2015-16 FINANCIAL REPORT

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

As we prepare for the beginning of the university's third century in 2021, the George Washington University's financial health remains strong. GW's location, academic programming and growing research portfolio continue to draw faculty, scholars and students from across the country and around the world.

Due to a concerted effort across the university, GW has controlled costs, invested in strategic long-term priorities and increased enrollment. The university's implementation of a test-optional policy for undergraduates led to not only a diversification of our already strong applicant pool but also an increase in undergraduate applications of more than 28 percent. Graduate applications increased about 5 percent.

Universities across the nation—and GW is no exception—are facing a growing disparity between the rising costs of tuition and the stagnant or declining wealth of students and their families. To ensure we meet the growing need for financial aid for undergraduate students and to provide deans with more control over their schools' revenues, GW is continuing to reduce budget expenditures and focus more on program offerings.

The university's ambitious fundraising campaign, "Making History: The Campaign for GW," is also helping make a George Washington University education accessible to all qualified students. More than 60,000 donors have contributed to the campaign, which as of June 30 had raised more than $870 million toward the overall goal of $1 billion to support students, enhance academics and break new ground through innovative research.

The university's investment in research is paying off. This year, the university rose nine places in the National Science Foundation's annual survey of research institutions. Federal grants are helping GW researchers better treat diseases such as cancer, malaria and asthma; promote sustainability across the globe; and advance understanding of evolution and brain function, among others.

The university completed a key capital project—District House, which combines and expands three previously distinct residence halls to house nearly 900 students and provide ample student and retail space in the heart of the university's Foggy Bottom Campus. It also launched what will be a multiyear, multiphase renovation of the iconic home of the Corcoran School of the Arts and Design.

In fiscal year 2016, GW welcomed new leaders: Elliott School of International Affairs Dean Reuben Brigety II and Corcoran School of the Arts and Design Director Sanjit Sethi. In addition, Forrest Maltzman was named provost and chief academic officer.

And the university began to prepare for a leadership transition at its highest level. After nine years at the helm of GW, President Steven Knapp announced this year his plans to step down in summer 2017.

Among Dr. Knapp's accomplishments are fostering the university's growth as a world-class research institution; shepherding the development and implementation of the university's strategic plan, Vision 2021; overseeing the creation of the state-of-the-art Science and Engineering Hall; and, with the opening of the George Washington University Museum and The Textile Museum and the addition of the Corcoran School of the Arts and Design, creating an arts hub in the nation's capital. A nationwide search for GW's next president is underway.

These highlights are just a few of many outlined in the following pages that show how the George Washington University is engaging the world from the nation's capital.

Louis H. Katz
Executive Vice President and Treasurer

UNPRECEDENTED RESEARCH FUNDING, GROWING INTERDISCIPLINARY INITIATIVES AND NEW LEADERSHIP ARE HELPING TO FURTHER THE UNIVERSITY'S ACADEMIC MISSION.

KNOWLEDGE *in* ACTION

Zhenyu Li, assistant professor of biomedical engineering, is building a wristband that can monitor environmental air pollution and patient activities to better treat asthma patients.

Record Research Funding

GW's standing among the nation's top research institutions is at its highest position ever, according to the National Science Foundation. The NSF's annual survey, released in February, found that GW's federal and overall research expenditures grew by more than 15 percent from 2010 to 2014.

The increase helped the university rise from 92nd place to its record 83rd place in total federal expenditures on the NSF survey, despite the fact that the average standing of peer institutions decreased between 2010 and 2014.

Research at GW benefited from $143 million in federal grants in fiscal year 2016. Tens of millions of dollars in federal grants are helping researchers better understand and treat diseases.

GW researchers received a $26 million, five-year Martin Delaney Collaboratory grant from the National Institutes of Health (NIH) to lead 17 public and private partners in an effort to develop new strategies to cure HIV.

The research aims to apply immunotherapy advances that focus on improving and reprogramming patients' immune systems to fight their own cancer to combating HIV. The project is led by Doug Nixon, chair of the Department of Microbiology, Immunology and Tropical Medicine in the School of Medicine and Health Sciences.

The Milken Institute School of Public Health received two grants totaling $7 million to study the human microbiome, the collection of bacteria and other microbes that live in and on the human body.

The first study, a $3.3 million grant from the National Institute of Allergy and Infectious Diseases (NIAID), will focus on the bacterial ecosystem of the penis and how it can affect a person's risk for HIV infection.

An additional $3.7 million award from NIAID will focus on bacteria living in the nose. That study will aim to find strategies to protect people from serious staph infections. Professor Lance Price and Assistant Research Professor Cindy Liu will serve as principal investigator and co-investigator, respectively, on the projects.

Thanks to a $2.6 million grant, also from the NIH, Associate Professor of Chemistry Cynthia Dowd is leading a team studying a promising possible treatment for malaria and tuberculosis.

And asthma treatment for children got a boost with a $2 million grant from the NIH that funds School of Engineering and Applied Science Associate Professor Zhenyu Li's work to create wearable sensors to better monitor young patients.

Federal grants are also enabling researchers to promote sustainability and better train educators to help young adults with special needs.

A $3 million grant from the National Science Foundation supports research examining urban sustainability in the Arctic, led by Robert Orttung, associate research professor of international affairs.

And a $1.2 million award from the Department of Education is enabling the Graduate School of Education and Human Development to launch an online master's program focused on training teachers to help students with brain injury and autism transition to adulthood.

"GW's rise in the NSF research rankings is reflective of the hard work and talent of faculty, investigators and staff. The university's emphasis on cross-disciplinary collaboration, recruitment of top talent across all disciplines and investment in research administration and support are all paying dividends."

Leo Chalupa, vice president for research

A new skills and simulation laboratory enables nursing students to hone their skills in a "virtual hospital."

Anthropology Professor Chet Sherwood oversees GW's collection of mammalian brains, which are used to study human evolution and neurobiology.

Centers for Learning and Research

A $1 million grant from NIH in October funded the creation of the first National Chimpanzee Brain Resource Center, based at GW, Georgia State and Emory universities. Under the leadership of Professor of Anthropology Chet Sherwood, GW is serving as a repository, where scientists from around the world can request tissue samples, high-resolution MRI scans and observational data collected from studies on chimpanzees' motor, social and cognitive skills.

The National Chimpanzee Brain Resource Center is one of several initiatives at the university that convene researchers and unite scholarship. In 2015, the university consolidated its cancer-related programs and research activities into the GW Cancer Center, which now serves as the platform for cancer research development under the direction of renowned physician and researcher Eduardo Sotomayor.

During the center's inaugural year, it received $1 million from the Albert L. Tucker and Elizabeth T. Tucker Foundation to establish a fellowship that annually supports the postdoctoral training of a promising cancer researcher. It has also moved into a state-of-the-art new home in the university's Science and Engineering Hall.

Another interdisciplinary initiative, the Autism and Neurodevelopmental Disorders Institute, named a founding director, Kevin Pelphrey, in April. Dr. Pelphrey brings more than 15 years of experience in autism and neuroscience research. Most recently, he served as director of Yale University's Center for Translational Developmental Neuroscience.

And at the School of Nursing, administrative leaders, faculty and students celebrated a new milestone with the opening of a skills and simulation laboratory on the Virginia Science and Technology Campus. The Johnson Lab, named after SON founding Dean Jean Johnson, is a "virtual hospital" that is populated by manikins that simulate patients of all ages.

Changing the world through arts and design is a critical focus for Sanjit Sethi, director of the Corcoran School.

Reuben E. Brigety II spearheaded the launch of an Institute for African Studies in his first year as dean of the Elliott School.

New Leaders Start to Make Their Mark

The Elliott School of International Affairs and the Corcoran School of the Arts and Design welcomed new leadership in fall 2015.

Elliott School Dean Reuben E. Brigety II joined GW from the State Department where he served as U.S. representative to the African Union and U.S. permanent representative to the United Nations Economic Commission for Africa.

In October, Dr. Brigety outlined his vision for the Elliott School of promoting scholarship, teaching, ethics and practice in international affairs education (STEP).

A key element in realizing this vision is the launch of the Institute for African Studies, which will focus on issues confronting the African continent and community. Its core goals include a more focused course of studies on African affairs and a major conference each year focused on a timely theme—one planned for spring 2017 will examine the 50th anniversary of the Biafran War in Nigeria.

At the Corcoran School of the Arts and Design, arts educator and director Sanjit Sethi articulated his vision of an engaged, dynamic institution devoted to exploration, innovation and education in the arts and design disciplines in the broadest sense.

New academic institutes and programs, such as a center dedicated to fostering creative leadership, will bring in dynamic artists-in-residence and foster innovative interdisciplinary practices that enable graduates to address complex and pressing issues facing the world. In the spring, the school announced artist Mel Chin would be the inaugural William Wilson Corcoran visiting professor.

Mr. Sethi also plans to implement programming focused on community engagement that leverages the school's tradition of service to build partnerships that have significant impact in local communities.

AN AUDIENCE WITH THE PRESIDENT AND FIRST LADY

Senior Nana Agyemang was on a train home when she got an email from School of Media and Public Affairs Director Frank Sesno: "Please come to my office."

"Oh, no," she thought. "What have I done now?"

A lot, it turns out. Ms. Agyemang is the editor-in-chief of the university's multicultural publication, the ACE Magazine. She is also a founding member of the GW Association of Black Journalists and mentors young high school students in Southeast Washington.

Last year, the budding photographer and journalist received an inaugural J. Michael Shanahan Journalism Internship Fund award to support a summer internship at CBS News.

And, as Mr. Sesno told her when they met, several professors had nominated her as the 2016 winner of the George Washington University-White House Correspondents' Association (WHCA) scholarship.

The award grants one lucky SMPA senior an opportunity to attend the annual WHCA Dinner and meet the president of the United States and first lady. The winner also receives a scholarship to be applied to his or her fourth year.

Ms. Agyemang spent her childhood in Ghana and aspires to be a multimedia journalist shedding light on women and feminists in Africa.

At the WHCA dinner, Ms. Agyemang had a few minutes to interact with President Obama and First Lady Michelle Obama directly.

"I got to tell him a little about myself, and that was more than enough for me. Just being able to hug them did more than words could ever have done. Both the Obamas are amazing—and that's just after talking to them for seconds," she said.

"The world of journalism needs reporters of color to celebrate black culture through journalism. I hope I will continue to inspire others to chase their dreams."

A PASSION FOR RESEARCH

Reem Al Shabeeb was inspired by the technology all around her and the seemingly limitless possibilities for research when she moved from Iraq to the U.S. in 2012. Now a senior at GW, the daughter of two physicians says science has always been part of her life.

"It was no question when it came time to decide my major that I wanted to do biology," she said, having spent years listening to conversations about medicine around the dinner table.

Ms. Al Shabeeb is now in her final year at GW where she is pursuing undergraduate degrees in not only biology but also chemistry. She spent her time outside of the classroom during her junior year studying the co-evolution of fruit flies' reproductive traits after receiving the Luther Rice Undergraduate Research Fellowship.

The fellowship aims to promote undergraduate discoveries. Working with biological sciences Assistant Professor Mollie Manier, Ms. Al Shabeeb has found that sperm length and the seminal receptacle in female fruit flies are linked and evolve together. The discovery could have important implications in understanding infertility in humans, she said.

Ms. Al Shabeeb presented her honors thesis in biology as a junior, a rite of passage typically reserved for students in their senior year. Her work on fruit flies is expected to be published in late 2016, and after receiving the GW Undergraduate Research Award she will continue her biology research as she starts her chemistry thesis.

Using chemical analysis methods Ms. Al Shabeeb helps identify proteins in single-cell neurons under the guidance of Department of Chemistry Assistant Professor Peter Nemes. Being able to identify these proteins could help scientists develop ways to treat the millions of people suffering from neurodegenerative diseases like Alzheimer's and Parkinson's diseases.

Ms. Al Shabeeb credits her GW education with helping her develop her passion for science and experience professional growth through her research—abilities she hopes will help her be successful in medical school and beyond.

"At GW I learned how to think about doing research and to think about the research methods, how to approach the questions, how to be more precise and more patient about research," she said. "That's an experience I've never had before."

Renowned Faculty

GW faculty members were honored as leaders in the fields of international affairs, history, astrophysics and securities law this year.

Professor of Political Science and International Affairs Marc Lynch was named one of 33 Andrew Carnegie fellows. The awardees receive grants of up to $200,000 for one to two years of scholarly research and writing aimed at addressing democracy and international order. Dr. Lynch will focus on "Violence and the New Arab Public."

In the arts and humanities, Columbian College Associate Professor of History Marcy Norton was awarded a Guggenheim fellowship to complete her latest book, which examines the interaction between humans and animals between 1500 and 1800 in Western Europe, central Mexico and South America. Dr. Norton is one of 178 scholars, artists and scientists selected this year from over 3,000 applicants.

Chryssa Kouveliotou, a senior NASA astrophysicist who joined the Columbian College in 2014, was inducted into the American Academy of Arts and Sciences. The academy is composed of 4,600 members and includes over 200 Nobel Prize laureates and more than 100 Pulitzer Prize winners.

Law Professor Lisa M. Fairfax was nominated by President Barack Obama to serve on the Securities and Exchange Commission. Ms. Fairfax, the Leroy Sorenson Merrifield Research Professor of Law, is a nationally recognized scholar in security law and serves as a member of the Investor Advisory Committee of the SEC.

Also, this year 10 alumni and six faculty members received Fulbright awards. Their achievements place the university again among top producers of Fulbright scholars, according to the Chronicle of Higher Education.

This year's alumni winners are teaching English and conducting research projects in nine different countries, including Vietnam, Bahrain and Turkey. Faculty projects include placements at Nankai University in China and at the Korean-American Educational Commission in South Korea.

GW's new Global Bachelor's Program includes semester-long residencies in China.

Bolstering International Research and Education

Expanding international research, education and enrollment is a key element in the university's strategic plan.

To give students firsthand exposure to interdisciplinary study and global issues, GW launched the Global Bachelor's Program. Under the program, semester-long residencies will take enrolled students to China and one other location tied to their academic pursuits. Freshmen in select programs in the Columbian College, the School of Business and the Elliott School are eligible to apply.

The university has also invested in increasing international enrollment on campus, growing the international undergraduate population from 7 percent in 2011 to 10.1 percent in 2015 and graduate international enrollment from 12 percent to 17.8 percent.

And researchers are addressing a range of global issues. For example, Elliott School researchers Sabina Alkire and James Foster led the creation of the Global Multidimensional Poverty Index (GMPI), which analyzes more than 100 developing countries and measures deprivation from multiple perspectives. The index provides an alternative to income-only measures to give governments more complete information to better combat poverty.

PASSION *for* CHANGING *the* WORLD

RECORD SERVICE HOURS, GROWTH IN INTERNSHIP AND CAREER OPPORTUNITIES AND INCREASED SUPPORT FOR VETERANS ILLUSTRATE THE UNIVERSITY'S COMMITMENT TO IMPROVING THE WORLD.

Students help beautify schools as part of the Martin Luther King Jr. Day of Service.

Students volunteer at Washington Global Public Charter School during the 2015 Freshman Day of Service.

Service Around the Globe

Civic engagement is central to the George Washington University experience. In the 2015-16 academic year, the university community completed a record 658,350 service hours with students, faculty and staff helping repair schools and homes, preparing meals for those in need, mentoring schoolchildren and more in Washington, D.C., and around the globe.

More than 2,100 students, faculty and staff took part in the university's annual Convocation and Freshman Day of Service in September, volunteering at sites in every ward of the city and in the greater metropolitan area. Participants helped prepare food at the Campus Kitchens Project in Northeast Washington, hauled furniture at A Wider Circle in Silver Spring, Maryland, and patched and painted walls at Shelter House in Falls Church, Virginia, among other projects.

At the Convocation ceremony, President Steven Knapp announced the university's center dedicated to service would be renamed the Honey W. Nashman Center for Civic Engagement and Public Service to honor a leadership gift from professor emerita Honey Nashman. Thanks to the gift, the university is expanding efforts to promote active citizenship and enhance teaching, learning and scholarship through civic engagement.

In January, hundreds of Colonials braved the cold to volunteer in the university's Martin Luther King Jr. Day of Service and Leadership. The volunteers, who were joined by Attorney General Loretta Lynch, participated in 14 projects, including assembling care packages for members of the U.S. Armed Forces, creating literacy materials and beautifying schools.

Through the university's alternative breaks program, 250 GW students volunteered in 18 projects across the United States and Latin America. Service projects included repairing schools in Nicaragua, rebuilding homes in New Orleans and working with at-risk children in Los Angeles.

GW's passion for service doesn't stop on graduation day. In February, the Peace Corps announced the university topped its list of medium-sized schools producing Peace Corps volunteers. Around the world 43 alumni are currently serving in the Peace Corps and a total of 1,189 Colonials have served since the program began in 1961. This year marks the fifth in the past decade that GW has been recognized as the top producer in its category.

"At GW, I developed a passion for community service and social justice that gave me something I look forward to doing every single day."

Jonah Lewis, Columbian College class of 2016 and student coordinator for Freshman Day of Service

A FRESH WAY TO FARM

HomeGrown is not the rolling acres that the word "farm" usually connotes.

Rather than the wide sky and ranging fields of the bucolic imagination, HomeGrown exists inside a 320-square-foot shipping container in New Jersey. Kale, spinach, arugula, fresh herbs and other greens grow year-round under LED lights in baths of nutrient-rich water.

All this results in a farming model that uses 90 percent less water and 80 percent less fertilizer than traditional farms, said Parth Chauhan, B.A. '13, founder and CEO of HomeGrown, which won big in GW's 2016 New Venture Competition. Co-founder Pranav Kaul is a senior at the Elliott School of International Affairs.

Since the farm is a closed system safe from insects and contaminants, HomeGrown uses no herbicides or pesticides and produces no environmentally dangerous runoff.

HomeGrown also provides job opportunities in the community and access to fresh produce in areas where fresh, healthy food may not be easily available.

For its vision and practical success, HomeGrown took first place overall and nine supplemental cash and in-kind prizes at the competition, totaling more than $74,000 in value.

The New Venture Competition, now in its eighth year, is organized by the Office of Innovation and Entrepreneurship within the Office of the Vice President for Research and is the fifth largest collegiate entrepreneurship competition in the United States.

Onstage after the award ceremony, the HomeGrown team stood looking happy and a little dazed. Already potential investors were approaching them, handing off business cards and urging the team to keep in touch.

"We knew we'd put in a lot of work, but this is unbelievable," Mr. Chauhan said.

"I presented my thesis at the Elliott School and ran back to the White House to hear the first lady address all of the White House interns 10 minutes later. There is no other school where I could have pulled that off."

Janie McDermott, Elliott School class of 2016 and White House intern

Internships, Career Services and Fellowships

More than two-thirds of GW undergraduate students participate in an internship or hands-on work experience during their time at the university.

In February, the Princeton Review recognized GW as the best college in the U.S. for internships for the second year in a row. GW was one of more than 650 colleges evaluated based on academic costs, graduation rates, student debt and financial aid.

This spring, GW hit another internship landmark with the nation's highest number of students and alumni interning at the White House. During the last year of President Obama's administration, 13 Colonials had access to 1600 Pennsylvania Avenue. Those chosen for the program worked in a range of White House offices, including Digital Strategy and the Office of the First Lady.

The university is helping ease the financial burden for students participating in unpaid internships. Through the university's Knowledge in Action Career Internship Fund, GW has provided approximately $450,000 in grants to 265 students since its launch in 2013. This year's grantees pursued internships at agencies and organizations including the State Department, Justice Department, National Institutes of Health and United Nations. The fund is supported by GW alumni, parents and friends of the university.

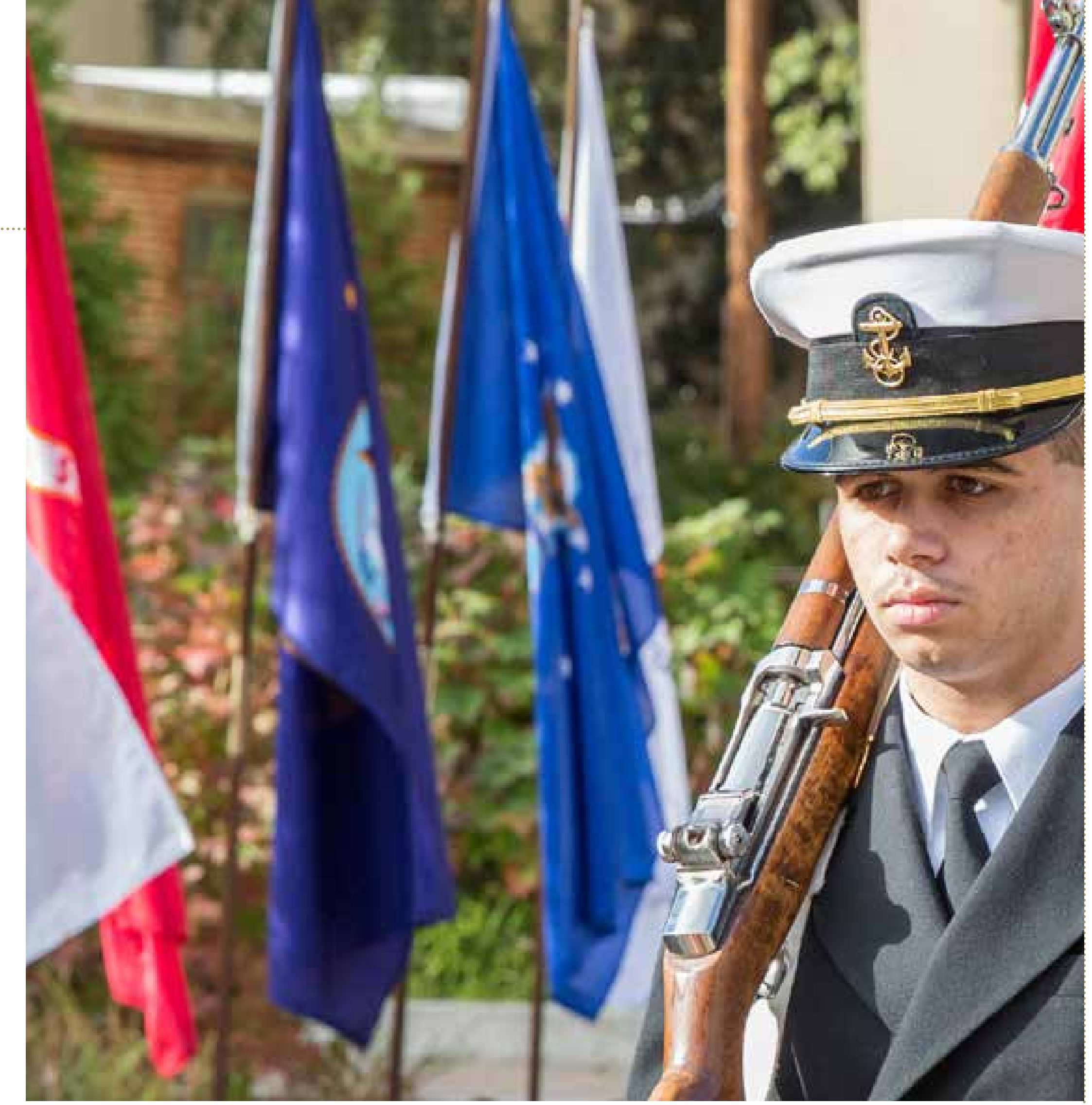
GW also offers students unique networking opportunities. A group of university students had the opportunity to travel to New York City this spring to participate in Career Quest, a professional development trip sponsored by the Center for Career Services and the Career Services Council.

The program is supported by Board of Trustees member Mark R. Shenkman, M.B.A. '67, and his wife, Rosalind, who donated $5 million to enhance career services. Students visited the American Red Cross, Federal Reserve Bank, Wall Street Journal and other New York institutions. The program offered firsthand views into the world of media and public relations, arts and design, civic engagement and public service, and financial services and consulting.

Two alumni were selected for the inaugural GW Fellows Program at Partnership for Public Service, a nonprofit, nonpartisan organization that works to inspire young people to get involved in public service. Peter Kamocsai, M.P.A. '15, and Jay Yang, B.A. '15, were selected for the program, which was made possible by a two-year endowment from George W. Wellde Jr., M.B.A. '76, a member of the Partnership's and GW's boards of trustees, and his wife, Patricia.

Thirteen GW students and alumni participated in the spring 2016 White House Internship Program—more than any other school in the United States.

Students take advantage of networking opportunities in New York through GW's Career Quest program.



The university pays tribute to those who have served in a Veterans Day ceremony.

Supporting Veterans

As part of the university's continued commitment to veterans, GW bolstered tuition funding provided through the Yellow Ribbon program.

As a supplement to the GI bill, the university contributes funding for tuition and fees not covered by federal benefits and announced in June that funding would be increased for the 2016-17 academic year to $22,000 for undergraduates, up to $14,000 for graduate student and $17,150 for law school students. The Department of Veterans Affairs will match those funds.

Currently, more than 1,800 veterans, military service members and their dependents are enrolled at GW.

"I hope every veteran considers applying to GW, because you definitely won't find a better Yellow Ribbon Program at a private school."

David McKee, Elliott School graduate student and Marine Corps veteran

MAKING THE AMERICAN DREAM A REALITY

From the time he was a small boy in Sugar Land, Texas, Karim Farishta's immigrant parents imbued him with a sense of public service, taking him to charity walks and poverty-awareness events.

Senior citizens with no family of their own became his adopted grandparents. His brother signed up for Teach For America. His mother devoted herself to helping disabled kids.

We are who we are because others helped us, his parents often reminded him.

The lesson took.

In 2016, the Elliott School of International Affairs junior was one of 54 students nationwide awarded the prestigious Truman Scholarship recognizing college students "as future change agents."

Created by Congress to be the nation's memorial to the 33rd president, the scholarship helps fund graduate studies for candidates who demonstrate "the passion, intellect and leadership potential" to serve the public good.

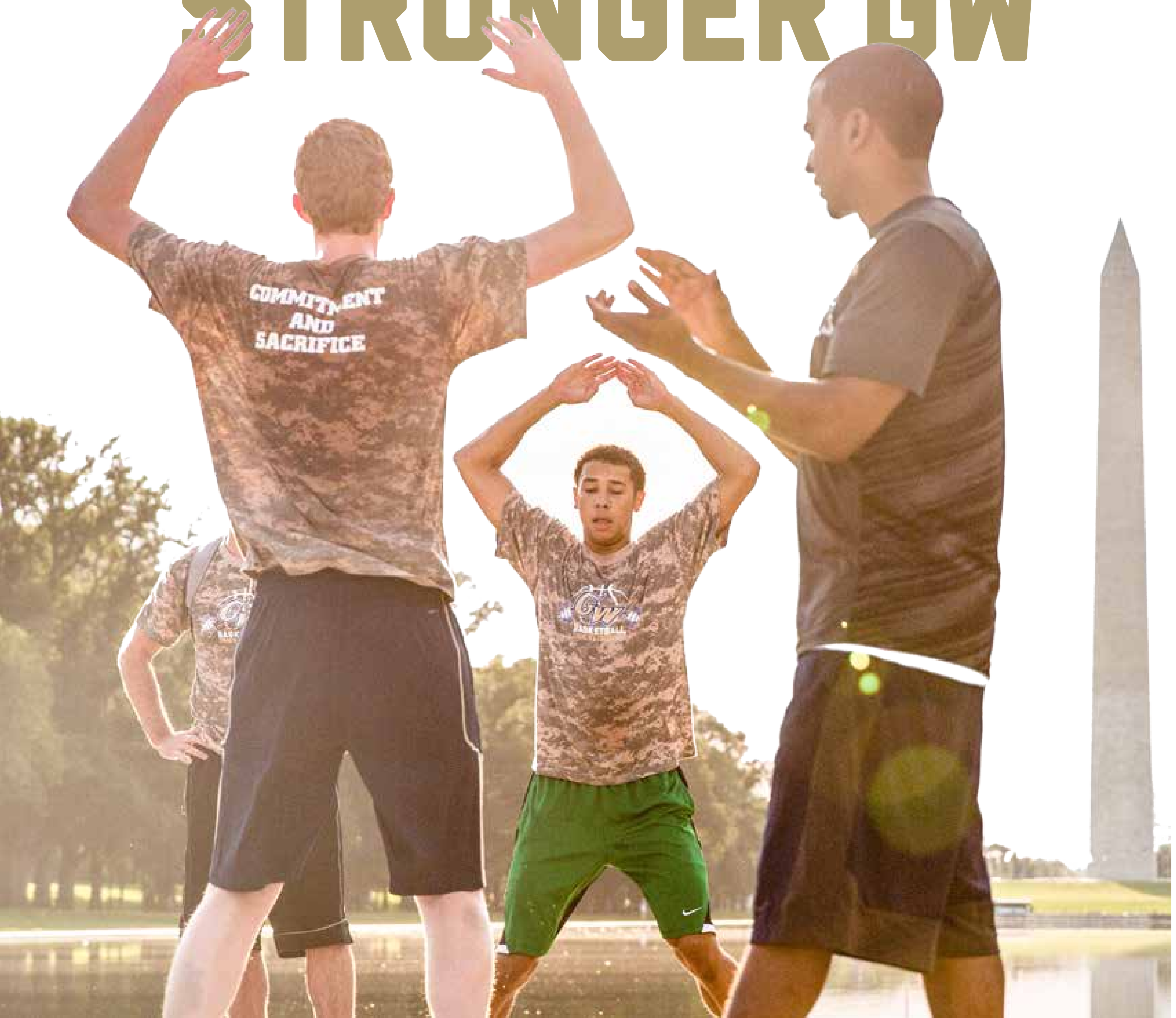
"It's an inspiring call to action for me to continue to use my knowledge and experiences to embody the values of President Truman in my everyday actions and professional pursuits," said Mr. Farishta, who plans to pursue a J.D. focusing on immigration law after completing a master's degree in public policy.

Mr. Farishta, who has interned at the White House and the U.S. Agency for International Development, recently landed a full-time job at 1600 Pennsylvania Avenue. After spending his days as a staff assistant in the White House, he goes straight to evening classes three days a week.

He said in many ways he's living the American dream that his South Asian parents came to this country in search of. "I will do everything I can to make the American dream a reality for more people," Mr. Farishta said.

WITH AN AMBITIOUS PHILANTHROPIC CAMPAIGN AND COMMITMENT TO INCREASING ACCESS AND DIVERSITY, THE UNIVERSITY CONTINUES TO INVEST IN STUDENTS' SUCCESS.

BUILDING *A* STRONGER GW



"I wouldn't change this experience for the world. It's more than just how good the programs are; it's also about how at home you feel. I found a home and a community, and I had all of this because of my scholarship."

Yessenia Gonzalez, first-generation college student and Elliott School class of 2016

A $5 million gift from the Avenir Foundation is helping the university conserve the Textile Museum's collection.

Making History

Two years after the university publicly announced the most ambitious philanthropic campaign in its history, the George Washington University has raised more than $870 million toward its goal of $1 billion. More than 60,000 donors have contributed to support Making History: The Campaign for GW and its priorities of supporting students, breaking new ground and enhancing academics.

Through the campaign, approximately 120 new endowed scholarships have been created, helping to ensure that qualified GW students, regardless of financial resources, can pursue a top-notch education and take full advantage of the GW experience.

Notable gifts to the university during the 2015-16 fiscal year include:

- $5 million from the Avenir Foundation to provide state-of-the-art conservation equipment and technology to enhance long-term care of the 20,000-piece Textile Museum collection held at the conservation center on the Virginia Science and Technology Campus.
- $2.5 million from the John L. Loeb, Jr. Foundation and the George Washington Institute for Religious Freedom to establish a new institute in the Columbian College dedicated to fostering a dialogue on religious understanding.
- $2.5 million from the Ronald and Joy Paul Foundation to the School of Medicine and Health Sciences to address the urgent need for community awareness of kidney diagnosis, treatment and donation through the new Ron and Joy Paul Kidney Center.

Some of GW's top scholars were installed in endowed faculty positions this year, including:

- William Dietz as the inaugural Sumner M. Redstone Chair at the Milken Institute School of Public Health.
- James Wade as the inaugural Avram S. Tucker Professor of Leadership and Strategy, endowed by GW trustee Ave Tucker, B.B.A. '77.
- Ahmed Louri, a renowned scholar and teacher in the field of computer architecture, as the inaugural David and Marilyn Karlgaard Professor in the School of Engineering and Applied Science.

THE POWER OF A SCHOLARSHIP

Sara Pool is on track to change lives. She is completing a master's degree in speech-language pathology at the George Washington University's Columbian College of Arts and Sciences, where her research focuses on transgender voices and listener perception.

She has a clinical externship in acute care at the Johns Hopkins Hospital, where she helps patients regain the ability to speak and swallow. She volunteers at a homeless shelter.

But her journey has not been easy. Her father has been incarcerated for attempted murder since she was six. Her mother died of an overdose in 2010. Ms. Pool had to drop out of high school at the age of 15 to earn enough money to survive.

She fought to continue her education, but it was an uphill struggle.

"Do I pay to rent my textbook, or do I buy groceries?" Ms. Pool remembered asking herself.

But that changed when she received the Lambert Graduate Stipend in Arts and Sciences. Funded by Janet Lambert and her late husband Eugene Lambert, B.A. '57, the award goes to a continuing graduate student who is at risk of leaving GW due to financial hardship.

"I don't have to make those choices anymore," Ms. Pool said at a recent event honoring Power & Promise scholarship donors and recipients. From the podium, she looked directly at the woman who had made that possible.

"Behind all of this, it's you, Mrs. Lambert," she said. "Your generosity amazes me."

Caminos al Futuro scholars visit Capitol Hill during the university's inaugural program.

Investing in Access and Success

GW furthered its commitment to providing access and promoting success for all students. The university adopted a new test-optional policy in August 2015 motivated in part by a concern that outstanding academically talented students who did not earn high scores on the SAT or ACT may have felt discouraged from applying.

After implementation of the policy allowing qualifying applicants to opt out of submitting SAT or ACT scores, undergraduate applications increased by more than 28 percent. About 20 percent of the 25,554 applicants opted not to submit test scores.

Through partnerships and new programming, GW took significant steps to increase student access and diversity. The university partnered with the Posse Foundation, a nationwide college access and youth leadership development program, to offer full-tuition scholarships to select Atlanta-area public high school graduates. Ten Posse scholars will join GW each year, beginning with the first cohort in fall 2016.

Also in the fall, the university welcomes the inaugural class of Cisneros Scholars, a program launched with a $7 million gift from alumnus Gilbert Cisneros, B.A. '94, and his wife, Jacki, to establish the Cisneros Hispanic Leadership Institute. Each entering class of students will be granted at least $250,000 in scholarships, which are renewable for four years. The university welcomed the first class of high school scholars in the summer of 2016 and the first enrolled full-time undergraduate students during the 2016-17 academic year.

The university's new District Scholars Award, which—coupled with the existing D.C. Tuition Assistance Grant (D.C. TAG)—will meet full demonstrated financial need of incoming high-achieving students from the District of Columbia. Nonprofit organization Say Yes to Education partnered with GW to provide full-tuition scholarships for public high school students from participating chapters in New York and North Carolina.

In spring 2016, GW named Caroline Laguerre-Brown vice provost for diversity, equity and community engagement to lead GW's efforts to advance diversity and inclusion throughout the university. Ms. Laguerre-Brown will oversee the Office of Diversity and Inclusion, the Honey W. Nashman Center for Civic Engagement and Public Service, the Office of Disability Support Services, the Multicultural Student Services Center and the Title IX Office.

"I can't begin to express how grateful I am. Never in my wildest dreams would I expect a stranger to be so generous as to support my medical education."

Margarita Ramos, School of Medicine and Health Sciences class of 2016

Facilities Enhancements

In fall 2016 GW opened the doors of District House, the state-of-the-art residence hall that incorporates and expands Crawford, West End and Schenley halls. It provides nearly 900 residential beds in a combination of studio and two-bedroom apartments as well as suite-style housing for affinity groups. The lower levels of the building include a student lounge and meeting spaces in addition to retail space.

Significant renovations are also underway on the historic home of the Corcoran School. During what will be a multiyear, multiphase of renovations, GW will upgrade the building's infrastructure, create academic program space on the building's second floor, restore its historic "Night Doors" facing 17th Street and complete exterior work on the building façade and roof. A grant from American Express is helping to fund the restoration of the Night Doors.

Construction is also progressing on the National Churchill Library and Center, housed on the ground floor of the Estelle and Melvin Gelman Library. The exhibition, meeting and learning space dedicated to the legacy of Winston Churchill is slated to open in fall 2016 and will feature Mr. Churchill's World War II "engagement diary," a collection of handwritten cards detailing the famed British prime minister's appointments during the war.

The university has completed construction of the seventh and eighth floors of the Science and Engineering Hall. The floors will house the university's Cancer Center and researchers from the School of Medicine and Health Sciences and the Milken Institute School of Public Health.

"It feels reassuring and humbling to know that there is such a generous GW community, and I am so grateful for the support I have received from alumni, parents and faculty."

Sebastian Weinmann,
Columbian College student

Winston Churchill's engagement diary from World War II is among the items that will be housed at the National Churchill Library and Center in Gelman Library.

GW's newest residence hall, District House, opened in fall 2016.

GETTING A JUMPSTART ON THE FUTURE

Like most high-achieving students, Sebastian Corrales always thought he'd graduate from high school before entering the university of his choice.

But during his sophomore year at Benjamin Banneker High School, the D.C. native decided to enroll in GW's Early College Program, designed in partnership with the D.C. public high school School Without Walls.

GWECP gave him the flexibility to pursue his passions at the collegiate level, while completing his high school requirements, Mr. Corrales said. In just two years, he earned an Associate in Arts degree at GW and a high school diploma.

"I've always been independent, and I enjoy learning," Mr. Corrales said. "I knew this program would be a perfect for me."

Mr. Corrales entered GW as a junior this fall. Though it's his first year living on campus, he said that he feels more than ready to take on the challenges of college life, from mastering the time management of a full course load to taking responsibility for his academic success.

He credits GWECP for the preparation, which began with a "summer bridge" program and continued with support throughout the program, whether it came from a GW professor offering advice during office hours, a GW staff member or teacher's assistant providing academic support or a counselor at the School Without Walls.

And Mr. Corrales had the opportunity to assist with a graduate research project translating Spanish language video interviews. He began with editing video transcripts, but as the project progressed, he took on increasingly difficult work. Now he is able to write Spanish language transcripts without assistance and intends to major in a foreign language.

"It's just an incredible opportunity," he said. "How many people can say that they have been working on graduate-level research since they were 16 years old?"

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

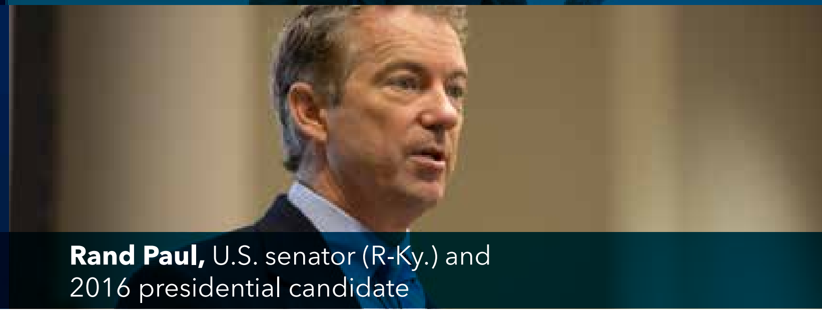

(L) **Henry Louis Gates,** filmmaker and scholar, and (R) **Ken Burns**, filmmaker


Jon Stewart, comedian


Giorgi Margvelashvili, president of Georgia

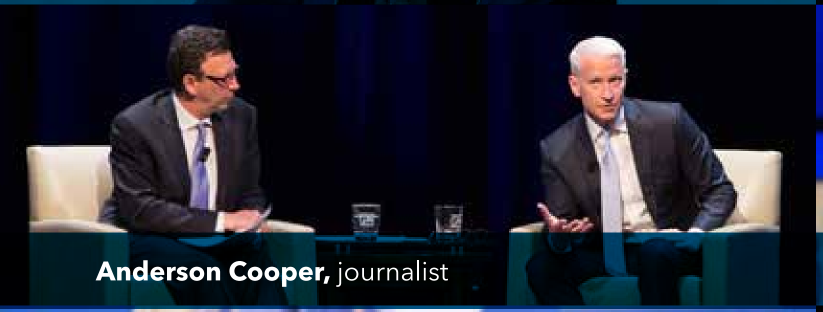

Dale Russakoff, author


Susan Rice, national security advisor


Rand Paul, U.S. senator (R-Ky.) and 2016 presidential candidate


Cory Booker, U.S. senator (D-N.J.)


Samuel Alito, associate justice of the U.S. Supreme Court


Anderson Cooper, journalist

Ash Carter, U.S. secretary of defense

Nancy Pelosi, minority leader for the U.S. House of Representatives


Christine Lagarde, managing director of the International Monetary Fund

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, 2016 and 2015, 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 as of June 30, 2016 and 2015, 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 13, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2016 and 2015
(in thousands)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 115,620	$ 82,036
Short-term investments	85,362	346
Accounts receivable, net	60,727	59,307
Pledges receivable, net	74,573	94,039
Investments	2,008,389	2,043,240
Loans and notes receivable, net	35,599	29,983
Physical properties, net:		
Land and buildings	1,656,117	1,608,416
Furniture and equipment	92,601	99,395
Other assets	24,272	25,006
Total assets	$ 4,153,260	$ 4,041,768
LIABILITIES		
Accounts payable and accrued expenses	$ 207,244	$ 213,622
Deferred revenue:		
Tuition and other deposits	49,782	36,339
Grants and contracts payments	14,646	11,680
Bonds and notes payable	1,728,703	1,549,844
Funds advanced for student loans	29,888	29,943
Total liabilities	2,030,263	1,841,428
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(29,826)	(28,444)
Unrestricted capital and investing	1,445,153	1,499,316
Total unrestricted	1,415,327	1,470,872
Temporarily restricted	436,715	461,842
Permanently restricted	270,955	267,626
Total net assets	2,122,997	2,200,340
Total liabilities and net assets	$ 4,153,260	$ 4,041,768

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2016 and 2015
(in thousands)

	2016			2015		
	Operating	Capital and Investing	Total Unrestricted	Operating	Capital and Investing	Total Unrestricted
REVENUE						
Student tuition and fees	$ 941,969	$ -	$ 941,969	$ 890,775	$ -	$ 890,775
Less: University funded scholarships	(270,361)	-	(270,361)	(251,777)	-	(251,777)
Net student tuition and fees	671,608	-	671,608	638,998	-	638,998
Grants and contracts						
Program funds	153,914	-	153,914	164,195	-	164,195
Indirect cost recoveries	26,756	-	26,756	25,286	-	25,286
Investment income, net	286	(3,307)	(3,021)	363	3,506	3,869
Investment real property rents and appreciation	-	82,912	82,912	-	101,302	101,302
Change in value of split-interest agreements	-	4	4	-	13	13
Auxiliary enterprises	103,394	-	103,394	98,652	-	98,652
Contributions, net	17,790	(1,349)	16,441	15,892	5,771	21,663
Contributions - Corcoran	-	-	-	-	60,518	60,518
Net assets released from restrictions	13,898	35,594	49,492	14,171	20,153	34,324
Medical education agreements	62,389	16	62,405	59,121	2,837	61,958
Other income	30,335	2,524	32,859	24,991	2,663	27,654
Total revenue	1,080,370	116,394	1,196,764	1,041,669	196,763	1,238,432
EXPENSES						
Salaries and wages	546,811	-	546,811	547,211	-	547,211
Fringe benefits	119,735	-	119,735	122,519	-	122,519
Purchased services	217,916	784	218,700	215,251	720	215,971
Supplies	12,934	88	13,022	14,283	12	14,295
Equipment	12,315	3,692	16,007	10,871	6,453	17,324
Bad debt	1,716	-	1,716	1,564	-	1,564
Occupancy	57,698	83,258	140,956	58,005	73,162	131,167
Investment real property expense	-	35,849	35,849	-	40,668	40,668
Scholarships and fellowships	16,841	-	16,841	17,346	-	17,346
Communications	4,638	-	4,638	5,070	3	5,073
Travel and training	25,505	-	25,505	26,516	-	26,516
Interest	-	58,536	58,536	-	48,253	48,253
Debt extinguishment costs	-	12,157	12,157	-	8,385	8,385
Other	33,815	3,429	37,244	35,517	4,384	39,901
Total expenses	1,049,924	197,793	1,247,717	1,054,153	182,040	1,236,193
OTHER INCREASES (DECREASES) IN NET ASSETS						
Debt service and mandatory purposes	(88,839)	88,839	-	(76,707)	76,707	-
Endowment support	71,660	(73,839)	(2,179)	69,559	(70,481)	(922)
Capital expenditures	(14,742)	14,742	-	(16,674)	16,674	-
Postretirement related changes	-	(2,717)	(2,717)	-	1,916	1,916
Support/investment	93	211	304	34,128	(33,675)	453
Total other changes in net assets	(31,828)	27,236	(4,592)	10,306	(8,859)	1,447
INCREASE (DECREASE) IN NET ASSETS	(1,382)	(54,163)	(55,545)	(2,178)	5,864	3,686
NET ASSETS (DEFICIT) AT THE BEGINNING OF THE YEAR	(28,444)	1,499,316	1,470,872	(26,266)	1,493,452	1,467,186
NET ASSETS (DEFICIT) AT THE END OF THE YEAR	$ (29,826)	$ 1,445,153	$ 1,415,327	$ (28,444)	$ 1,499,316	$ 1,470,872

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015
(in thousands)

	2016				2015			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Student tuition and fees	$ 941,969	$ -	$ -	$ 941,969	$ 890,775	$ -	$ -	$ 890,775
Less: University funded scholarships	(270,361)	-	-	(270,361)	(251,777)	-	-	(251,777)
Net student tuition and fees	671,608	-	-	671,608	638,998	-	-	638,998
Grants and contracts								
Program funds	153,914	-	-	153,914	164,195	-	-	164,195
Indirect cost recoveries	26,756	-	-	26,756	25,286	-	-	25,286
Investment income, net	(3,021)	(10,006)	-	(13,027)	3,869	(1,419)	-	2,450
Investment real property rents and appreciation	82,912	-	-	82,912	101,302	-	-	101,302
Change in value of split-interest agreements	4	(452)	(1,557)	(2,005)	13	(1,559)	(672)	(2,218)
Auxiliary enterprises	103,394	-	-	103,394	98,652	-	-	98,652
Contributions, net	16,441	34,834	2,988	54,263	21,663	45,536	2,037	69,236
Contributions - Corcoran	-	-	-	-	60,518	48,785	8,031	117,334
Net assets released from restrictions	49,492	(49,517)	25	-	34,324	(49,611)	15,287	-
Medical education agreements	62,405	-	-	62,405	61,958	-	-	61,958
Other income	32,859	-	12	32,871	27,654	-	11	27,665
Total revenue	1,196,764	(25,141)	1,468	1,173,091	1,238,432	41,732	24,694	1,304,858
EXPENSES								
Salaries and wages	546,811	-	-	546,811	547,211	-	-	547,211
Fringe benefits	119,735	-	-	119,735	122,519	-	-	122,519
Purchased services	218,700	-	-	218,700	215,971	-	-	215,971
Supplies	13,022	-	-	13,022	14,295	-	-	14,295
Equipment	16,007	-	-	16,007	17,324	-	-	17,324
Bad debt	1,716	-	-	1,716	1,564	-	-	1,564
Occupancy	140,956	-	-	140,956	131,167	-	-	131,167
Investment real property expense	35,849	-	-	35,849	40,668	-	-	40,668
Scholarships and fellowships	16,841	-	-	16,841	17,346	-	-	17,346
Communications	4,638	-	-	4,638	5,073	-	-	5,073
Travel and training	25,505	-	-	25,505	26,516	-	-	26,516
Interest	58,536	-	-	58,536	48,253	-	-	48,253
Debt extinguishment costs	12,157	-	-	12,157	8,385	-	-	8,385
Other	37,244	-	-	37,244	39,901	-	-	39,901
Total expenses	1,247,717	-	-	1,247,717	1,236,193	-	-	1,236,193
OTHER INCREASES (DECREASES) IN NET ASSETS								
Endowment support	(2,179)	1,121	1,058	-	(922)	(358)	1,280	-
Postretirement related changes	(2,717)	-	-	(2,717)	1,916	-	-	1,916
Support/investment	304	(1,107)	803	-	453	(84)	(369)	-
Total other changes in net assets	(4,592)	14	1,861	(2,717)	1,447	(442)	911	1,916
INCREASE (DECREASE) IN NET ASSETS	(55,545)	(25,127)	3,329	(77,343)	3,686	41,290	25,605	70,581
NET ASSETS AT THE BEGINNING OF THE YEAR	1,470,872	461,842	267,626	2,200,340	1,467,186	420,552	242,021	2,129,759
NET ASSETS AT THE END OF THE YEAR	$ 1,415,327	$ 436,715	$ 270,955	$ 2,122,997	$ 1,470,872	$ 461,842	$ 267,626	$ 2,200,340

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015
(in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (77,343)	$ 70,581
Contribution income - donation of Corcoran	-	(117,334)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(1,434)	(12,276)
Depreciation, amortization and accretion expenses	82,098	73,176
Provision for bad debt	1,716	1,564
Change in value of split-interest agreements	2,005	2,218
Net unrealized loss on investments	17,153	100,921
Net realized (gain) on investments	(13,814)	(135,477)
Debt extinguishment costs	12,157	8,385
Loss on disposal of furniture and equipment	727	-
(Increase) decrease in operating assets:		
Accounts receivable	(3,072)	(4,188)
Pledges receivable	19,466	43,253
Other assets	1,622	20,906
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	7,890	15,493
Tuition and other deposits	13,443	3,252
Grants and contracts deferred revenue	2,966	(1,877)
Contributions restricted for long-term investment	(13,694)	(21,871)
Net cash provided by operating activities	51,886	46,726
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(510,375)	(769,823)
Proceeds from sales and maturity of investments	540,589	743,141
Cash donated from Corcoran	-	29,053
Purchase of short-term investments	(285,154)	-
Proceeds from sales and maturity of short-term investments	200,138	-
Purchases and renovations of land and buildings	(116,958)	(179,078)
Additions of furniture and equipment	(18,050)	(27,182)
(Increase) in other loans and notes receivable	(5,629)	(1,105)
Net cash (used in) investing activities	(195,439)	(204,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	13,694	21,871
Principal payments and refinancing of bonds and notes payable	(59,140)	(23,187)
Extinguishment of debt	(112,000)	(88,000)
Debt extinguishment costs	(12,157)	(8,385)
Proceeds from borrowings and refinancing of bonds	350,000	300,000
Payments of debt issuance costs	(1,955)	(1,483)
Refundable advances from the U.S. Government	(55)	632
Principal payments on capital lease	(1,250)	(1,376)
Net cash provided by financing activities	177,137	200,072
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,584	41,804
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	82,036	40,232
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 115,620	$ 82,036
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest, net of amounts capitalized	$ 66,453	$ 58,985
Income tax payments	25	20
Assets and liabilities acquired under capital leases	1,231	4,576
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 financial 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 bear risk. The University has not experienced any loss due to this risk.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as 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 at June 30, 2016 and 2015. 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 $3.3 million and $3.6 million as of June 30, 2016 and 2015, 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.

Recently Adopted Accounting Standards

In January, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01: Financial Instruments – Overall which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The University early adopted the section of the standard which removes the requirement to disclose the fair market value of long-term debt. The remainder of the standard is not effective for the University until fiscal year 2020, but is not expected to have a significant impact on the University's financial statements.

NOTE 3 – ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2016	2015
Grants and contracts	$ 26,860	$ 29,963
Student tuition and fee accounts	23,316	21,379
Due from affiliation agreements	4,725	3,771
Due from hospital limited partnership	4,674	3,522
Other	4,442	3,894
Allowance for doubtful accounts	(3,290)	(3,222)
Total	$60,727	$ 59,307

NOTE 4 – PLEDGES RECEIVABLE

(in thousands)	JUNE 30	
	2016	2015
Unconditional promises expected to be collected in:		
Less than one year	$ 40,640	$ 45,217
One year to five years	44,916	59,896
Over five years	1,408	391
Subtotal	86,964	105,504
Allowance for uncollectible pledges	(7,710)	(4,294)
Unamortized discount to present value	(4,681)	(7,171)
Total	$ 74,573	$ 94,039

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 3.58% - 4.75% with the discount amortized over the life of the pledge.

At June 30, 2016 and 2015, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $155 million and $152 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	
	2016	2015
Cash and cash equivalents	$ 19,677	$ 218,633
Fixed income - asset-backed securities	38,504	16,966
Fixed income - convertible instruments	660	67,800
Fixed income - corporate debt securities	46,655	1,600
Fixed income - government debt securities	119,406	6,503
Fixed income - mutual funds	2,152	2,263
Global equity	335,529	244,341
Hedge funds	139,918	-
Private equity	175,387	215,249
Real estate	984,320	956,380
Split interest agreements - GW as trustee	13,141	14,672
Split interest agreements - trusts held by others	40,423	40,830
Deferred compensation plan assets	38,117	35,638
Other	53,335	50,725
	2,007,224	1,871,600
Fund units receivable	-	175,968
Unrealized gain (loss) on open futures contracts	1,165	(4,328)
Total	$ 2,008,389	$ 2,043,240

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, 2016 and 2015, the fair value of the derivatives was not material.

Effective January 2015, the University outsourced its investment management function and the endowment portfolio was 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 were invested in Equities and Fixed Income subsequent to year end.

INVESTMENT INCOME, NET

(in thousands)	JUNE 30	
	2016	2015
Interest and dividends	$ 8,893	$ 12,739
Net (losses) on investments carried at fair value	(32,050)	(15,760)
Net gains on investments carried at other than fair value	15,827	11,872
Administrative expenses	(5,697)	(6,401)
Total	$ (13,027)	$ 2,450

INVESTMENT REAL PROPERTY RENTS AND APPRECIATION

(in thousands)	JUNE 30	
	2016	2015
Real property rents	$ 57,060	$ 56,741
Net unrealized appreciation	25,852	44,561
	$ 82,912	$ 101,302

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $23.2 million and $22.7 million as of June 30, 2016 and 2015, 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 $40.4 million and $37.9 million as of June 30, 2016 and 2015, 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 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)	2016			2015		
	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	$ 105,128	$ 10,492	$ 115,620	$ 75,126	$ 6,910	$ 82,036
Short-term investments	84,905	457	85,362	-	346	346
Investments	1,930,714	77,675	2,008,389	1,791,424	251,816	2,043,240
Total	$ 2,120,747	$ 88,624	$ 2,209,371	$ 1,866,550	$ 259,072	$ 2,125,622

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, 2016			
	Level 1	Level 2	Level 3	Total
Cash equivalents at fair value	$ 105,128	$ -	$ -	$ 105,128
Short-term investments at fair value	84,905	-	-	84,905
Investments:				
Cash and cash equivalents	19,675	2	-	19,677
Fixed income - asset-backed securities	-	38,504	-	38,504
Fixed income - convertible instruments	166	494	-	660
Fixed income - corporate debt securities	-	45,205	1,450	46,655
Fixed income - government debt securities	85,049	34,357	-	119,406
Fixed income - mutual funds	2,152	-	-	2,152
Global equity	127,506	205,286	1,550	334,342
Hedge funds	-	139,918	-	139,918
Private equity	-	-	175,387	175,387
Unrealized gain on open futures contracts	1,165	-	-	1,165
Real estate	-	-	961,167	961,167
Split-interest agreements - GW as trustee	13,141	-	-	13,141
Split-interest agreements - trusts held by others	-	-	40,423	40,423
Deferred compensation plan assets	23,640	9,553	4,924	38,117
Total investments reported at fair value	272,494	473,319	1,184,901	1,930,714
Total assets reported at fair value	$ 462,527	$ 473,319	$ 1,184,901	$ 2,120,747

(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
Fixed income - asset-backed securities	-	16,966	-	16,966
Fixed income - convertible instruments	3,303	64,497	-	67,800
Fixed income - corporate debt securities	-	-	1,600	1,600
Fixed income - government debt securities	6,503	-	-	6,503
Fixed income - mutual funds	2,263	-	-	2,263
Global equity	140,154	15,065	87,783	243,002
Private equity	-	-	215,249	215,249
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 reported at fair value	$ 475,922	$ 107,057	$ 1,283,571	$ 1,866,550

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, 2016 and 2015. 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.

- **Fixed income investments** - These investments generally include asset-backed securities, 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 1, 2 or 3 depending upon redemption terms.

- **Global equity investments** - These investments generally include separately held accounts, shares in commingled funds, and global equity holdings. Securities traded on an active exchange are priced using unadjusted market quotes for identical assets and are classified as Level 1. Investment funds that are not publicly traded may be categorized as Level 2 or 3 depending upon redemption terms.

- **Hedge funds** – These investments generally include multi-strategy and multi-manager hedge funds structured in a fund of funds. The objective of the fund of funds is to generate long term capital appreciation. The fair value of these investments have been estimated using the net asset values (NAV) of the funds which are calculated by the investment manager. These investments are categorized as Level 2 based upon redemption terms.

- **Private equity** - These investments generally include limited partnerships and are not publicly traded and cannot be redeemed because the investments include restrictions that do not allow redemption through maturity. The fair values of these investments have been estimated using the NAV of the funds, which are calculated by the investment manager. The valuation policies adopted by the manager are reviewed for propriety, consistency, compliance, and completeness. These 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.

- **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.

AS OF JUNE 30, 2016				
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range
Hotels	$68,100	Discounted cash flow	Exit capitalization rate Discount rate	7.50% 9.50-10.50%
Office buildings	$478,812	Discounted cash flow	Exit capitalization rate Discount rate	6.25-7.75% 6.00-7.50%
Investment real estate subject to ground lease	$413,400	Direct capitalization	Capitalization rate	5.50-6.25%

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%

- **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)	2016				2015
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period	Fair Value
Fixed income - asset-backed securities	$ 38,504	$ -	Daily to quarterly	1-15 days	$ 16,966
Fixed income - corporate debt	20,182	-	Quarterly	30-90 days	1,600
Fixed income - credit funds	-	4,100	Redemption not permitted during life of fund	N/A	-
Fixed income - government debt	34,357	-	Daily to monthly	1-15 days	-
Global equity	206,836	-	Daily to monthly	1-30 days	102,848
Hedge funds	139,918	-	Quarterly	90 days	-
Private equity	175,387	64,217	Redemption not permitted during life of fund	N/A	215,249
Total	$ 615,184	$ 68,317			$ 336,663

- **Fixed income - asset-backed securities** - These funds are typically composed of mortgage-backed securities. There are no assets in liquidation as of June 30, 2016.
- **Fixed income - corporate debt** - These funds are primarily composed of high-yield bonds and corporate debt. Approximately 7.2% of these funds are in liquidation and the time period over which the assets will be liquidated is unknown at June 30, 2016.
- **Fixed income - credit funds** - This is a closed-end new fund with a commitment of $4.1M of capital as of June 30, 2016 but for which capital has not yet been called.
- **Fixed income - government debt** - These funds are primarily composed of debt securities and debt obligations of governments and government-related issuers worldwide. There are no assets in liquidation as of June 30, 2016.
- **Global equity** - These funds are typically composed of publicly traded developed and emerging market stocks, and long/short equity. Less than 1% of these funds are in liquidation at June 30, 2016.
- **Hedge funds** - These assets are composed of a hedge fund of funds. There are no assets in liquidation as of June 30, 2016.
- **Private equity** - These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization 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 80.0% of the underlying assets will be liquidated within 10 years.

Changes in Level 3 Assets

(in thousands)	2016					
	Beginning of year	Net realized/ unrealized gains (losses)	Purchases/ additions	Sales	End of year	Total net gains (losses) included in earnings attributable to the change in net unrealized gains (losses) for assets still held at June 30, 2016
Fixed income - corporate debt	$ 1,600	$ 70	$ -	$ (220)	$ 1,450	$ 606
Global equity	87,783	(6,835)	-	(79,398)	1,550	(456)
Private equity	215,249	(17,680)	39,792	(61,974)	175,387	(29,485)
Real estate	933,651	25,892	2,660	(1,036)	961,167	25,892
Split-interest agreements - trusts held by others	40,830	(1,613)	1,336	(130)	40,423	(1,613)
Deferred compensation	4,458	109	357	-	4,924	-
	$ 1,283,571	$ (57)	$ 44,145	$ (142,758)	$ 1,184,901	$ (5,056)

(in thousands)	2015					
	Beginning of year	Net realized/ unrealized gains (losses)	Purchases/ additions	Sales	End of year	Total net gains (losses) included in earnings attributable to the change in net unrealized gains (losses) for assets still held at June 30, 2015
Fixed income - corporate debt	$ 2,454	$ (485)	$ -	$ (369)	$ 1,600	$ (217)
Global equity	135,140	(21,821)	-	(25,536)	87,783	(31,676)
Private equity	250,553	(7,770)	17,889	(45,423)	215,249	(24,393)
Real estate	886,664	44,616	2,371	-	933,651	44,616
Split-interest agreements - trusts held by others	40,751	(2,111)	2,190	-	40,830	(2,111)
Deferred compensation	3,991	94	373	-	4,458	-
	$ 1,319,553	$ 12,523	$ 22,823	$ (71,328)	$ 1,283,571	$ (13,781)

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, 2016 and 2015, level 1 to 2 transfers totaled $0.14 million and $3.4 million, respectively, and there were no level 3 transfers.

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

(in thousands)	2016			2015		
	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements
Total net gains (losses) included in changes in net assets	$ (24,405)	$ 25,852	$ (1,613)	$ (30,021)	$ 44,561	$ (2,111)
Change in net unrealized gains (losses) relating to assets still held at June 30	$ (29,295)	$ 25,852	$ (1,613)	$ (56,231)	$ 44,561	$ (2,111)

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			
	2016		2015	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$ (11,952)	$ 1,098,569	$ (4,728)	$ 1,123,001
Temporarily restricted	254,461	-	274,225	-
Permanently restricted	229,200	-	223,859	-
Total endowment funds	$ 471,709	$ 1,098,569	$ 493,356	$ 1,123,001

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

(in thousands)	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,118,273	$ 274,225	$ 223,859	$ 1,616,357
Investment return:				
Investment income	30,311	1,926	-	32,237
Net (depreciation) (realized and unrealized)	(5,877)	(9,236)	-	(15,113)
Administrative expenses	(3,841)	(1,856)	-	(5,697)
Total investment return	20,593	(9,166)	-	11,427
Contributions	402	16,876	4,294	21,572
Appropriations of assets for expenditure	(56,637)	(28,250)	-	(84,887)
Reinvestment of payout and internal transfers to endowments	3,986	776	1,047	5,809
Endowment net assets, end of year	$ 1,086,617	$ 254,461	$ 229,200	$ 1,570,278

(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

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 $11.9 million and $4.7 million as of June 30, 2016 and 2015, 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 a Net assets released from restriction, which reduces temporarily restricted net assets and increases unrestricted capital and investing net assets. Any excess of income earned over the approved spending amount is retained in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor restrictions.

NOTE 8 - PHYSICAL PROPERTIES

(in thousands)	JUNE 30	
	2016	2015
Land	$ 190,660	$ 190,660
Buildings	1,935,430	1,890,208
Construction in progress	173,988	119,921
Accumulated depreciation	(643,961)	(592,373)
Total	$ 1,656,117	$ 1,608,416
Furniture and equipment	$ 164,734	$ 165,514
Library and historical research materials	79,625	86,652
Equipment under capital leases	10,545	9,718
Accumulated depreciation	(162,303)	(162,489)
Total	$ 92,601	$ 99,395

The value of Construction in progress includes the addition of capitalized interest of approximately $4.1 million and $6.8 million for the years ended June 30, 2016 and 2015, respectively.

FURNITURE AND EQUIPMENT EXPENDITURES

(in thousands)	JUNE 30	
	2016	2015
Capitalized	$ 19,670	$ 40,674
Expensed	16,007	17,324
Total	$ 35,677	$ 57,998

DEPRECIATION EXPENSE

(in thousands)	JUNE 30	
	2016	2015
Buildings	$ 55,249	$ 47,664
Furniture and equipment	23,818	22,641
Equipment under capital leases	1,911	1,723
Total	$ 80,978	$ 72,028

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30 2016	JUNE 30 2015
Accrued building construction payable	$ 14,815	$ 28,525
Accrued interest payable	23,121	19,539
Accrued other liabilities	30,482	31,483
Accrued payroll and related liabilities	80,418	78,375
Accumulated postretirement liability	22,092	19,301
Asset retirement obligation	1,148	1,391
Split-interest agreements	6,694	7,159
Trade payables	17,854	16,752
Other payables	10,620	11,097
Total	$ 207,244	$ 213,622

NOTE 10 - BONDS AND NOTES PAYABLE

(in thousands)	2016 Final Scheduled Maturities	2016 Ending Interest Rate	2016 Amount Outstanding	2015 Amount Outstanding
Taxable bonds:				
2007 Series General Obligation	2/1/2017	Fixed 5.3%	$ -	$ 50,000
2009 Series General Obligation	2/1/2019	Fixed 6.0%	200,000	200,000
2010 Series General Obligation	9/15/2020	Fixed 4.742%	90,620	99,745
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	300,000
2015 Series General Obligation	9/15/2045	Fixed 4.868%	350,000	-
Non-recourse debt:				
Notes payable - secured by real estate	3/11/2017	Fixed 5.9%	-	112,000
Unsecured notes payable	5/1/2021	Fixed 3%	83	99
Total			$ 1,728,703	$ 1,549,844

As of June 30, 2016, 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 2017. There were no amounts outstanding under lines of credit at June 30, 2016 or 2015.

Other assets include unamortized debt issuance costs of $6.7 million and $5.8 million as of June 30, 2016 and 2015, respectively.

2015 bond issuance - 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 debt extinguishment costs of $12.2 million.

(in thousands) Interest expense	Expense category	JUNE 30 2016	JUNE 30 2015
Bonds/notes payable	Interest	$ 58,425	$ 48,137
Rental property	Investment real property	11,500	13,822
Capital leases	Interest	111	116
Total		$ 70,036	$ 62,075

As of June 30, 2016, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2017	$ 9,696
2018	178,266
2019	210,876
2020	4,017
2021	55,848
Thereafter	1,270,000
Total	$ 1,728,703

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 2027. Rent expense under operating leases totaled $23.5 million and $25.4 million for the years ended June 30, 2016 and 2015, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	*(in thousands)*
2017	$ 12,842
2018	11,142
2019	9,862
2020	7,785
2021	7,807
Thereafter	26,532
Total	$ 75,970

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			
	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$ 34,848	$ -	$ 33,825	$ -
Endowment funds:				
Instruction and academic support	158,779	137,594	174,065	135,760
Student aid	74,668	80,195	79,241	77,738
Building funds	786	632	921	632
Other endowments	20,228	10,779	19,998	9,729
	254,461	229,200	274,225	223,859
Loan funds	-	3,607	-	3,445
Pledges:				
Instruction and academic support	43,955	40	54,475	41
Student aid	10,721	674	14,646	650
Building funds	5,680	-	15,730	-
Other pledges	13,503	-	8,497	-
	73,859	714	93,348	691
Split-interest agreements	21,601	25,580	21,039	27,853
Other	51,946	11,854	39,405	11,778
Total	$ 436,715	$ 270,955	$ 461,842	$ 267,626

NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30	
	2016	2015
Instruction and academic support	$ 680,863	$ 652,010
Research	180,080	187,479
Auxiliary enterprises	91,896	88,922
Student services	105,859	107,381
Institutional support	126,064	133,068
Independent operations	45,407	49,750
Student aid	17,548	17,583
Total	$ 1,247,717	$ 1,236,193

Independent operations include expenses associated with the University's investment real estate operations and defeasance costs of $8.8 million and $8.4 million are included for the years ended June 30, 2016 and 2015, respectively.

Costs related to the maintenance and operation of physical plant of $216.8 million and $195.2 million for the years ended June 30, 2016 and 2015, 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 $79.1 million and $79.4 million for the years ended June 30, 2016 and 2015, 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 $36.9 million and $36.5 million for the years ended June 30, 2016 and 2015, 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 $22.1 million and $19.3 million as of June 30, 2016 and 2015, 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 $8.6 million and $10.6 million was reported for the years ended June 30, 2016 and 2015, respectively. Approximately $32.4 million and $31.0 million in expenses from the MFA were reported for the years ended June 30, 2016 and 2015, respectively.

In January 2016, the University provided a $20 million line of credit to the MFA. The line of credit was funded with a minimum initial draw of $5 million. The unsecured line of credit has a maturity date of January 2026 with interest-only payments for the first 30 months of one-year LIBOR plus 6%.

Outstanding balances associated with the MFA are:

(in thousands)	JUNE 30	
	2016	2015
Line of credit receivable	$ 5,000	$ -
Trade receivable	1,574	1,102
Trade payable	(2,045)	(1,853)
Net receivable (payable)	$ 4,529	$ (751)

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, 2016 and 2015 was approximately $13.1 million and $9.8 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 $33.7 million and $32.1 million was reported for the years ended June 30, 2016 and 2015, respectively. The receivable from DHP for the unpaid balance of these services is $4.7 million and $3.5 million as of June 30, 2016 and 2015, 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 enhance 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 2016, the University issued $250 million in Series 2016 taxable, fixed-rate bonds at 3.545% with a maturity date of September 15, 2046. The bond proceeds were used to repay Series 2009 fixed-rate bonds of $200 million at 6.0% and to pay the issuance costs of the 2016 bonds. The Series 2009 bonds were repaid on August 1, 2016.

The University has performed an evaluation of subsequent events through September 13, 2016, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2016.

Board of Trustees

JULY 1, 2016 - JUNE 30, 2017

University Officials

Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2016	2015
Assets	$ 4,153,260	$ 4,041,768
Net assets	$ 2,122,997	$ 2,200,340
Increase/(Decrease) in net assets	$ (77,343)	$ 70,581
Fair value of investments	$ 2,008,389	$ 2,043,240
Bonds and notes payable	$ 1,728,703	$ 1,549,844
Revenues	$ 1,173,091	$ 1,304,858
Expenses	$ 1,247,717	$ 1,236,193
Capital expenditures	$ 135,008	$ 206,260

ENROLLMENT	ACADEMIC YEAR END				
	2016	2015	2014	2013	2012
STUDENTS-FTE					
Undergraduate	10,435	10,046	9,770	9,921	9,905
Graduate	8,983	8,804	8,837	8,938	8,576
Law (J.D.)	1,663	1,602	1,565	1,624	1,701
Medical (M.D.)	727	705	714	710	714
Non-degree	225	252	246	228	228
Total fall enrollment	22,033	21,409	21,132	21,421	21,124
UNDERGRADUATE ADMISSIONS					
Applications	19,837	19,069	21,789	21,756	21,591
Selectivity Ratio	46%	44%	34%	33%	33%
Matriculation Ratio	28%	29%	31%	33%	31%
GRADUATE ADMISSIONS					
Applications	22,348	22,257	22,452	22,780	21,356
Selectivity ratio	51%	47%	47%	44%	47%
Matriculation ratio	41%	42%	42%	45%	44%
LAW (J.D.)					
Applications	7,028	6,264	6,844	7,227	8,652
Selectivity ratio	40%	46%	42%	29%	27%
Matriculation ratio	16%	19%	17%	19%	20%
MEDICINE (M.D.)					
Applications	11,839	10,981	10,397	10,504	10,625
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	56%	56%	52%	55%	49%
DEGREES CONFERRED					
Baccalaureate	2,441	2,311	2,482	2,454	2,296
Master's	4,109	4,223	4,376	4,210	3,883
First professional	733	627	766	758	746
Doctoral	372	332	325	313	304

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC