and Smoke Free GW. It is an integral part of the priorities outlined in GW's commitment to the Healthy Campus Initiative.

Healthy GW—launched at the grand opening of the Colonial Health Center—signifies a renewed focus on health, wellness and safety at the university.

GW was recognized as a U.S. Department of Education Green Ribbon School in 2015.

FOSTERING SUSTAINABILITY

GW's sustainability efforts continue to garner national attention. The university was recognized as a U.S. Department of Education Green Ribbon School in 2015. The award recognizes schools, districts and institutions of higher education that reduce environmental impact and costs; improve the health and wellness of schools, students and staff; and provide environmental education. GW's comprehensive approach to sustainability includes the groundbreaking Capital Partners Solar Project, building the first LEED Platinum-certified building on a university campus in D.C. (the Milken Institute School of Public Health), the Urban Food Task Force and a growing sustainability minor that incorporates a wide range of academic disciplines.

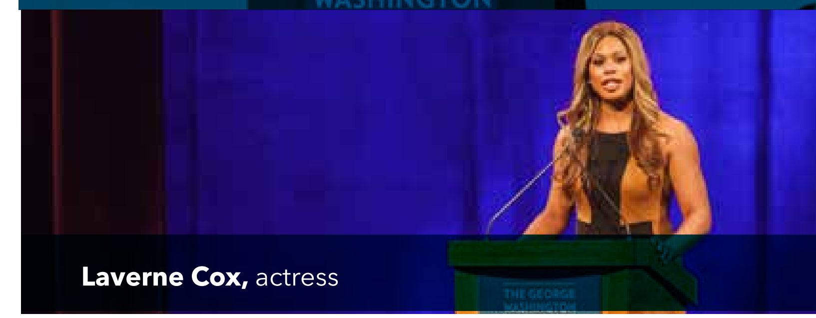
WASHINGTON, DC, *Attracts some of the most* POWERFUL MINDS *in the* WORLD.

Torie Clark, Head of Corporate Affairs for SAP

Cory Booker, U.S. senator

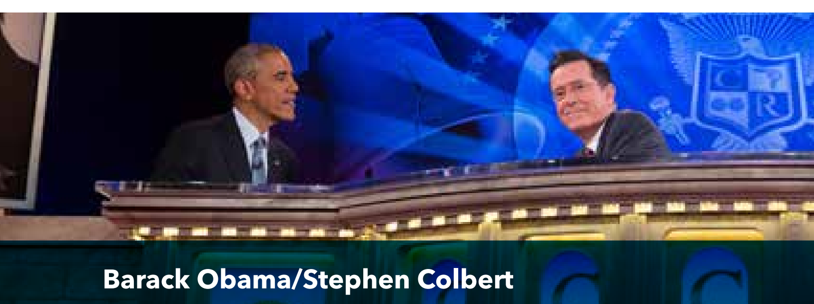
Tim Cook, CEO of Apple

Tony Bennett/Susan Benedetto, musician and arts humanitarian



Laverne Cox, actress

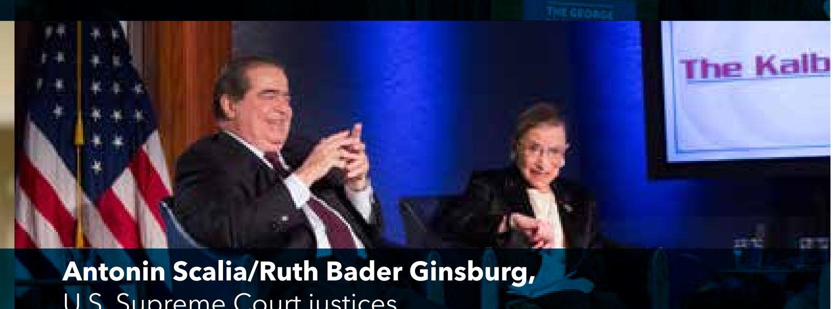
Daniel Handler (aka Lemony Snicket), author



Barack Obama/Stephen Colbert

Arne Duncan, U.S. secretary of education

Tammy Smith, Brigadier General of U.S. Army Reserve



Antonin Scalia/Ruth Bader Ginsburg, U.S. Supreme Court justices

Jeh Johnson, U.S. secretary of homeland security

David Ensor, Director of the Voice of America

So does OUR CAMPUS.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The George Washington University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2015 and June 30, 2014, and the related consolidated statements of unrestricted activities, consolidated statements of activities, and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2015 and June 30, 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 15, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2015 and 2014
(in thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 82,382	$ 40,578
Accounts receivable, net	59,307	56,030
Pledges receivable, net	94,039	130,057
Investments	2,043,240	1,983,120
Loans and notes receivable, net	29,983	28,863
Physical properties, net:		
Land and buildings	1,608,416	1,434,523
Furniture and equipment	99,395	83,122
Other assets	25,006	26,239
Total assets	$ 4,041,768	$ 3,782,532
LIABILITIES		
Accounts payable and accrued expenses	$ 213,622	$ 215,788
Deferred revenue:		
Tuition and other deposits	36,339	33,087
Grants and contracts payments	11,680	13,557
Bonds and notes payable	1,549,844	1,361,030
Funds advanced for student loans	29,943	29,311
Total liabilities	1,841,428	1,652,773
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(28,444)	(26,266)
Unrestricted capital and investing	1,499,316	1,493,452
Total unrestricted	1,470,872	1,467,186
Temporarily restricted	461,842	420,552
Permanently restricted	267,626	242,021
Total net assets	2,200,340	2,129,759
Total liabilities and net assets	$ 4,041,768	$ 3,782,532

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2015 and 2014
(in thousands)

	2015			2014		
	Operating	Capital and Investing	Total Unrestricted	Operating	Capital and Investing	Total Unrestricted
REVENUE						
Student tuition and fees	$ 890,775	$ -	$ 890,775	$ 847,060	$ -	$ 847,060
Less: University funded scholarships	(251,777)	-	(251,777)	(238,932)	-	(238,932)
Net student tuition and fees	638,998	-	638,998	608,128	-	608,128
Grants and contracts						
Program funds	164,195	-	164,195	171,784	4,724	176,508
Indirect cost recoveries	25,286	-	25,286	22,768	-	22,768
Investment income, net	363	3,506	3,869	58	80,989	81,047
Investment real property rents and appreciation	-	101,302	101,302	-	151,003	151,003
Change in value of split-interest agreements	-	13	13	-	31	31
Auxiliary enterprises	98,652	-	98,652	98,388	-	98,388
Contributions, net	15,892	5,771	21,663	17,180	4,447	21,627
Contributions - Corcoran	-	60,518	60,518	-	-	-
Net assets released from restrictions	14,171	20,153	34,324	6,408	26,402	32,810
Medical education agreements	59,121	2,837	61,958	58,236	3,035	61,271
Other income	24,991	2,663	27,654	24,840	2,971	27,811
Total revenue	1,041,669	196,763	1,238,432	1,007,790	273,602	1,281,392
EXPENSES						
Salaries and wages	547,211	-	547,211	530,602	-	530,602
Fringe benefits	122,519	-	122,519	117,810	-	117,810
Purchased services	215,251	720	215,971	223,096	988	224,084
Supplies	14,283	12	14,295	13,443	5	13,448
Equipment	10,871	6,453	17,324	13,545	4,848	18,393
Bad debt	1,564	-	1,564	3,043	-	3,043
Occupancy	58,005	73,162	131,167	60,912	67,373	128,285
Investment real property expense	-	40,668	40,668	-	39,412	39,412
Scholarships and fellowships	17,346	-	17,346	17,243	-	17,243
Communications	5,070	3	5,073	5,425	5	5,430
Travel and training	26,516	-	26,516	29,243	-	29,243
Interest	-	48,253	48,253	-	37,325	37,325
Loss on extinguishment of debt	-	8,385	8,385	-	-	-
Other	35,517	4,384	39,901	29,684	(3,321)	26,363
Total expenses	1,054,153	182,040	1,236,193	1,044,046	146,635	1,190,681
OTHER INCREASES (DECREASES) IN NET ASSETS						
Debt service and mandatory purposes	(76,707)	76,707	-	(66,367)	66,367	-
Endowment support	69,559	(70,481)	(922)	66,916	(68,319)	(1,403)
Capital expenditures	(16,674)	16,674	-	(20,639)	20,639	-
Postretirement related changes	-	1,916	1,916	-	(1,656)	(1,656)
Support/investment	34,128	(33,675)	453	55,811	(57,886)	(2,075)
Total other changes in net assets	10,306	(8,859)	1,447	35,721	(40,855)	(5,134)
Increase (decrease) in net assets	(2,178)	5,864	3,686	(535)	86,112	85,577
Net assets (deficit) at the beginning of the year	(26,266)	1,493,452	1,467,186	(25,731)	1,407,340	1,381,609
Net assets (deficit) at the end of the year	$ (28,444)	$ 1,499,316	$ 1,470,872	$ (26,266)	$ 1,493,452	$ 1,467,186

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014
(in thousands)

	2015				2014			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Student tuition and fees	$ 890,775	$ -	$ -	$ 890,775	$ 847,060	$ -	$ -	$ 847,060
Less: University funded scholarships	(251,777)	-	-	(251,777)	(238,932)	-	-	(238,932)
Net student tuition and fees	638,998	-	-	638,998	608,128	-	-	608,128
Grants and contracts								
Program funds	164,195	-	-	164,195	176,508	-	-	176,508
Indirect cost recoveries	25,286	-	-	25,286	22,768	-	-	22,768
Investment income, net	3,869	(1,419)	-	2,450	81,047	58,072	-	139,119
Investment real property rents and appreciation	101,302	-	-	101,302	151,003	-	-	151,003
Change in value of split-interest agreements	13	(1,559)	(672)	(2,218)	31	3,009	1,997	5,037
Auxiliary enterprises	98,652	-	-	98,652	98,388	-	-	98,388
Contributions, net	21,663	45,536	2,037	69,236	21,627	108,867	11,006	141,500
Contributions - Corcoran	60,518	48,785	8,031	117,334	-	-	-	-
Net assets released from restrictions	34,324	(49,611)	15,287	-	32,810	(32,810)	-	-
Medical education agreements	61,958	-	-	61,958	61,271	-	-	61,271
Other income	27,654	-	11	27,665	27,811	-	3	27,814
Total revenue	1,238,432	41,732	24,694	1,304,858	1,281,392	137,138	13,006	1,431,536
EXPENSES								
Salaries and wages	547,211	-	-	547,211	530,602	-	-	530,602
Fringe benefits	122,519	-	-	122,519	117,810	-	-	117,810
Purchased services	215,971	-	-	215,971	224,084	-	-	224,084
Supplies	14,295	-	-	14,295	13,448	-	-	13,448
Equipment	17,324	-	-	17,324	18,393	-	-	18,393
Bad debt	1,564	-	-	1,564	3,043	-	-	3,043
Occupancy	131,167	-	-	131,167	128,285	-	-	128,285
Investment real property expense	40,668	-	-	40,668	39,412	-	-	39,412
Scholarships and fellowships	17,346	-	-	17,346	17,243	-	-	17,243
Communications	5,073	-	-	5,073	5,430	-	-	5,430
Travel and training	26,516	-	-	26,516	29,243	-	-	29,243
Interest	48,253	-	-	48,253	37,325	-	-	37,325
Loss on extinguishment of debt	8,385	-	-	8,385	-	-	-	-
Other	39,901	-	-	39,901	26,363	-	-	26,363
Total expenses	1,236,193	-	-	1,236,193	1,190,681	-	-	1,190,681
OTHER INCREASES (DECREASES) IN NET ASSETS								
Endowment support	(922)	(358)	1,280	-	(1,403)	(194)	1,597	-
Postretirement related changes	1,916	-	-	1,916	(1,656)	-	-	(1,656)
Support/investment	453	(84)	(369)	-	(2,075)	2,324	(249)	-
Total other changes in net assets	1,447	(442)	911	1,916	(5,134)	2,130	1,348	(1,656)
Increase in net assets	3,686	41,290	25,605	70,581	85,577	139,268	14,354	239,199
Net assets at the beginning of the year	1,467,186	420,552	242,021	2,129,759	1,381,609	281,284	227,667	1,890,560
Net assets at the end of the year	$ 1,470,872	$ 461,842	$ 267,626	$ 2,200,340	$ 1,467,186	$ 420,552	$ 242,021	$ 2,129,759

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014
(in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 70,581	$ 239,199
Contribution income - donation of Corcoran	(117,334)	-
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated assets	(12,276)	(11,341)
Depreciation, amortization and accretion expenses	73,176	66,746
Provision for bad debt	1,564	3,043
Change in value of split-interest agreements	2,218	(5,037)
Net unrealized loss/(gain) on investments	100,921	(163,130)
Net realized (gain) on investments	(135,477)	(55,108)
Realized loss on sale of real property	-	253
Loss on extinguishment of debt	8,385	-
(Increase) decrease in operating assets:		
Accounts receivable	(4,188)	(18,186)
Pledges receivable	43,253	(61,616)
Other assets	20,906	3,539
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,493	4,323
Tuition and other deposits	3,252	2,826
Grants and contracts deferred revenue	(1,877)	1,674
Contributions restricted for long-term investment	(21,871)	(16,436)
Net cash provided by (used in) operating activities	46,726	(9,251)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(771,710)	(267,811)
Proceeds from sales and maturity of investments	745,028	282,913
Cash donated from Corcoran	29,053	-
Purchase of short-term investments	-	(174,634)
Proceeds from sales and maturity of short-term investments	-	275,000
Purchases and renovations of land and buildings	(179,078)	(267,965)
Additions of furniture and equipment	(27,182)	(25,424)
Net proceeds from sale of real property	-	5,198
Reduction in other loans and notes receivable	(1,105)	251
Net cash (used in) investing activities	(204,994)	(172,472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	21,871	16,436
Principal payments and refinancing of bonds and notes payable	(23,187)	(17,804)
Extinguishment of debt	(88,000)	-
Loss on extinguishment of debt	(8,385)	-
Proceeds from borrowings and refinancing of bonds	300,000	-
Payments of debt issuance costs	(1,483)	-
Increase in refundable advances from the U.S. Government	632	424
Principal payments on capital lease	(1,376)	(1,010)
Net cash provided by (used in) financing activities	200,072	(1,954)
Net increase (decrease) in cash and cash equivalents	41,804	(183,677)
Cash and cash equivalents at the beginning of the year	40,578	224,255
Cash and cash equivalents at the end of the year	$ 82,382	$ 40,578
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 58,985	$ 51,608
Income tax payments	20	1
Gross value of additions to capital leases	4,576	1,122
Donation of Corcoran, net of cash acquired	88,281	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE UNIVERSITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared 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 statements include the accounts of the George Washington University and its wholly owned subsidiaries. Significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as capital and investing unrestricted revenues, temporarily restricted revenues, or permanently restricted revenues according to donor-imposed restrictions. All other contributions are reported as operating revenues unless the donor has otherwise restricted the contributions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Promises to give with payments to be received after one year from the date of the financial statements are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing as required by fair value measurement accounting standards. Allowance is made for uncollectible contributions based upon management's judgment after analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments and Investment Income

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

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

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

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

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

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

Accounts Receivable

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

Loans Receivable and Refundable Advances

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts, of $0.48 million and $0.11 million at June 30, 2015 and 2014, respectively. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 9%. The carrying value of loans receivable approximates fair value. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be loaned again after collection. These funds are ultimately refundable to the U.S. Government. These federal loan programs have cash restricted as to their use of $3.6 million and $3.9 million as of June 30, 2015 and 2014, respectively.

Physical Properties

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

Net Asset Classes

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

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

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

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

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

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

Other Increases (Decreases) In Net Assets

Debt service and mandatory purposes - Transfers from operating net assets to capital and investing net assets are for principal and interest payments.

Endowment support - Transfers of investment income provide support for operating activities based on the spending policy of the Board of Trustees.

Capital expenditures - Transfers from operating net assets to capital and investing net assets are for equipment purchases.

Postretirement related changes - Recognition in unrestricted net assets of changes in the actuarial liability for postretirement benefit plans other than net periodic benefit cost, as well as amortization of changes recognized in prior years from unrestricted net assets to expenses as a component of the net periodic benefit cost.

Support/investment - Other transfers among operating net assets, capital and investing net assets, and temporarily/permanently restricted net assets.

Tuition, Fees, and Scholarships

The University recognizes unrestricted revenues from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Deferred tuition and fees are included in Deferred revenue: Tuition and other deposits in the Consolidated Statements of Financial Position.

Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, have been reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Cash payments to students, excluding compensation, are reported as Scholarships and fellowships expense in the Consolidated Statements of Activities.

Occupancy

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

Use of Estimates

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

Reclassifications to Prior Year Financial Statements

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

NOTE 3 – ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2015	2014
Grants and contracts	$ 29,963	$ 28,973
Student tuition and fee accounts	21,379	20,352
Due from affiliation agreements	3,771	4,489
Due from hospital limited partnership	3,522	3,686
Other	3,894	2,018
Allowance for doubtful accounts	(3,222)	(3,488)
Total	$ 59,307	$ 56,030

NOTE 4 – PLEDGES RECEIVABLE

(in thousands)	JUNE 30	
	2015	2014
Unconditional promises expected to be collected in:		
Less than one year	$ 45,217	$ 51,056
One year to five years	59,896	93,853
Over five years	391	507
Subtotal	105,504	145,416
Allowance for uncollectible pledges	(4,294)	(3,160)
Unamortized discount to present value	(7,171)	(12,199)
Total	$ 94,039	$ 130,057

Pledges receivable expected to be fulfilled more than one year from the date of the financial statements are recorded at fair value at the date of the gift, discounted at 2.42% - 4.96%, with the discount amortized over the life of the pledge.

At June 30, 2015 and 2014, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $149 million and $147 million, respectively. These intentions and conditional promises are not recognized as assets and, if received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

NOTE 5 – INVESTMENTS

(in thousands)	JUNE 30	
	2015	2014
Cash and cash equivalents	$ 218,633	$ 29,032
Equity - global	244,341	523,499
Equity - strategic (private, long-term)	215,249	250,553
Fixed income - asset-backed securities	16,966	6,482
Fixed income - corporate debt securities	-	15,261
Fixed income - credit funds	1,600	23,094
Fixed income - domestic convertible instruments	67,800	85,241
Fixed income - mutual funds	2,263	2,688
Fixed income - U.S. state & federal bonds	-	6,907
Fixed income - U.S. treasury notes	6,503	-
Real estate	956,380	909,753
Split interest agreements - GW as trustee	14,672	13,426
Split interest agreements - trusts held by others	40,830	40,752
Deferred compensation plan assets	35,638	31,842
Other	50,725	44,590
	1,871,600	1,983,120
Fund units receivable	175,968	-
Unrealized loss on open futures contracts	(4,328)	-
Total	$ 2,043,240	$ 1,983,120

Effective January 2015, the University outsourced its investment management function and the endowment portfolio was still in transition as of June 30, 2015. Because of pending transactions on June 30, 2015, the endowment investment asset allocation reflected significant amounts in cash and fund units receivable. The pending transactions have been executed since and the funds have been invested in Equities and Fixed Income.

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, 2015 and 2014, the value of the derivatives was not material.

INVESTMENT INCOME, NET

(in thousands)	JUNE 30	
	2015	2014
Interest and dividends	$ 12,739	$ 12,607
Net (losses) gains on investments carried at fair value	(15,760)	124,422
Net gains on investments carried at other than fair value	11,872	10,846
Administrative expenses	(6,401)	(8,756)
Total	$ 2,450	$ 139,119

INVESTMENT REAL PROPERTY RENTS AND APPRECIATION

(in thousands)	JUNE 30	
	2015	2014
Real property rents	$ 56,741	$ 56,157
Net unrealized appreciation	44,561	94,846
Total	$ 101,302	$ 151,003

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $22.7 million and $23.1 million as of June 30, 2015 and 2014, 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 $37.9 million and $31.8 million as of June 30, 2015 and 2014, respectively.

NOTE 6 - FAIR VALUE

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

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

(in thousands)	2015			2014		
	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	$ 75,126	$ 7,256	$ 82,382	$ 32,990	$ 7,588	$ 40,578
Investments	1,791,424	251,816	2,043,240	1,914,549	68,571	1,983,120
Total	$ 1,866,550	$ 259,072	$ 2,125,622	$ 1,947,539	$ 76,159	$ 2,023,698

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

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

(in thousands)	JUNE 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 75,126	$ -	$ -	$ 75,126
Investments:				
Cash and cash equivalents	217,575	3	-	217,578
Equity - global	140,154	15,065	87,783	243,002
Equity - strategic (private, long-term)	-	-	215,249	215,249
Fixed income - asset-backed securities	-	16,966	-	16,966
Fixed income - credit funds	-	-	1,600	1,600
Fixed income - domestic convertible instruments	3,303	64,497	-	67,800
Fixed income - mutual funds	2,263	-	-	2,263
Fixed income - U.S. treasury notes	6,503	-	-	6,503
Unrealized loss on open futures contracts	(4,328)	-	-	(4,328)
Real estate	-	-	933,651	933,651
Split interest agreements - GW as trustee	14,672	-	-	14,672
Split interest agreements - trusts held by others	-	-	40,830	40,830
Deferred compensation plan assets	20,654	10,526	4,458	35,638
Total investments reported at fair value	400,796	107,057	1,283,571	1,791,424
Total assets (liabilities) reported at fair value	$ 475,922	$ 107,057	$ 1,283,571	$ 1,866,550

(in thousands)	JUNE 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 32,990	$ -	$ -	$ 32,990
Investments:				
Cash and cash equivalents	28,962	70	-	29,032
Equity - global	387,467	-	135,140	522,607
Equity - strategic (private, long-term)	-	-	250,553	250,553
Fixed income - asset-backed securities	-	6,482	-	6,482
Fixed income - corporate debt securities	-	15,261	-	15,261
Fixed income - credit funds	-	20,640	2,454	23,094
Fixed income - domestic convertible instruments	8,364	76,877	-	85,241
Fixed income - mutual funds	2,688	-	-	2,688
Fixed income - U.S. state & federal bonds	5,998	909	-	6,907
Real estate	-	-	886,664	886,664
Split-interest agreements - GW as trustee	13,426	-	-	13,426
Split-interest agreements - trusts held by others	-	-	40,751	40,751
Deferred compensation plan assets	17,530	10,322	3,991	31,843
Total investments reported at fair value	464,435	130,561	1,319,553	1,914,549
Total assets reported at fair value	$ 497,425	$ 130,561	$ 1,319,553	$ 1,947,539

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

- **Cash and cash equivalents** - Cash and cash equivalents include cash deposits in investment funds and short-term U.S. Treasury securities, and other short-term, highly liquid investments which are actively traded. Cash equivalents also include a bank repurchase agreement valued at $5.2 million at June 30, 2015 and 2014. The repurchase agreement is collateralized by bank-owned securities issued by the U.S. Government or agencies thereof. Cash equivalents are priced using independent market prices in the primary trading market and are classified as either Level 1 or Level 2.
- **Equity investments** - Equity investments generally include separately held accounts, shares in commingled funds, and limited partnership holdings. These assets, which are grouped by investment objective, consist of both publicly traded and privately held securities, diversified globally.
  - » **Publicly traded securities** - These investments generally include global equity holdings. Securities traded on an active exchange are priced using unadjusted market quotes for identical assets and are classified as Level 1.
  - » **Privately held securities** - These investments generally include strategic equity, as well as some global equity holdings, and are not publicly traded. The valuations are calculated by the investment manager based on traditional valuation techniques that take into account each fund's underlying assets. The valuation policies adopted by the manager are reviewed for propriety, consistency, compliance, and completeness. Funds that are valued at net asset value (NAV) or similar measure, are redeemable in the near term, and require no adjustment to the manager-provided valuation are typically classified as Level 2. All other funds are typically classified as Level 3. Inputs used to determine fair value are based upon the best available information provided by the investment manager and may incorporate management judgments and best estimates after considering a variety of factors. For a small percentage of these investments, the manager reported NAV is prepared using non-U.S. GAAP, which may differ from fair value reported under U.S. GAAP. Where material differences are known to exist, management bases its measurements on fair value estimates obtained from the investment managers 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.
- **Fixed income securities** - These investments generally include asset-backed securities, credit funds, convertible bonds, corporate debt, investment funds with fixed income portfolios, and 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; as these securities typically trade in less active markets and are redeemable in the near term, they are typically categorized as Level 2. Investment funds that are not publicly traded may be categorized as Level 2 or 3 depending upon redemption terms.
- **Real estate** - Real estate investment properties are valued based on results from an independent appraisal and a professional third-party market valuation and are included in Level 3. To determine fair value in cases where the two valuation methods yielded resulting values within 5%, the University adopted the average of the two values as the fair value. In cases where the variance between the two valuations was greater than 5%, the University considered the ranges of values provided by the valuators and made certain assumptions with respect to future property cash flow expectations and risk pricing in the form of income capitalization rates and discount rates. Valuation adjustments represent management's assumptions of how a market participant would view the properties, and are based on the range of future cash flows and risk pricing presented in the appraisals and professional valuations. Different assumptions or changes in future market conditions could significantly affect the estimated fair value and such changes could be material to the consolidated financial statements.

The following tables show quantitative information about unobservable inputs used in the fair value measurement of Level 3 real estate investment assets:

	AS OF JUNE 30, 2015			
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range
Hotels	$62,500	Discounted cash flow	Exit capitalization rate Discount rate	7.00–7.50% 9.50–10.00%
Office buildings	$473,000	Discounted cash flow	Exit capitalization rate Discount rate	6.00–7.50% 6.50–8.01%
Investment real estate subject to ground lease	$396,300	Direct capitalization	Capitalization rate	3.50–4.00%

	AS OF JUNE 30, 2014			
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range
Hotels	$56,231	Discounted cash flow	Exit capitalization rate Discount rate	7.50% 9.50–11.50%
Office buildings	$447,629	Discounted cash flow	Exit capitalization rate Discount rate	6.00–7.50% 6.50–8.59%
Investment real estate subject to ground lease	$381,483	Discounted cash flow	Discount rate	4.73–5.75%

- **Split-interest agreements** - Assets received under split-interest agreements from donors where the University serves as trustee are categorized as Level 1 based on the observability of pricing inputs to the underlying investments held in those trusts. The University's beneficial interests in perpetual trusts held by third parties are categorized as Level 3. These are valued using a discounted cash flow analysis based on the assumed timing and duration of those cash flows.
- **Deferred compensation plan assets** - Assets purchased under deferred compensation arrangements include mutual funds, insurance company pooled separate accounts, and variable annuities and are categorized as Level 1, Level 2, or Level 3 based on the observability of pricing inputs for the investment vehicles. Funds that are publicly traded are categorized as Level 1, while Level 2 assets include funds which are not publicly traded, but have established NAV or are based on quoted prices for similar assets. Level 3 assets include annuity contracts issued by an insurance company.

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

(in thousands)	2015				2014
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	Fair Value
Equity – global	$ 102,848	$ -	Monthly to bi-annually	5 to 120 days	$ 135,140
Equity – strategic (private, long-term)	215,249	77,209	Redemption not permitted during life of fund	N/A	250,553
Fixed income – asset-backed securities	16,966	-	Daily to quarterly	1 to 15 days	N/A
Fixed income – credit funds	1,600	-	Liquidating	Liquidating	23,094
Total	$ 336,663	$ 77,209			$ 408,787

- **Equity - global** - These funds are typically composed of publicly traded developed and emerging market stocks, and long/short equity. Approximately 29.4% of these are in liquidation and distributions are anticipated over the next year as the underlying assets are sold. Approximately 10.0% of these assets are currently locked up for up to 1-2 years.
- **Equity - strategic (private, long-term)** - These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization and micro-capitalization securities. Distributions from the majority of these investments are received through the liquidation of the underlying assets. It is estimated that approximately 87.0% of the underlying assets will be liquidated within 10 years.
- **Fixed income – asset-backed securities** - These funds are typically composed of mortgage-backed securities. There are no assets in liquidation as of June 30, 2015.
- **Fixed income - credit funds** - These funds are primarily composed of high-yield bonds and distressed debt. One hundred percent of these assets are in liquidation with distributions anticipated over the next 5 years as the underlying assets are sold.

Changes in Level 3 Assets

(in thousands)	2015					
	Equity – global	Equity – strategic (private, long-term)	Fixed income – credit funds	Real estate	Split-interest agreements – trusts held by others	Deferred compensation
Beginning of year	$ 135,140	$ 250,553	$ 2,454	$ 886,664	$40,751	$ 3,991
Net realized/unrealized gains (losses)	(21,821)	(7,770)	(485)	44,616	(2,111)	94
Purchases/additions	-	17,889	-	2,371	2,190	373
Sales	(25,536)	(45,423)	(369)	-	-	-
End of year	$ 87,783	$ 215,249	$ 1,600	$ 933,651	$ 40,830	$ 4,458
Total net gains (losses) included in earnings attributable to the change in net unrealized gains (losses) for assets still held at June 30, 2015	$ (31,676)	$ (24,393)	$ (217)	$ 44,616	$ (2,111)	$ -

(in thousands)	2014					
	Equity – global	Equity – strategic (private, long-term)	Fixed income – credit funds	Real estate	Split-interest agreements – trusts held by others	Deferred compensation
Beginning of year	$ 121,202	$ 246,014	$ 3,006	$ 791,174	$ 26,884	$ 4,071
Net realized/unrealized gains	16,317	15,747	99	94,842	3,219	37
Purchases/additions	-	33,254	-	648	10,870	215
Sales	(2,379)	(44,462)	(651)	-	(222)	(332)
End of year	$ 135,140	$ 250,553	$ 2,454	$ 886,664	$ 40,751	$ 3,991
Total net gains (losses) included in earnings attributable to the change in net unrealized gains (losses) for assets still held at June 30, 2014	$ 15,720	$ (1,107)	$ 413	$ 94,846	$ 4,086	$ -

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. For the year ended June 30, 2015, level 1 to 2 transfers totaled $3.4 million, and there were no other level transfers. For the year ended June 30, 2014, there were no transfers between any level.

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

(in thousands)	2015			2014		
	Investment (loss)	Investment real property rents and appreciation	Change in value of split-interest agreements	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements
Total net gains (losses) included in changes in net assets	$ (30,021)	$ 44,561	$ (2,111)	$ 32,159	$ 94,846	$ 3,219
Change in net unrealized gains (losses) relating to assets still held at June 30	$ (56,231)	$ 44,561	$ (2,111)	$ 15,022	$ 94,846	$ 4,086

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.

Interpretation of Relevant Law

The University interprets the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Appreciation on the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. The classification of temporarily restricted net assets includes funds donated to the University under an agreement permitting the Board to expend below the original value of the gift in periods of deficient earnings.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 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

Endowment funds are categorized in the following net asset classes:

(in thousands)	JUNE 30			
	2015		2014	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$ (4,728)	$ 1,123,001	$ (1,455)	$ 1,118,924
Temporarily restricted	274,225	-	258,212	-
Permanently restricted	223,859	-	200,827	-
Total endowment funds	$ 493,356	$ 1,123,001	$ 457,584	$ 1,118,924

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

(in thousands)	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,117,469	$ 258,212	$ 200,827	$ 1,576,508
Investment return:				
Investment income	27,197	1,265	-	28,462
Net appreciation (depreciation) (realized and unrealized)	21,978	(1,816)	-	20,162
Administrative expenses	(5,175)	(1,226)	-	(6,401)
Total investment return	44,000	(1,777)	-	42,223
Contributions	380	37,157	22,217	59,754
Appropriations of assets for expenditure	(48,537)	(25,132)	-	(73,669)
Reinvestment of payout and internal transfers to endowments	4,961	5,765	815	11,541
Endowment net assets, end of year	$ 1,118,273	$ 274,225	$ 223,859	$ 1,616,357

(in thousands)	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 981,598	$ 203,220	$ 190,384	$ 1,375,202
Investment return:				
Investment income	23,749	4,976	-	28,725
Net appreciation (realized and unrealized)	162,591	56,635	-	219,226
Administrative expenses	(4,749)	(4,007)	-	(8,756)
Total investment return	181,591	57,604	-	239,195
Contributions	376	17,357	9,012	26,745
Appropriations of assets for expenditure	(48,547)	(22,908)	-	(71,455)
Reinvestment of payout and internal transfers to endowments	2,451	2,939	1,431	6,821
Endowment net assets, end of year	$ 1,117,469	$ 258,212	$ 200,827	$ 1,576,508

Endowments with Eroded Corpus

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $4.7 million and $1.5 million as of June 30, 2015 and 2014, respectively.

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 permanently restricted. 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 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 for current expenditure with the remainder reinvested to shield against inflation. The payout rate is approved annually by the Board of Trustees as part of the budget process. Currently, spending increases in the payout are capped by the change in the Consumer Price Index for the Washington, DC metro area, adjusted for new gifts received during the year. The annual payout is intended to approximate 5% of the average fair value of the endowment. In establishing this policy, the University considered the long-term expected return on its endowment.

Accumulated appreciation in endowment funds with donor-restricted corpus is classified as temporarily restricted net assets until appropriated for spending under the 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 Net assets released from restriction, which reduces temporarily restricted net assets and increases unrestricted capital and investing net assets. Any excess of income earned over the approved spending amount is retained in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor restrictions.

NOTE 8 - PHYSICAL PROPERTIES

(in thousands)	JUNE 30	
	2015	2014
Land	$ 190,660	$ 152,260
Buildings	1,890,208	1,502,421
Construction in progress	119,921	324,551
Accumulated depreciation	(592,373)	(544,709)
Total	$ 1,608,416	$ 1,434,523
Furniture and equipment	$ 165,514	$ 139,812
Library and historical research materials	86,652	82,823
Equipment under capital leases	9,718	5,875
Accumulated depreciation	(162,489)	(145,388)
Total	$ 99,395	$ 83,122

The value of Construction in progress includes the addition of capitalized interest of approximately $6.8 million and $8.9 million for the years ended June 30, 2015 and 2014, respectively.

FURNITURE AND EQUIPMENT EXPENDITURES

(in thousands)	JUNE 30	
	2015	2014
Capitalized	$ 40,674	$ 27,920
Expensed	17,324	18,393
Total	$ 57,998	$ 46,313

DEPRECIATION EXPENSE

(in thousands)	JUNE 30	
	2015	2014
Buildings	$ 47,664	$ 44,084
Furniture and equipment	22,641	20,034
Equipment under capital leases	1,723	1,611
Total	$ 72,028	$ 65,729

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30	
	2015	2014
Accrued building construction payable	$ 28,525	$ 46,047
Accrued interest payable	19,539	16,450
Accrued other liabilities	31,483	26,922
Accrued payroll and related liabilities	78,375	76,166
Accumulated postretirement liability	19,301	21,032
Asset retirement obligation	1,391	1,396
Split-interest agreements	7,159	6,495
Trade payables	16,752	10,442
Other payables	11,097	10,838
Total	$ 213,622	$ 215,788

NOTE 10 - BONDS AND NOTES PAYABLE

(in thousands)	JUNE 30			
	2015			2014
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Taxable bonds:				
2007 Series General Obligation	2/1/2017	Fixed 5.3%	$ 50,000	$ 50,000
2009 Series General Obligation	2/1/2019	Fixed 6.0%	200,000	200,000
2010 Series General Obligation	9/15/2020	Fixed 4.642%	99,745	108,340
2011 Series General Obligation	9/15/2021	Fixed 4.452%	100,000	100,000
2011A Series General Obligation	9/15/2021	Fixed 3.576%	50,000	50,000
2012 Series General Obligation	9/15/2022	Fixed 3.485%	300,000	300,000
2012A Series General Obligation	9/15/2017	Fixed 1.827%	168,000	168,000
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	-
Non-recourse debt:				
Notes payable – secured by real estate	3/11/2017	Fixed 5.9%	112,000	200,000
Notes payable – secured by real estate	7/11/2015	Fixed 4.955%	-	14,577
Unsecured notes payable	5/1/2021	Fixed 3%	99	113
Total			$ 1,549,844	$ 1,361,030
Estimated fair value (Level 2) at June 30:			$ 1,577,765	$ 1,445,717

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

As of June 30, 2015, the University has two renewable available lines of credit with a national bank totaling $150 million. These lines of credit have variable interest rates and expire in 2016 and 2017. There were no amounts outstanding under lines of credit at June 30, 2015 or 2014.

Other assets include unamortized debt issuance costs of $5.8 million and $5.4 million as of June 30, 2015 and 2014, respectively.

2014 bond issuance - In August 2014, the University issued $300 million in Series 2014 taxable, fixed-rate bonds. The bond proceeds were used for the financing of certain capital expenditures, refunding of existing debt, and payment of 2014 bond issuance costs.

Extinguishment of debt - In March 2015, the University defeased non-recourse debt of $88 million at 5.9% using proceeds from the 4.3% 2014 bond issuance. The debt was extinguished and removed from the Consolidated Statement of Financial Position. The University recognized a loss on extinguishment of debt of $8.4 million on the Consolidated Statement of Activities.

(in thousands)		JUNE 30	
Interest expense	Expense category	2015	2014
Bonds/notes payable	Interest	$ 48,137	$ 37,289
Rental property	Investment real property	13,822	14,145
Capital leases	Interest	116	36
Total		$ 62,075	$ 51,470

As of June 30, 2015, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2016	$ 9,140
2017	171,696
2018	178,266
2019	210,877
2020	4,017
Thereafter	975,848
Total	$ 1,549,844

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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

The University leases certain office, academic, residential, and administrative facilities under non-cancelable operating leases expiring at various dates through 2026. Rent expense under operating leases totaled $24.9 million and $29.4 million for the years ended June 30, 2015 and 2014, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	*(in thousands)*
2016	$ 19,305
2017	11,347
2018	7,559
2019	6,682
2020	4,361
Thereafter	19,683
Total	$ 68,937

NOTE 12 - NET ASSETS

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

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

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

Temporarily and permanently restricted net assets consist of the following:

(in thousands)	JUNE 30			
	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$ 33,825	$ -	$ 4,294	$ -
Endowment funds:				
Instruction & academic support	174,065	135,760	171,940	128,264
Student aid	79,241	77,738	82,483	70,963
Building funds	921	632	1,026	632
Other endowments	19,998	9,729	2,763	968
	274,225	223,859	258,212	200,827
Loan funds	-	3,445	-	3,485
Pledges:				
Instruction & academic support	54,225	55	84,049	1,484
Student aid	14,845	803	16,909	2,374
Building funds	15,654	-	9,428	-
Other pledges	8,456	-	7,713	-
	93,180	858	118,099	3,858
Split-interest agreements	21,039	27,853	19,555	28,816
Other	39,573	11,611	20,392	5,035
Total	$ 461,842	$ 267,626	$ 420,552	$ 242,021

NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30	
	2015	2014
Instruction and academic support	$ 652,010	$ 620,561
Research	187,479	185,181
Auxiliary enterprises	88,922	88,517
Student services	107,381	105,242
Institutional support	133,068	133,222
Independent operations	49,750	40,260
Student aid	17,583	17,698
Total	$ 1,236,193	$ 1,190,681

Independent operations include expenses associated with the University's investment real estate operations and defeasance costs of $8.4 million are included for the year ended June 30, 2015.

Costs related to the maintenance and operation of physical plant of $195.2 million and $170.0 million for the years ended June 30, 2015 and 2014, respectively, include depreciation of plant assets and interest on plant debt. These costs are allocated among program and supporting activities based upon periodic inventories of facility square foot usage. Interest on plant debt is allocated based on the percentage of actual interest expense attributable to properties.

Technology costs of $79.4 million and $77.1 million for the years ended June 30, 2015 and 2014, respectively, are allocated to other functions based upon relative benefits provided to academic and administrative users of the services. Technology costs include expenses associated with the operation and maintenance of administrative systems, campus network and telecommunications systems, computing labs, and related support for students and faculty.

NOTE 14 - RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

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

The plan consists of both a noncontributory and a matching component. All eligible participants receive a contribution equal to 4% of their base salary. In addition, for those employees electing to participate in the matching portion of the program, the University contributes an additional amount equal to 1½% for each 1% of eligible compensation contributed by the employee, but not to exceed an amount equal to 6% of the participant's eligible compensation. Participants are immediately fully vested in both types of the University's contributions. Eligible participants direct the investment of contributions made on their behalf. For eligible participants who do not provide investment direction for contributions, the University contributions are invested in a Qualified Default Investment Alternative based on the expected year of retirement. University contributions to the retirement plan amounted to $36.5 million and $35.0 million for the years ended June 30, 2015 and 2014, 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. The University's policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of $19.3 million and $21.0 million as of June 30, 2015 and 2014, respectively.

NOTE 15 - RELATED PARTIES

Medical Faculty Associates, Inc.

The University has an Academic Affiliation Agreement with Medical Faculty Associates, Inc. (MFA). Under the agreement, MFA provides clinical teaching, research, and administrative services to the University. In addition, MFA leases certain office space, uses operational services, and provides academic support. Medical education agreements revenue of approximately $10.6 million and $11.2 million was reported for the years ended June 30, 2015 and 2014, respectively. Approximately $31.0 million and $30.6 million in expenses from the MFA were reported for the years ended June 30, 2015 and 2014, respectively. The University had an outstanding receivable balance due from MFA of $1.1 million and $1.3 million as of June 30, 2015 and 2014, respectively. The University had an outstanding payable balance due to MFA of $1.9 million and $1.5 million as of June 30, 2015 and 2014, respectively.

District Hospital Partners, L.P.

The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University in developing and maintaining the medical academic and research programs. The University's investment in DHP is recorded on the equity basis of accounting. The University's share of the partnership's profits for the years ended June 30, 2015 and 2014 was approximately $9.8 million and $8.2 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 $32.1 million and $31.3 million was reported for the years ended June 30, 2015 and 2014, respectively. The receivable from DHP for the unpaid balance of these services is $3.5 million and $3.7 million as of June 30, 2015 and 2014, respectively. Approximately $0.4 million and $0.8 million in purchased services from the GW Hospital were reported for the years ended June 30, 2015 and 2014, respectively.

NOTE 16 – BUSINESS COMBINATION

On August 21, 2014, the D.C. Superior Court approved a collaboration agreement between the University, the Corcoran Gallery of Art, and the National Gallery of Art which resulted in the University's acquisition of the Corcoran College of Art and Design (Corcoran). The collaboration maintains the historic Corcoran 17th Street building as a showplace for art and a home for the Corcoran and its programs which enhances the University's current offerings.

The University recorded the $117 million transaction as contribution income, which has been included in the Consolidated Statement of Activities. The amount represents the excess of the fair value of assets contributed over the fair value of liabilities assumed; no consideration was exchanged.

The fair value, in thousands, of the Corcoran College assets contributed, net of liabilities assumed as of August 21, 2014 were as follows:

Assets	
Cash	$ 29,053
Pledge receivable	7,474
Investments	7,118
Other assets	15,651
Land, buildings, and equipment	60,518
Total assets contributed	119,814
Liabilities	2,480
Total liabilities assumed	2,480
Net Assets	
Unrestricted	60,518
Temporarily restricted	48,785
Permanently restricted	8,031
Total net assets	117,334
Total liabilities and net assets	$ 119,814

NOTE 17 – SUBSEQUENT EVENTS

In July 2015, the University issued $350 million in Series 2015 taxable, fixed-rate bonds at 4.868% with a maturity date of September 15, 2045. The bond proceeds were used to repay Series 2007 fixed-rate bonds of $50 million at 5.3% and to defease non-recourse debt of $112 million at 5.9% with defeasance costs of $8.8 million.

The University has performed an evaluation of subsequent events through September 15, 2015, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2015.

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Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2015	2014
Assets	$ 4,041,768	$ 3,782,532
Net assets	$ 2,200,340	$ 2,129,759
Increase/(Decrease) in net assets	$ 70,581	$ 239,199
Fair value of investments	$ 2,043,240	$ 1,983,120
Bonds and notes payable	$ 1,549,844	$ 1,361,030
Revenues	$ 1,304,858	$ 1,431,536
Expenses	$ 1,236,193	$ 1,190,681
Capital expenditures	$ 206,260	$ 293,389

ENROLLMENT	ACADEMIC YEAR END				
	2015	2014	2013	2012	2011
STUDENTS-FTE					
Undergraduate	10,046	9,770	9,921	9,905	9,793
Graduate	8,804	8,837	8,938	8,576	8,172
Law (J.D.)	1,602	1,565	1,624	1,701	1,671
Medical (M.D.)	705	714	710	714	719
Non-degree	252	246	228	228	299
Total fall enrollment	21,409	21,132	21,421	21,124	20,654
UNDERGRADUATE ADMISSIONS					
Applications	19,069	21,789	21,756	21,591	21,433
Selectivity Ratio	44%	34%	33%	33%	32%
Matriculation Ratio	29%	31%	33%	31%	35%
GRADUATE ADMISSIONS					
Applications	22,257	22,452	22,780	21,356	20,268
Selectivity ratio	47%	47%	44%	47%	45%
Matriculation ratio	42%	42%	45%	44%	46%
LAW (J.D.)					
Applications	6,264	6,844	7,227	8,652	9,610
Selectivity ratio	46%	42%	29%	27%	23%
Matriculation ratio	19%	17%	19%	20%	28%
MEDICINE (M.D.)					
Applications	10,981	10,397	10,504	10,625	10,588
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	56%	52%	55%	49%	54%
DEGREES CONFERRED					
Baccalaureate	2,311	2,482	2,454	2,296	2,172
Master's	4,223	4,376	4,210	3,883	3,929
First professional	627	766	758	746	669
Doctoral	332	325	313	304	305

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC