2016-17

FINANCIAL REPORT

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

As we welcome a new president who will guide the university into its third century, the George Washington University remains financially strong.

GW has continued to invest in its long-term priorities and the university's academic programs, location and research portfolio continue to attract students and faculty from across the globe.

This summer, Thomas LeBlanc became GW's 17th president. An accomplished academic administrator and professor, Dr. LeBlanc joined GW from the University of Miami, where he served as both chief academic officer and chief budget officer. Dr. LeBlanc will draw on his extensive experience to build on the strong foundation laid by Steven Knapp during his 10-year tenure as president.

The university continues to invest in improving the student experience and ensuring students have the tools they need to succeed. This has led to an increased focus on retention, led by the Office of the Provost, which is working to ensure that all GW students who matriculate have the support they need to become GW graduates.

Investing in research, a priority for the institution, has resulted in a significant increase in the university's National Science Foundation ranking. In late 2016, the university opened an interdisciplinary Cancer Institute, designed to bring experts from across the university together to focus on cancer research and patient care.

Also, this fiscal year, GW faculty members received multimillion-dollar awards to pursue new strategies to better treat and prevent diseases like HIV and hookworm and to train public school teachers to be more effective in the classroom, among others.

Faculty honors this year included two Guggenheim fellowships, while an alumnus became the second person affiliated with GW to be named a Rhodes scholar. The university was again recognized as a top producer of Fulbright scholars and Peace Corps volunteers.

The university also concluded – a full year early - our most ambitious fundraising campaign ever. "Making History: The Campaign for GW" raised $1.02 billion from more than 67,000 donors to support students, enhance academics and break new ground through innovative research.

These highlights are among many detailed in the following pages that illustrate how the George Washington University is engaging the world from the nation's capital.

Louis H. Katz
Executive Vice President and Treasurer

KNOWLEDGE *in* ACTION

CONTINUED GROWTH IN RESEARCH FUNDING AND GRANTS FOR INNOVATIVE ACADEMIC INITIATIVES, CROSS-DISCIPLINARY INSTITUTES AND NEW UNIVERSITY LEADERSHIP HELP BRING GW TO NEW HEIGHTS.

Students at GW work with faculty members in classrooms and labs, on projects and research that enrich their academic careers.

The National Churchill Library and Center, the first major research facility of its kind in the nation's capital.

Strength in Research

The George Washington University continues to build its research portfolio and increase its profile in research.

Researchers across the university have received significant awards to pursue innovative research that has the potential to treat diseases, improve education and foster entrepreneurship, including:

- $5.7 million in first-year funding as part of the Martin Delaney Collaboratory grant to develop new strategies to cure HIV. GW will work with 17 partners, labs and institutions on this research over the next five years.
- $3.45 million from the National Science Foundation (NSF) to renew the Innovation Corps program D.C.-area node to support student and faculty entrepreneurship. Through DC I-Corps, GW has worked to identify inventions that have potential to be commercially marketable.
- $2.6 million from the National Cancer Institute to Patti Gravitt, a global health professor in the Milken Institute School of Public Health (SPH) to study cervical cancer prevention in Peru's Loreto region in the Amazon rainforest. Dr. Gravitt will look for ways to engage health providers and the community in education, screening and treatment.
- $2.5 million over five years to Joel Gomez, an associate professor of educational leadership and director of the Graduate School of Education and Human Development's (GSEHD) Institute for Education Studies, to train public school teachers and education administrators in areas of Virginia with high populations of English language-learner students to better identify challenges such as grammar proficiency.

The university ranked well in the NSF Higher Education Research and Development Survey in fiscal year 2015 in research expenditures from federal sources, the most recent data available. Additionally, from fiscal year 2013 to fiscal year 2014, GW experienced a 17.1 percent growth in federal research expenditures while other universities in the top 100 federally funded institutions in the NSF survey averaged a 3.2 percent decrease in federal research expenditures.

The Office of the Vice President for Research (OVPR) provides incentives to faculty that foster cross-disciplinary and international projects and that encourage the inclusion of graduate students in research. The office also provides assistance with editing grant proposals.

Across GW's campuses, collaborative and groundbreaking institutes have opened this fiscal year, with research missions dedicated to areas from the arts and humanities to international issues and cancer:

- The National Churchill Library and Center, the first major research facility of its kind in the nation's capital, is dedicated to studying Winston Churchill.
- The Institute for African Studies, which opened in the Elliott School of International Affairs (ESIA), provides a hub for students and the more than 50 faculty with expertise on engagement in Africa to research, debate and study African issues.
- The Cisneros Hispanic Leadership Institute, funded by Gilbert Cisneros, B.A. '94, and his wife, Jacki, seeks to help qualified students attain academic success, build leadership skill and engage in a long-term commitment to making a difference within the Hispanic community.
- The Mayberg Center for Jewish Education and Leadership, housed in GSEHD, links academic scholarship with the work of Jewish organizations on GW's campus and provides training programs in Jewish education with a focus on pedagogy and leadership training.

ADVANCEMENTS IN DETECTING BREAST CANCER

Nada Kamona is already making her mark in research. Ms. Kamona, who is majoring in biomedical engineering, presented research this year that suggests doctors could use strong infrared cameras to detect tumors in breast tissue.

Ms. Kamona was one of the students who displayed more than 100 posters during the School of Engineering and Applied Science's (SEAS) annual Student Research and Development Showcase in February. Many projects were the result of months or years of research and collaboration.

Tumors typically require more blood flow than healthy cells, Ms. Kamona said. If a patient has a tumor he or she is likely to have a slightly higher local temperature in the region of the tumor.

Ms. Kamona and SEAS Professor Murray Loew have been able to detect slight temperature changes in patients diagnosed with breast cancer using a strong infrared imager, the N2 Imager camera. The camera captures infrared images over a 15-minute interval while the patients sit still and their body temperature cools.

"Deep tumors don't show a lot of temperature difference," Ms. Kamona said. "But how they cool down with time can be an indication of where they are."

This detection method is safe and non-invasive, Ms. Kamona said. The lab is collecting data through clinical trials and also plans to develop software to detect the changes in infrared images to eliminate human error.

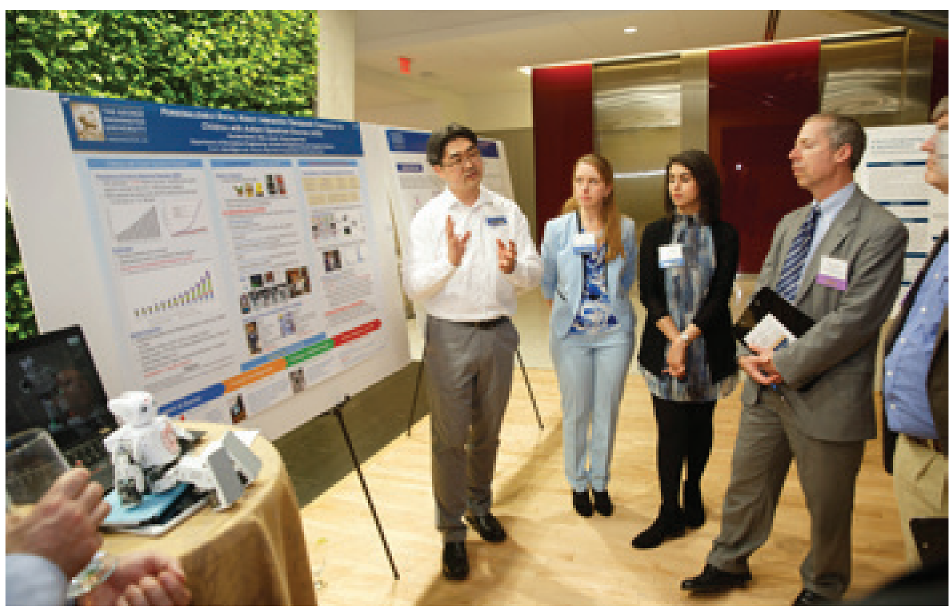
Student and Faculty Innovation

A record number of students participated in Research Days 2017, an OVPR initiative. Nearly 600 students presented posters, sharing an impressive breadth of research and discovery on issues of major disciplinary, cross-disciplinary and global significance.

At this year's ninth annual New Venture Competition, various teams presented business proposals in one of three tracks—social ventures, technology ventures and new ventures. Proposals ranged from new ways of thinking about food waste, an on-the-go makeup kit and technology that would allow gardeners to save money on irrigation by taking advantage of natural condensation. In the past nine years, 40 percent of finalists have launched their companies and 26 startups have been formed.

The 2017 Innovation Competition, sponsored by the Technology Commercialization Office within OVPR, brought together GW students, staff and faculty to showcase innovations that could be impactful or profitable in the marketplace. Ideas included plans to improve the drug development pipeline to get potentially life-saving drugs on the market faster and a method to develop highly sought after synthetic graphite.

New Venture Competition winners this year included the company Berg Bites, which produces a healthy snack marketed toward gym-goers with a sweet tooth.



Assistant Professor Chung Hyuk Park explains his idea for a personalized social robot for children with autism spectrum disorder at the 2017 Innovation Competition.

The GW community gathers to bid farewell to Steven Knapp, who ended his decade-long tenure as president in July.

Thomas LeBlanc, GW's 17th president, was greeted by members of the university community on his first day in the office on Aug. 1.

Leadership Transition

After 10 years of service to the university, Dr. Knapp ended his tenure July 31. His leadership at George Washington included enhancing the university's partnerships with neighboring institutions, expanding the scope of its research, strengthening its worldwide community of alumni, enlarging its students' opportunities for public service and leading its transformation into a model of urban sustainability.

In January, after a nationwide search, the Board of Trustees unanimously approved the appointment of Thomas J. LeBlanc as GW's 17th president. Dr. LeBlanc, who began his tenure as president August 1, is an accomplished academic leader who previously served as executive vice president, provost and professor of computer science and electrical and computer engineering at the University of Miami in Florida.

"Research Days is a reflection of the vibrant research community at GW. The quality of student scholarship on display was inspiring. It is always gratifying to see the GW community come together and celebrate the accomplishments of these students and their mentors."

LEO CHALUPA, VICE PRESIDENT FOR RESEARCH

Faculty, Dean Honors

GW's faculty and leadership continue to be recognized for their significant accomplishments in their respective fields. Among the many honored this year include:

Lynn Goldman
Milken Institute SPH dean

Dr. Goldman was awarded the 2016 Walsh McDermott Medal by the National Academy of Medicine. The award recognizes service to the academy and various professional contributions made to enhance the academy over an extended period of time.

Pamela Jeffries
School of Nursing dean

Dr. Jeffries was honored with the National League for Nursing Mary Adelaide Nutting Award for Outstanding Leadership in Nursing Education.

Michael Plesniak
School of Engineering and Applied Science professor

Dr. Plesniak was recognized by the American Society of Mechanical Engineers (ASME) for his contributions to the field of fluids engineering over a period of years with the 2017 ASME Fluids Engineering Award.

Cheryl Thompson
School of Media and Public Affairs associate professor

Ms. Thompson was named the 2017 Educator of the Year by the National Association of Black Journalists. The annual award is given to an educator for outstanding service, commitment and guidance in journalism.

Sarah Wagner
Columbian College of Arts and Sciences (CCAS) associate professor of anthropology

Andrew Zimmerman
CCAS professor of history

Both faculty members received John Simon Guggenheim Memorial Foundation Fellowships this year. The prestigious awards are granted to individuals who have shown "exceptional capacity for productive scholarship or exceptional creative ability in the arts," according to the foundation.

GW-Awarded Honors

The university also awarded faculty honors, celebrating faculty members for their work in teaching, research and service to the university. The Oscar and Shoshana Trachtenberg Faculty Prizes, the top faculty awards granted by GW, went to Diana Lipscomb, CCAS professor of biology, for university service; Graciela Laura Kaminsky, ESIA professor of economics and international affairs, for scholarship; and David Braun, CCAS associate professor of anthropology and director of the Koobi Fora Field School, for teaching excellence.

Student Honors

At 22, Josh Pickar has racked up accomplishments quicker than most. He graduated high school early and came to GW only to, again, graduate early—packing his schedule with classes and earning his international affairs degree in just two years. Service trips abroad, fluency in several languages and academic honors fill his résumé.

And now, Mr. Pickar, B.A. '14, can add Rhodes scholar to the list, becoming just the second GW-affiliated recipient to win the prestigious scholarship, which provides all expenses to study at the University of Oxford in England.

By the fall, Mr. Pickar will begin working on an M.Sc. in Global Governance and Diplomacy and an M.Sc. in Comparative Social Policy.

Mr. Pickar remembered his time at GW, including the opportunity he had to intern in then-U.S. Sen. John Kerry's office, where he researched issues of environmental policy and racial discrimination.

"It was the first time that I really got to work in policy and understand how what you're studying affects the real world, and it was just a really useful experience," said Mr. Pickar, a native of Lexington, Mass.

Still, one of the best classes Mr. Pickar took at GW was Intensive Russian—a year's worth of language instruction crammed into one semester. And Mr. Pickar had no prior experience with the language.

He recalled the rapid pace and, in particular, the "cold calls" to conjugate verbs on the spot and how that prepared him for his academic career.

"It was a different level of engagement," he said, adding that it was a great primer for what was to come in law school. Mr. Pickar studied at GW Law for a year before transferring to the University of Chicago Law School.

There, he has worked with the International Refugee Assistance Project,

advocating on behalf of an LGBT Iraqi refugee's relocation to the United States after the refugee was assaulted by his family and exiled. He was granted asylum in August.

Mr. Pickar speaks Russian, French and Spanish fluently, and he's learning German, Italian and Arabic. What started as an interest in grammar and the systems of languages soon blossomed into a passion for communication and understanding other cultures, especially laws and politics and how they are similar to and different from U.S. laws and politics.

"In order to be an effective policy or lawmaker, you have to be able to communicate with other people, so I hope to be able to use languages to work on international treaties or negotiation and better understand why different countries feel a certain way about policies from the U.S.," said Mr. Pickar.

He is looking forward to meeting his fellow scholars—not just from the United States, but also from around the world. He's excited to examine law more closely and especially the developments surrounding Brexit over the next couple of years.

Eventually, he said, his dream is to be the U.S. ambassador to the United Nations or even secretary of state. "Lofty goals," he acknowledged, but he wants to do something that merges scholar and practitioner.

VETERAN WORKS TO IMPROVE LIVES THROUGH PHYSICAL THERAPY

Anthony Garber was nervous when he came to GW. He wasn't sure how well he would fit in with his classmates after spending eight years in the Marine Corps. He was older than most undergraduates, married and a veteran who had been in the military since he was 18, a tenure that included deployment in Iraq.

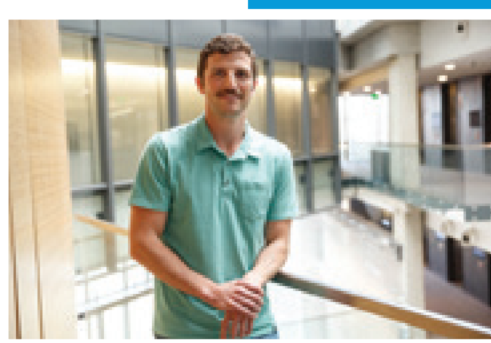
Mr. Garber, a member of the class of 2017 who majored in exercise science in the Milken Institute School of Public Health, said once he got to Foggy Bottom, he was surprised at how easily he was accepted by his younger classmates and was able to build meaningful relationships with professors.

"That just makes me feel like I'm a normal person, I'm not isolated as a veteran, I'm not isolated as an old guy," he said. "I'm just a normal student, and it's great."

Mr. Garber is continuing his education as a physical therapy doctoral candidate at the University of Maryland in Baltimore. He wants to work with geriatric patients—a field less glamorous than working with athletes, he said.

As an undergraduate student, Mr. Garber did research measuring tremors in patients with Parkinson's disease. He said the experience has pushed him to work with patients dealing with chronic diseases.

"If I can move into a profession that helps better those people's quality of life, like physical therapy, then I think that's a great thing," he said. "Being able to be involved with research at GW has affected me in a great positive way."



PASSION *for* CHANGING *the* WORLD

THROUGH SERVICE WORK AT HOME AND ABROAD, POLITICAL ACTIVISM AND INTERNSHIP AND CAREER OPPORTUNITIES, GW STUDENTS COMMIT TO IMPROVING THE WORLD.

GW students raked landscaping and put down fresh mulch near the Lincoln Memorial for Freshman Day of Service, an annual tradition. Students completed more than 700,000 hours of service during the 2016-17 academic year.

Serving D.C. and the World

Service and civic engagement continue to be a core part of the GW experience. During the 2016-17 academic year, GW students completed a record 711,841 hours of service.

This included more than 2,500 GW students, faculty and staff members showing their commitment to community during the eighth annual Freshman Day of Service, a tradition organized by the Honey W. Nashman Center for Civic Engagement and Public Service. This year the GW community participated at 44 services sites across all eight wards of Washington, D.C., in Maryland and Virginia.

In addition, for the second consecutive year, GW earned the NCAA Team Works Helper Community Service Competition award. Approximately 500 student-athletes competing in 27 varsity sports helped tally more than 3,000 service hours by volunteering with more than 60 nonprofit organizations.

This culture of service extends beyond graduation. In February, the U.S. Department of State's Bureau of Educational and Cultural Affairs announced that George Washington had once again placed among the top producers of Fulbright scholars. Twelve GW undergraduate and graduate students won Fulbright awards, teaching English and conducting research in Israel, Spain, Germany, Sri Lanka, Vietnam, Malaysia, Czech Republic, Austria, Mexico, Jordan and South Korea. And GW was again recognized as a top producer of Peace Corps volunteers, ranking third among medium-sized schools nationwide on the agency's 2017 list of colleges and universities. Forty-five GW alumni are currently volunteering in communities worldwide.

GW also recognized the service of others in awarding this year's honorary degrees: Commencement speaker and George Washington alumna U.S. Sen. Tammy Duckworth, M.A. '92; GW alumna Lt. Gen. Nadja West, M.D. '88, 44th surgeon general of the United States Army and commanding general, U.S. Army Medical Command; and The Washington Post Executive Editor Marty Baron each received an honorary degree of doctor of public service.

WORLD TRAVELER LANDS AT GW TO FOCUS ON INTERNATIONAL AFFAIRS

While many of her peers were spending their time learning about world history from textbooks, GW student **Imani Moss** was traveling the world. As a student at a boarding school in Farmington, Conn., Ms. Moss had traveled to five continents by the time she set foot in Foggy Bottom in fall 2016.

Her middle and high school education focused on helping students see and understand the world, a mission that took her to London, Japan, China and South Africa for class trips. Outside the classroom, Ms. Moss' involvement with Model U.N. took her to Prague and Panama. This global education has shaped the way she views the world and people around her, she said.

"It's definitely inspired me to become an international affairs major just to learn more about people," she said. "It really just opened my eyes that there are different kinds of people in the world."

Ms. Moss plans to study international affairs with a concentration in counterterrorism. She's excited that for the first time, she'll be able to focus on classes that highlight her passion for diversity.

In boarding school Ms. Moss said she always knew everyone's name, even students in different grades, and chose to come to GW as a larger school that would challenge her.

"If the school didn't make me nervous a little bit, then it wasn't the right school," she said. "You want some place that takes you out of your comfort zone."

Student Recognition

The Princeton Review, which annually recognizes colleges and universities for its "The Best 381 Colleges" book, named George Washington students most politically active for the fourth straight year. GW's proximity to the White House, Capitol Hill and other major government agencies and influential organizations gives politically oriented students myriad opportunities to learn from experts in the field through academic study and internships.

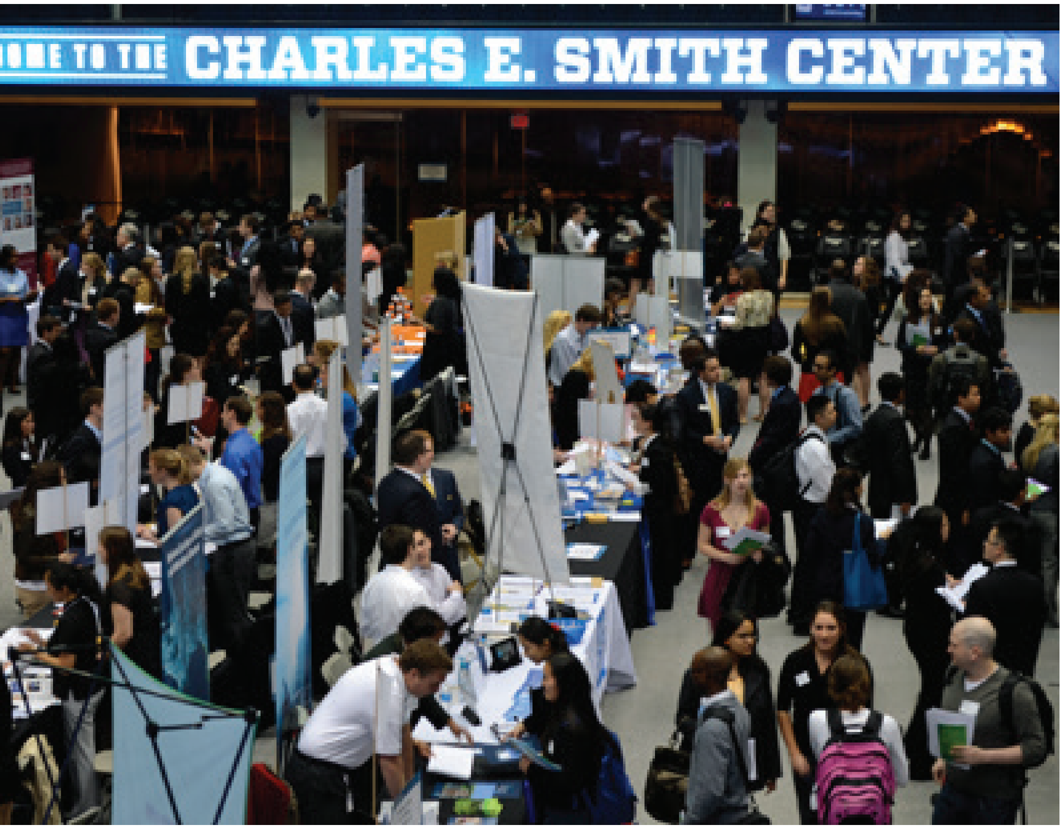
The country's most politically active campus was abuzz with activity around the 2016 election. Both the GW Democrats and GW Republicans held viewing debate and election night parties. Faculty frequently provided commentary and expertise in national news media.

Following the 2016 general election, five GW alumni were newly elected or re-elected to seats in Congress, including Sen. Duckworth.

This year the university has continued to take steps to encourage inclusiveness, showing support for the Deferred Action for Childhood Arrivals (DACA) Program by reaffirming its commitment to protect the civil rights of GW's undocumented students and joining other universities in a letter of support of DACA. GW also participated in the #YouAreWelcomeHere campaign, displaying posters around campus and releasing a video showing that all—regardless of race, religion, nationality, sexual orientation or gender identity—are welcome at George Washington.

GW students attend election night watch parties. The Princeton Review named GW students most politically active for the fourth straight year in 2016.

Students visit the tables of more than 100 prospective employers at the annual Spring Career and Internship Fair.



Facilitating Internship and Career Opportunities

At the annual Spring Career and Internship Fair, more than 100 employers came to GW to recruit new employees and interns and provide information about their organizations.

GW's fairs and other job recruitment and professional services is one of the reasons that 91 percent of the class of 2016 has secured employment, enrolled or plans to enroll in a post-baccalaureate degree program or is participating in service, travel or other activities, according to GW's annual First Destination survey reporting activities within six months of graduation. The results showed an uptick from the survey results of the class of 2015, which came in at 87 percent in the same categories.

> "Being named a Fulbright top-producing institution recognizes GW's commitment to educating globally engaged citizens. I am thrilled for our students and the opportunities they will have to forge lasting relationships with the citizens of other nations. I'm also proud how the university's faculty and staff together have prepared our students to become future leaders, equipped to meet the challenges of our diverse world."
>
> **PAUL HOYT-O'CONNOR**, DIRECTOR OF THE CENTER FOR UNDERGRADUATE FELLOWSHIPS AND RESEARCH

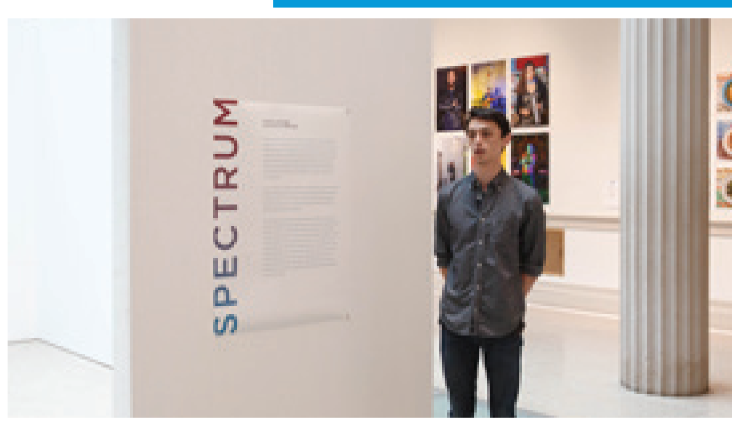
THE 'NEXT' BIG IDEA

Jack Mead's "Spectrum" virtual reality game allows the user to simulate the experience of walking into an elementary school classroom on the first day at a new school. The game prompts the person to introduce him or herself and respond to the teacher's questions. Next, the participant sits on the floor, converses politely with a neighbor and even chooses a partner for an activity.

"These might seem like very simple problems but if you have autism, they can be amplified many-fold," said Mr. Mead, whose experiences of being the new child in several different schools prompted him to develop the project, which was featured this year in "NEXT," an exhibition at the George Washington University's Corcoran School of the Arts and Design that showcases the work of more than 50 graduating students. "Just being able to go into a classroom, interact with people, introduce yourself to the class—if you could rehearse real-life situations in a safe, controlled environment and then go out into the real world, I think that's a tremendous amount of power."

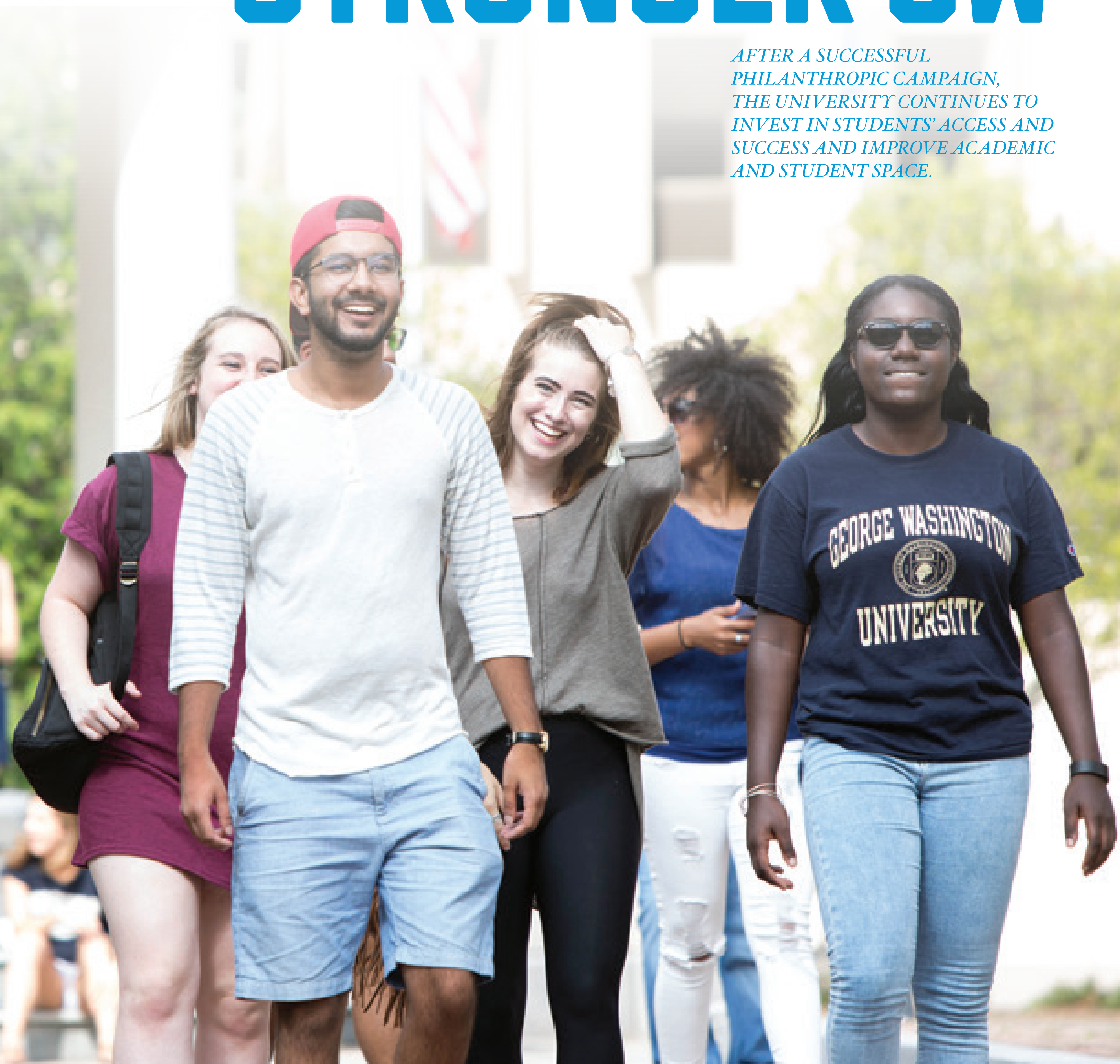
According to his research, Mr. Mead found that current techniques of therapy for dealing with social anxiety in autistic children include practicing familiarity to help children feel comfortable.

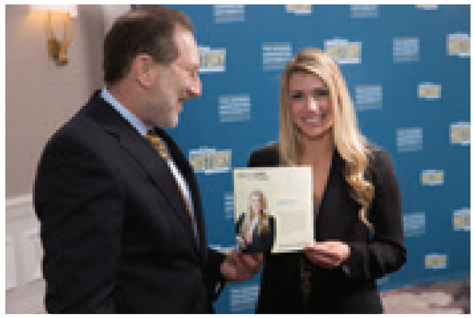
"I felt that the power of virtual reality to immerse yourself could create very positive lasting effects," said Mr. Mead, who sees virtual reality as a path to democratizing healthcare by allowing for tailored therapies that could help patients work through troubling phobia scenarios.



BUILDING *A* STRONGER GW

AFTER A SUCCESSFUL PHILANTHROPIC CAMPAIGN, THE UNIVERSITY CONTINUES TO INVEST IN STUDENTS' ACCESS AND SUCCESS AND IMPROVE ACADEMIC AND STUDENT SPACE.





The annual Power & Promise dinner and celebration puts individual faces on the power of philanthropy, giving students and donors the opportunity to meet one other.

Philanthropy Supports Students

More than 67,000 donors helped support students, enhance academics and break new ground at the university by propelling Making History: The Campaign for GW over its $1 billion goal in May. The campaign officially concluded a year ahead of schedule in June.

During the campaign, more than 18,000 donors gave to Power & Promise student aid, providing more than $144 million in new funds for undergraduate scholarships and graduate fellowships.

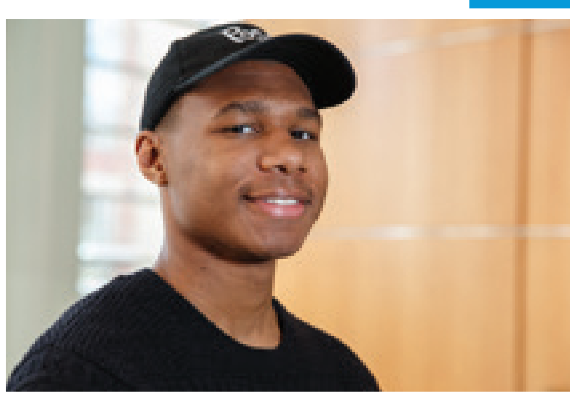
The creation of the Ali and Lama Kolaghassi Scholarship Fund will provide a full undergraduate scholarship to a graduate of King's Academy, an independent co-educational boarding and day school in Madaba, Jordan.

Other notable gifts to the university during the 2016-17 year include:

- $3.2 million from Char Beales, B.A. '73, and her husband, Howard, to fund an endowed professorship of accountability in journalism—the largest single gift in the history of the School of Media and Public Affairs.
- A $4.8 million bequest commitment to the School of Business to fund a new endowed professorship.
- $8 million from the Clark Charitable Foundation to expand the Clark Engineering Scholars Program at the School of Engineering and Applied Science (SEAS).

Philanthropy also helped fund new endowed faculty positions this year, including:

- Kevin Pelphrey as the inaugural Carbonell Family Professor in Autism and Neurodevelopmental Disorders.
- James Foster as the Oliver T. Carr, Jr., Professor in International Affairs.
- Edward Seto as King Fahd Professor of Cancer Biology.
- Robert Pless as the Patrick and Donna Martin Professor of Computer Science.



A SUPPORT SYSTEM FOR SUCCESS

When **Glen Warren** arrived at the George Washington University from Atlanta in August 2016, he didn't come alone. As a member of GW's first cohort of Posse Scholars, he already knew 10 of his classmates from months of weekly preparatory meetings.

"It's great to have a support system on campus before you even get there," Mr. Warren said. "It definitely makes you more confident."

His experience illustrates the impetus behind the Posse Foundation, which partners with nearly 60 colleges and universities in 10 cities across the country. Participating universities offer full-tuition leadership scholarships to select high school graduates from their designated city—Atlanta, in GW's case—with the idea that small, diverse, supportive peer groups increase overall community engagement and success.

Posse is one of four scholarships whose first cohorts of freshmen arrived at GW in fall 2016. Others were the GW District Scholars program, Say Yes to Education and the Cisneros Scholars program.

All of these awards or partnerships are part of the university's commitment to enrolling a more diverse student body with a focus on students from groups that historically have been underrepresented in higher education, as set forth in Vision 2021, GW's 10-year strategic plan.

Mr. Warren, a student in the School of Engineering and Applied Science who is interested in artificial intelligence and grew up "tinkering with old radios" and building robots, said he already has experienced firsthand the advantage of a learning community with diverse views.

"When people are going through the same stuff you are, but they're coming from different perspectives, they can help you find solutions you wouldn't have thought of," he said.

INTERNATIONAL STUDENT NETWORKS WAY TO WORLD BANK

Like many international students, **Laura Gomez** faced difficulties job-hunting. Sometimes at career fairs she would approach an agency or firm, only to be told late in the conversation that they only hired U.S. citizens.

"It could be an awkward conversation for both the employers and the potential employees," said Ms. Gomez, who was born and raised in Colombia and is now a student in the Elliott School of International Affairs.

So Ms. Gomez, then assistant director of international students in the Student Association, teamed up with other international students and the Center for Career Services to create more informal opportunities for international students to interact with employers.

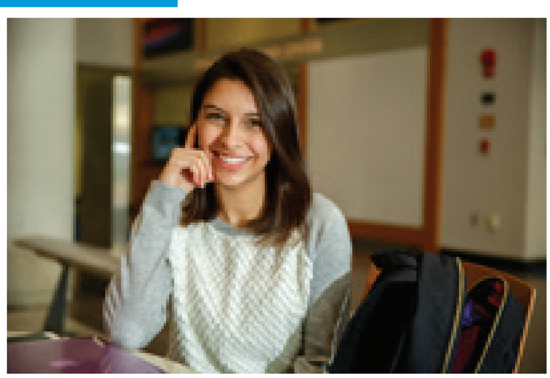
At one of those activities, Ms. Gomez struck up a conversation with a Brazilian woman who worked at the World Bank, the two bonding over their experiences as South American students who had attended American universities. "It didn't seem like she was there to recruit," Ms. Gomez said. "It was very casual."

But a few weeks later, Ms. Gomez received an email from Staci Fowler, managing director for employer services. The World Bank employee wanted to see her resume.

Ms. Gomez sent it along. "I was not expecting anything," she said.

Then Ms. Gomez's acquaintance called her in to the World Bank for an interview.

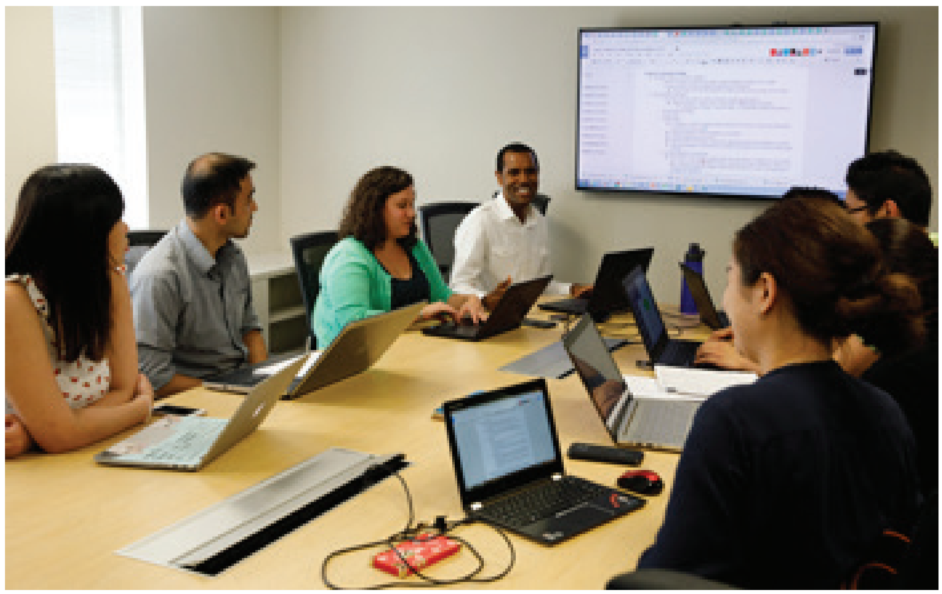
She impressed them: The World Bank hired Ms. Gomez as an intern in its IT service department for the summer and fall of 2016. Ms. Gomez said she believes networking, taking initiative and the opportunities she had at GW paid off.



Investing in Access and Success

GW continued to increase its commitment to providing educational access to, and promoting success for, top students from all backgrounds and regions. Such an approach was facilitated by the university's adoption of a test optional policy for undergraduate admissions in August 2015 and its investment in financial aid. By expanding its ability to recruit and graduate diverse students from around the world, the university will be better prepared for the changing demographic landscape while at the same time enhancing its educational and research missions.

GW also established a new Enrollment and Retention Office to develop strategies for enhancing retention and graduation among undergraduate students. The office coordinates retention strategies across the university, facilitating communication among academic advisers, financial aid administrators, faculty and other members of the GW community to ensure the best possible institutional structures and student support systems are in place.



GW Summer Academy coaches meet to discuss student progress and strategies for the program. The Summer Academy helps students stay on track for graduation with a weekly seminar focused on topics like time management and study skills, tutoring and regular check ins with a graduate-level mentor.

"In a society where your zip code determines your access, I may not have had the typical family structure or a strong financial foundation. But through scholarships I gained an alternative support system that played a similar role in building my confidence and self-esteem and launching my success."

SALLY NUAMAH B.A. '11, BOARD OF TRUSTEES MEMBER, WHO SPOKE AT GW'S 2017 POWER & PROMISE DINNER

Above: The university celebrates the one-year anniversary of full operation of the Capital Partners Solar Project, which has made GW 50 percent solar-powered.

Top and right: Development projects on campus this year included the completion of District House and renovations at the Corcoran School of the Arts and Design's 17th Street Building.

Campus Development

District House, the university's newest residence hall, officially opened in fall 2016. District House 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.

Innovators across GW also received a new collaborative space on campus: the innovation center, which opened in April in Tompkins Hall. A joint initiative led by SEAS and the Office of Innovation and Entrepreneurship, the newly renovated space hosts networking events, brainstorming sessions and daily office hours by mentors-in-residence.

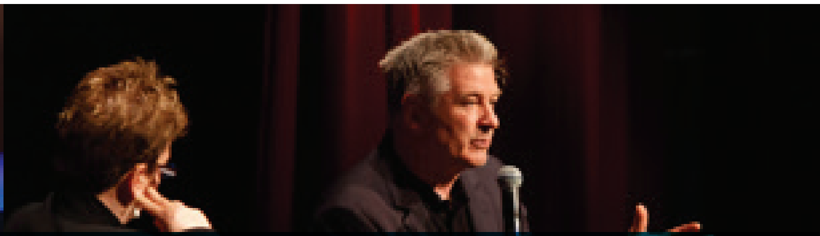
Earlier this year, GW marked the one-year anniversary of full operation of the Capital Partners Solar Project, a renewable energy partnership among GW, GW Hospital and American University with Duke Energy Renewables that has made GW 50 percent solar-powered.

Renovations, including critical infrastructure upgrades, continue at the Corcoran School of the Arts and Design's 17th Street Building.

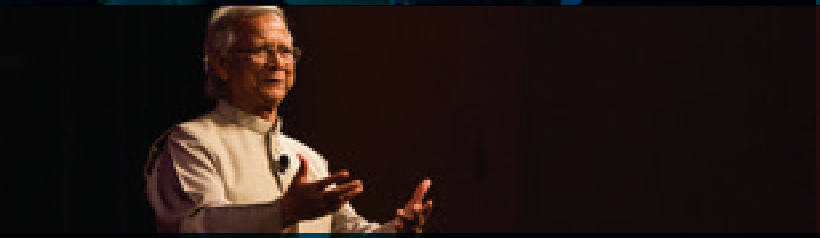
And in December 2016, GW announced plans to generate additional revenue for academic priorities by redeveloping 2100 Pennsylvania Avenue and Rice Hall into a new investment property featuring commercial office and retail space. The project follows the successful redevelopment of 2200 Pennsylvania Avenue, revenue from which was critical in funding construction of GW's Science and Engineering Hall.

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

Michael Wilbon, ESPN commentator



Alec Baldwin, actor



Muhammad Yunus, Nobel Peace Prize laureate and founder of Grameen Bank

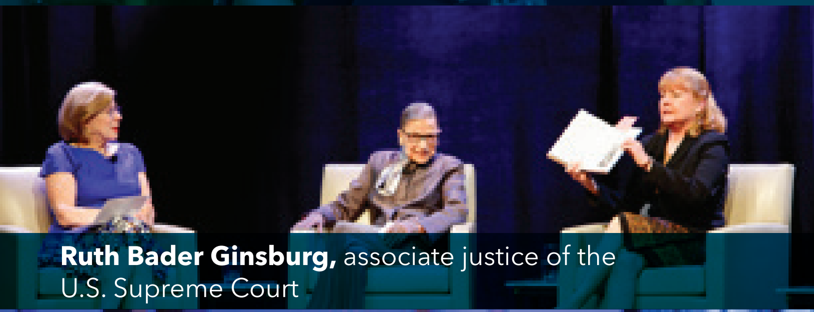
Buzz Aldrin, astronaut

Dana Bash, CNN chief political correspondent**, John McCain,** U.S. senator, and **Lindsey Graham,** U.S. senator

Bernie Sanders, U.S. senator, and **Chris Cuomo,** CNN anchor

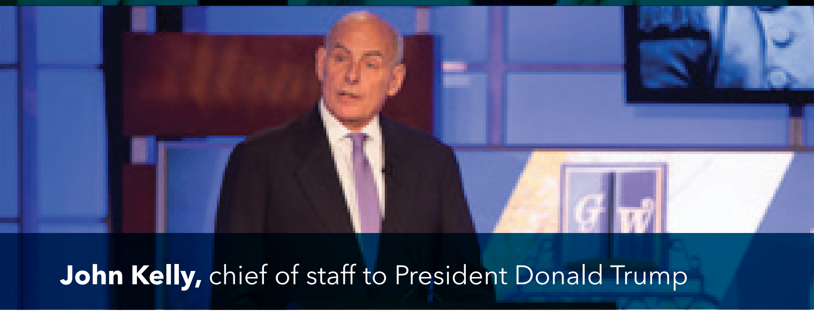
Linda Sánchez, U.S. representative

Elena Kagan, associate justice of the U.S. Supreme Court



Ruth Bader Ginsburg, associate justice of the U.S. Supreme Court

Kellyanne Conway, counselor to President Donald Trump



John Kelly, chief of staff to President Donald Trump

Thad Allen, 23rd commandant of the U.S. Coast Guard

So does OUR CAMPUS.

REPORT OF INDEPENDENT AUDITORS

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, 2017 and 2016, 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.

Auditors' 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 George Washington University and its subsidiaries as of June 30, 2017 and 2016, and the changes of 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 27, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 and 2016
(in thousands)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 243,149	$ 115,620
Short-term investments	75,054	85,362
Accounts receivable, net	74,082	60,727
Pledges receivable, net	56,446	74,573
Investments	2,165,852	2,008,389
Loans and notes receivable, net	35,649	35,599
Physical properties, net:		
Land and buildings	1,629,521	1,656,117
Furniture and equipment	82,594	92,601
Other assets	21,633	17,586
Total assets	$ 4,383,980	$ 4,146,574
LIABILITIES		
Accounts payable and accrued expenses	$ 185,875	$ 207,244
Deferred revenue:		
Tuition and other deposits	67,416	49,782
Grants and contracts payments	17,138	14,646
Bonds and note payable, net	1,761,945	1,722,017
Funds advanced for student loans	29,761	29,888
Total liabilities	2,062,135	2,023,577
NET ASSETS		
Unrestricted net assets:		
Unrestricted operating (deficit)	(31,659)	(29,826)
Unrestricted capital and investing	1,609,371	1,445,153
Total unrestricted	1,577,712	1,415,327
Temporarily restricted	464,887	436,715
Permanently restricted	279,246	270,955
Total net assets	2,321,845	2,122,997
Total liabilities and net assets	$ 4,383,980	$ 4,146,574

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2017 and 2016
(in thousands)

	2017		
	Operating	Capital and Investing	Total Unrestricted
REVENUE			
Student tuition and fees	$ 1,019,581	$ -	$ 1,019,581
Less: University funded scholarships	(289,744)	-	(289,744)
Net student tuition and fees	729,837	-	729,837
Grants and contracts			
Program funds	161,924	-	161,924
Indirect cost recoveries	29,323	-	29,323
Investment income, net	15,866	81,384	97,250
Investment real property rents and appreciation	-	112,683	112,683
Change in value of split-interest agreements	-	6	6
Auxiliary enterprises	116,102	-	116,102
Contributions, net	16,350	2,139	18,489
Net assets released from restrictions	14,405	45,280	59,685
Medical education agreements	63,759	33	63,792
Other income	35,879	2,591	38,470
Total revenue	1,183,445	244,116	1,427,561
EXPENSES			
Salaries and wages	556,998	-	556,998
Fringe benefits	119,866	-	119,866
Purchased services	232,912	537	233,449
Supplies	14,235	110	14,345
Equipment	9,788	6,451	16,239
Bad debt	1,731	-	1,731
Occupancy	47,066	84,787	131,853
Investment real property expense	-	34,397	34,397
Scholarships and fellowships	16,311	-	16,311
Communications	4,312	-	4,312
Travel and training	25,856	-	25,856
Interest	-	60,147	60,147
Debt extinguishment costs	-	23,154	23,154
Other	35,133	3,107	38,240
Total expenses	1,064,208	212,690	1,276,898
OTHER INCREASES (DECREASES) IN NET ASSETS			
Debt service and mandatory purposes	(103,185)	103,185	-
Endowment support	75,129	(77,672)	(2,543)
Capital expenditures	(13,480)	13,480	-
Postretirement related changes	-	14,600	14,600
Support/investment	(79,534)	79,199	(335)
Total other changes in net assets	(121,070)	132,792	11,722
INCREASE (DECREASE) IN NET ASSETS	(1,833)	164,218	162,385
NET ASSETS (DEFICIT) AT THE BEGINNING OF THE YEAR	(29,826)	1,445,153	1,415,327
NET ASSETS (DEFICIT) AT THE END OF THE YEAR	$ (31,659)	$ 1,609,371	$ 1,577,712

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

	2016		
	Operating	Capital and Investing	Total Unrestricted
	$ 941,969	$ -	$ 941,969
	(270,361)	-	(270,361)
	671,608	-	671,608
	153,914	-	153,914
	26,756	-	26,756
	286	(3,307)	(3,021)
	-	82,912	82,912
	-	4	4
	103,394	-	103,394
	17,790	(1,349)	16,441
	13,898	35,594	49,492
	62,389	16	62,405
	30,335	2,524	32,859
	1,080,370	116,394	1,196,764
	546,811	-	546,811
	119,735	-	119,735
	217,916	784	218,700
	12,934	88	13,022
	12,315	3,692	16,007
	1,716	-	1,716
	57,698	83,258	140,956
	-	35,849	35,849
	16,841	-	16,841
	4,638	-	4,638
	25,505	-	25,505
	-	58,536	58,536
	-	12,157	12,157
	33,815	3,429	37,244
	1,049,924	197,793	1,247,717
	(88,839)	88,839	-
	71,660	(73,839)	(2,179)
	(14,742)	14,742	-
	-	(2,717)	(2,717)
	93	211	304
	(31,828)	27,236	(4,592)
	(1,382)	(54,163)	(55,545)
	(28,444)	1,499,316	1,470,872
	$ (29,826)	$ 1,445,153	$ 1,415,327

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016
(in thousands)

	2017			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Student tuition and fees	$ 1,019,581	$ -	$ -	$ 1,019,581
Less: University funded scholarships	(289,744)	-	-	(289,744)
Net student tuition and fees	729,837	-	-	729,837
Grants and contracts				
Program funds	161,924	-	-	161,924
Indirect cost recoveries	29,323	-	-	29,323
Investment income, net	97,250	55,494	-	152,744
Investment real property rents and appreciation	112,683	-	-	112,683
Change in value of split-interest agreements	6	1,643	1,378	3,027
Auxiliary enterprises	116,102	-	-	116,102
Contributions, net	18,489	32,592	2,139	53,220
Net assets released from restrictions	59,685	(60,120)	435	-
Medical education agreements	63,792	-	-	63,792
Other income	38,470	-	24	38,494
Total revenue	1,427,561	29,609	3,976	1,461,146
EXPENSES				
Salaries and wages	556,998	-	-	556,998
Fringe benefits	119,866	-	-	119,866
Purchased services	233,449	-	-	233,449
Supplies	14,345	-	-	14,435
Equipment	16,239	-	-	16,239
Bad debt	1,731	-	-	1,731
Occupancy	131,853	-	-	131,853
Investment real property expense	34,397	-	-	34,397
Scholarships and fellowships	16,311	-	-	16,311
Communications	4,312	-	-	4,312
Travel and training	25,856	-	-	25,856
Interest	60,147	-	-	60,147
Debt extinguishment costs	23,154	-	-	23,154
Other	38,240	-	-	38,240
Total expenses	1,276,898	-	-	1,276,898
OTHER INCREASES (DECREASES) IN NET ASSETS				
Endowment support	(2,543)	75	2,468	-
Postretirement related changes	14,600	-	-	14,600
Support/investment	(335)	(1,512)	1,847	-
Total other changes in net assets	11,722	(1,437)	4,315	14,600
INCREASE (DECREASE) IN NET ASSETS	162,385	28,172	8,291	198,848
NET ASSETS AT THE BEGINNING OF THE YEAR	1,415,327	436,715	270,955	2,122,997
NET ASSETS AT THE END OF THE YEAR	$ 1,577,712	$ 464,887	$ 279,246	$ 2,321,845

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

2016			
Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 941,969	$ -	$ -	$ 941,969
(270,361)	-	-	(270,361)
671,608	-	-	671,608
153,914	-	-	153,914
26,756	-	-	26,756
(3,021)	(10,006)	-	(13,027)
82,912	-	-	82,912
4	(452)	(1,557)	(2,005)
103,394	-	-	103,394
16,441	34,834	2,988	54,263
49,492	(49,517)	25	-
62,405	-	-	62,405
32,859	-	12	32,871
1,196,764	(25,141)	1,468	1,173,091
546,811	-	-	546,811
119,735	-	-	119,735
218,700	-	-	218,700
13,022	-	-	13,022
16,007	-	-	16,007
1,716	-	-	1,716
140,956	-	-	140,956
35,849	-	-	35,849
16,841	-	-	16,841
4,638	-	-	4,638
25,505	-	-	25,505
58,536	-	-	58,536
12,157	-	-	12,157
37,244	-	-	37,244
1,247,717	-	-	1,247,717
(2,179)	1,121	1,058	-
(2,717)	-	-	(2,717)
304	(1,107)	803	-
(4,592)	14	1,861	(2,717)
(55,545)	(25,127)	3,329	(77,343)
1,470,872	461,842	267,626	2,200,340
$ 1,415,327	$ 436,715	$ 270,955	$ 2,122,997

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 198,848	$ (77,343)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated assets	(4,204)	(1,434)
Depreciation, amortization and accretion expenses	81,972	82,098
Provision for bad debt	1,731	1,716
Change in value of split-interest agreements	(3,027)	2,005
Net unrealized (gain) loss on investments	(142,484)	17,153
Net realized (gain) on investments	(29,168)	(13,814)
Net (gain) on sale of property	(15,210)	-
Debt extinguishment costs	23,153	12,157
Loss on disposal of furniture and equipment	111	727
(Increase) decrease in operating assets:		
Accounts receivable	(14,941)	(3,072)
Pledges receivable	18,127	19,466
Other assets	(4,046)	1,622
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(20,205)	7,890
Tuition and other deposits	17,634	13,443
Grants and contracts deferred revenue	2,492	2,966
Contributions restricted for long-term investment	(5,922)	(13,694)
Net cash provided by operating activities	104,861	51,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(228,313)	(510,375)
Proceeds from sales and maturity of investments	256,662	540,589
Purchase of short-term investments	(324,402)	(285,154)
Proceeds from sales and maturity of short-term investments	334,710	200,138
Purchases and renovations of land and buildings	(57,338)	(116,958)
Additions of furniture and equipment	(14,239)	(18,050)
Net proceeds from sale of real property	37,246	-
(Increase) in other loans and notes receivable	(41)	(5,629)
Net cash provided (used in) investing activities	4,285	(195,439)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	5,922	13,694
Principal payments and refinancing of bonds and notes payable	(9,696)	(59,140)
Extinguishment of debt	(200,000)	(112,000)
Debt extinguishment costs	(23,153)	(12,157)
Proceeds from borrowings and refinancing of bonds	250,000	350,000
Payments of debt issuance costs	(1,400)	(1,955)
Principal payments on capital lease	(3,163)	(1,250)
Refundable advances from the U.S. Government	(127)	(55)
Net cash provided by financing activities	18,383	177,137
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,529	33,584
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	115,620	82,036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 243,149	$ 115,620
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest, net of amounts capitalized	$ 71,858	$ 66,453
Income tax payments	290	25
Assets and liabilities acquired under capital lease	610	1,231

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. Purchases and sales of investment cash equivalents are netted for reporting on the Consolidated Statements of Cash Flows.

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as 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 $0.47 million and $0.48 million at June 30, 2017 and 2016, respectively. The allowance for doubtful accounts is estimated based on the University's historical experience and periodic review of individual accounts. The majority of the University's loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 9%. The carrying value of loans receivable approximates fair value. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be loaned again after collection. These funds are ultimately refundable to the U.S. Government. These federal loan programs have cash restricted as to their use of $2.8 million and $3.3 million as of June 30, 2017 and 2016, 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. Unamortized debt issuance costs of $6.7 million have been moved from Other assets to be presented as a deduction to Bonds and note payable for the year ended June 30, 2016 (see Note 10). This change is due to the July 1, 2016 adoption of ASU 2015-03, *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*.

Recently Adopted Accounting Standards

The University adopted ASU 2015-07, *Fair Value Measurement: Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* effective July 1, 2016 and has retrospectively applied it for investments held at June 30, 2016. Under the new guidance, investments measured at net asset value (NAV) calculated by the investment manager as a practical expedient for fair value are excluded from the fair value hierarchy. Investments using NAV as a practical expedient totaling $672 million and $615 million as of June 30, 2017 and 2016, respectively, have been excluded from the fair value hierarchy (see Note 6).

NOTE 3 – ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2017	2016
Grants and contracts	$ 35,218	$ 26,860
Student tuition and fee accounts	23,641	23,316
Due from affiliation agreements	4,008	4,725
Due from hospital limited partnership	4,502	4,674
Other	9,392	4,442
Allowance for doubtful accounts	(2,679)	(3,290)
Total	$ 74,082	$ 60,727

NOTE 4 – PLEDGES RECEIVABLE

(in thousands)	JUNE 30	
	2017	2016
Unconditional promises expected to be collected in:		
Less than one year	$ 38,985	$ 40,640
One year to five years	32,400	44,916
Over five years	1,218	1,408
Subtotal	72,603	86,964
Allowance for uncollectible pledges	(12,910)	(7,710)
Unamortized discount to present value	(3,247)	(4,681)
Total	$ 56,446	$ 74,573

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 3.95% - 4.59% with the discount amortized over the life of the pledge.

At June 30, 2017 and 2016, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately $178 million and $155 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	
	2017	2016
Cash and cash equivalents	$ 42,191	$ 19,677
Fixed income:		
Asset-backed securities	44,294	38,504
Corporate debt securities	43,403	46,655
Government debt securities	127,042	119,406
Other	4,419	2,812
Global equity	387,856	335,529
Hedge funds	146,508	139,918
Private equity	169,449	175,387
Real estate	1,027,487	984,320
Split-interest agreements:		
GW as trustee	13,851	13,141
Trusts held by others	46,633	40,423
Deferred compensation plan assets	44,790	38,117
Other	54,901	53,335
Net pending trades	13,092	-
Unrealized (loss) gain on open futures contracts	(64)	1,165
Total	$ 2,165,852	$ 2,008,389

INVESTMENT INCOME, NET

(in thousands)	JUNE 30	
	2017	2016
Interest and dividends	$ 10,854	$ 8,893
Net gain (losses) on investments carried at fair value	127,780	(32,050)
Net gains on investments carried at other than fair value	18,501	15,827
Administrative expenses	(4,391)	(5,697)
Total	$ 152,744	$ (13,027)

INVESTMENT REAL PROPERTY RENTS AND APPRECIATION

(in thousands)	JUNE 30	
	2017	2016
Real property rents	$ 55,603	$ 57,060
Net unrealized appreciation	57,080	25,852
	$ 112,683	$ 82,912

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, 2017 and 2016, the fair value of the derivatives was not material.

In December 2016, the University entered into an agreement to redevelop an investment property and an adjacent administrative building under a long-term ground lease. As a result of the agreement, the administrative building and its associated land with a book value of $2.6 million was reclassified from operating assets in Land and buildings to Real estate in Investments. The carrying value of the Real estate in Investments was adjusted from historical cost basis to the appraised fair value of the property.

The University holds a 28.56% interest in the Columbia Plaza Limited Partnership, whose income and distributions are accounted for under the equity method, which is included in Real estate at $23.5 million and $23.2 million as of June 30, 2017 and 2016, 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 $42.1 million and $40.4 million as of June 30, 2017 and 2016, 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)	2017			2016		
	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	$ 236,567	$ 6,582	$ 243,149	$ 105,128	$ 10,492	$ 115,620
Short-term investments	74,784	270	75,054	84,905	457	85,362
Investments	2,073,140	92,712	2,165,852	1,930,714	77,675	2,008,389
Total	$ 2,384,491	$ 99,564	$ 2,484,055	$ 2,120,747	$ 88,624	$ 2,209,371

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

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

(in thousands)	AS OF JUNE 30, 2017				
		Classified in Fair Value Hierarchy			
	NAV	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents at fair value	$ -	$ 236,567	$ -	$ -	$ 236,567
Short-term investments at fair value	-	74,784	-	-	74,784
Investments:					
Cash and cash equivalents	-	42,190	1	-	42,191
Fixed Income:					
Asset-backed securities	44,294	-	-	-	44,294
Corporate debt securities	17,229	-	26,174	-	43,403
Government debt securities	31,808	95,234	-	-	127,042
Other	1,656	2,334	429	-	4,419
Global equity	260,603	126,047	-	-	386,650
Hedge funds	146,508	-	-	-	146,508
Private equity	169,449	-	-	-	169,449
Real Estate	-	-	-	1,003,974	1,003,974
Split-interest agreements:					
GW as trustee	-	13,851	-	-	13,851
Trusts held by others	-	-	-	46,633	46,633
Deferred compensation plan assets	-	28,354	10,133	6,303	44,790
Unrealized loss-open futures contracts	-	(64)	-	-	(64)
Total investments at fair value	671,547	307,946	36,737	1,056,910	2,073,140
Total assets at fair value	$ 671,547	$ 619,297	$ 36,737	$ 1,056,910	$ 2,384,491

(in thousands)	AS OF JUNE 30, 2016				
		Classified in Fair Value Hierarchy			Total Fair Value
	NAV	Level 1	Level 2	Level 3	
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
Corporate debt securities	20,182	-	26,473	-	46,655
Government debt securities	34,357	85,049	-	-	119,406
Other	-	2,318	494	-	2,812
Global equity	206,836	127,506	-	-	334,342
Hedge funds	139,918	-	-	-	139,918
Private equity	175,387	-	-	-	175,387
Real estate	-	-	-	961,167	961,167
Split-interest agreements:					
GW as trustee	-	13,141	-	-	13,141
Trusts held by others	-	-	-	40,423	40,423
Deferred compensation plan assets	-	23,640	9,553	4,924	38,117
Unrealized gain-open futures contracts	-	1,165	-	-	1,165
Total investments at fair value	615,184	272,494	36,522	1,006,514	1,930,714
Total assets at fair value	$ 615,184	$ 462,527	$ 36,522	$ 1,006,514	$ 2,120,747

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, 2017 and 2016. 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. Securities in this category that trade in less active markets and are redeemable in the near term 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.

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

- **Private equity** - These investments generally include limited partnerships that are not publicly traded and cannot be redeemed because the investments include restrictions that do not allow redemption through maturity. The fair values of these investments have been estimated using the NAV of the funds, which are calculated by the investment manager and are excluded from the fair value leveling table. The valuation policies adopted by the manager are reviewed for propriety, consistency, compliance, and completeness. 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, 2017				
	Fair Value *(in thousands)*	Valuation Techniques	Unobservable Inputs	Range
Hotel	$49,000	Discounted cash flow	Exit capitalization rate Discount rate	7.00-7.50% 9.00-9.50%
Office buildings	$342,472	Discounted cash flow	Exit capitalization rate Discount rate	5.00-7.00% 6.75-7.50%
Investment real estate subject to ground lease	$611,613	Direct capitalization	Capitalization rate	3.50-4.50%

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	3.50-4.75%

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

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

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

(in thousands)	2017				2016
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency	Redemption notice period	Fair Value
Fixed income - asset-backed securities	$ 44,294	$ -	Daily to quarterly	1-15 days	$ 38,504
Fixed income - corporate debt	17,229	-	Quarterly	30-90 days	20,182
Fixed income - government debt	31,808	-	Daily to monthly	1-15 days	34,357
Fixed income - other	1,656	2,542	Redemption not permitted during life of fund	N/A	-
Global equity	260,603	-	Monthly to quarterly	1 to 60 days	206,836
Hedge funds	146,508	-	Quarterly	90 days	139,918
Private equity	169,449	73,032	Redemption not permitted	N/A	175,387
Total	$ 671,547	$ 75,574			$ 615,184

- **Fixed income - asset-backed securities** - These funds are typically composed of mortgage-backed securities. There are no assets in liquidation as of June 30, 2017.
- **Fixed income - corporate debt** - These funds are primarily composed of high-yield bonds and corporate debt. Approximately 8.0% of these funds are in liquidation and the time period over which the assets will be liquidated is unknown at June 30, 2017.
- **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, 2017.
- **Fixed income - other** - These assets are primarily composed of credit instruments and equity securities in Asia-Pacific. There are no assets in liquidation as of June 30, 2017.
- **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, 2017.
- **Hedge funds** - These assets are composed of a hedge fund of funds. There are no assets in liquidation as of June 30, 2017.
- **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 87.5% of the underlying assets will be liquidated within 10 years.

Changes in Level 3 Assets

(in thousands)	2017					
	Beginning of year	Net realized/ unrealized gains	Purchases/ additions	Sales	End of year	Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2017
Real estate	$ 961,167	$ 63,310	$ 9,093	$ (29,596)	$ 1,003,974	$ 57,114
Split-interest agreements - trusts held by others	40,423	2,090	4,180	(60)	46,633	2,090
Deferred compensation	4,924	-	1,379	-	6,303	-
	$ 1,006,514	$ 65,400	$ 14,652	$ (29,656)	$ 1,056,910	$ 59,204

(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
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	-	466	-	4,924	-
	$ 978,939	$ 24,279	$ 4,462	$ (1,166)	$ 1,006,514	$ 24,279

Level transfers are accounted for at the beginning of the reporting period and are typically the result of a change in the observability of significant valuation inputs. There were no level transfers for the year ended June 30, 2017. For the year ended June 30, 2016, level 1 to 2 transfers totaled $0.14 million and there were no level 3 transfers.

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

(in thousands)	2017			2016		
	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements	Investment income	Investment real property rents and appreciation	Change in value of split-interest agreements
Total net gains (losses) included in changes in net assets	$ 6,230	$ 57,080	$ 2,090	$ 40	$ 25,852	$ (1,613)
Change in net unrealized gains (losses) relating to assets still held at June 30	$ 34	$ 57,080	$ 2,090	$ 40	$ 25,852	$ (1,613)

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			
	2017		2016	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	$ (6,944)	$ 1,196,133	$ (11,952)	$ 1,098,569
Temporarily restricted	304,531	-	254,461	-
Permanently restricted	235,427	-	229,200	-
Total endowment funds	$ 533,014	$ 1,196,133	$ 471,709	$ 1,098,569

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

(in thousands)	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,086,617	$ 254,461	$ 229,200	$ 1,570,278
Investment return:				
Investment income	24,885	3,659	-	28,544
Net appreciation (realized and unrealized)	111,269	53,146	-	164,415
Administrative expenses	(2,175)	(2,216)	-	(4,391)
Total investment return	133,979	54,589	-	188,568
Contributions	799	8,249	3,577	12,625
Appropriations of assets for expenditure	(49,282)	(29,914)	-	(79,196)
Reinvestment of payout and internal transfers to endowments	17,076	17,146	2,650	36,872
Endowment net assets, end of year	$ 1,189,189	$ 304,531	$ 235,427	$ 1,729,147

(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

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor 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 $6.9 million and $11.9 million as of June 30, 2017 and 2016, 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 Subcommittee on Endowment and Investments of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed 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	
	2017	2016
Land	$ 179,975	$ 190,660
Buildings	2,111,143	1,935,430
Construction in progress	26,250	173,988
Accumulated depreciation	(687,847)	(643,961)
Total	$ 1,629,521	$ 1,656,117
Furniture and equipment	$ 167,835	$ 164,734
Library and historical research materials	74,230	79,625
Equipment under capital leases	9,917	10,545
Accumulated depreciation	(169,388)	(162,303)
Total	$ 82,594	$ 92,601

The value of Construction in progress includes the addition of capitalized interest of approximately $1.3 million and $4.1 million for the years ended June 30, 2017 and 2016, respectively.

FURNITURE AND EQUIPMENT EXPENDITURES

(in thousands)	JUNE 30	
	2017	2016
Capitalized	$ 14,983	$ 19,670
Expensed	16,382	16,007
Total	$ 31,365	$ 35,677

DEPRECIATION EXPENSE

(in thousands)	JUNE 30	
	2017	2016
Buildings	$ 56,002	$ 55,249
Furniture and equipment	23,098	23,818
Equipment under capital leases	1,773	1,911
Total	$ 80,873	$ 80,978

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30	
	2017	2016
Accrued building construction payable	$ 11,703	$ 14,815
Accrued interest payable	20,769	23,121
Accrued other liabilities	29,650	30,482
Accrued payroll and related liabilities	84,323	80,418
Accumulated postretirement liability	5,028	22,092
Asset retirement obligation	1,203	1,148
Split-interest agreements	6,528	6,694
Trade payables	14,825	17,854
Other payables	11,846	10,620
Total	$ 185,875	$ 207,244

NOTE 10 - BONDS AND NOTE PAYABLE

(in thousands)	JUNE 30			
	2017			2016
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Taxable bonds:				
2009 Series General Obligation	2/1/2019	Fixed 6.0%	$ -	$ 200,000
2010 Series General Obligation	9/15/2020	Fixed 4.812%	80,940	90,620
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	350,000
2016 Series General Obligation	9/15/2046	Fixed 3.545%	250,000	-
Unsecured note payable	5/1/2021	Fixed 3%	68	83
			1,769,008	1,728,703
Less: debt issuance costs			(7,063)	(6,686)
Total			$ 1,761,945	$ 1,722,017

As of June 30, 2017, 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 and 2018. There were no amounts outstanding under lines of credit at June 30, 2017 or 2016.

2016 bond issuance - 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 fund debt extinguishment costs of $23.1 million.

(in thousands)		JUNE 30	
Interest expense	Expense category	2017	2016
Bonds/note payable	Interest	$ 60,032	$ 58,425
Rental property	Investment real property	10,382	11,500
Capital leases	Interest	115	111
Total		$ 70,529	$ 70,036

As of June 30, 2017, principal payments are due on bonds and note payable in accordance with the following schedule:

Fiscal Year Ending June 30	*(in thousands)*
2018	$ 178,266
2019	10,877
2020	4,017
2021	55,848
2022	150,000
Thereafter	1,370,000
Total	$ 1,769,008

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 2028. Rent expense under operating leases totaled $15.7 million and $23.5 million for the years ended June 30, 2017 and 2016, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	*(in thousands)*
2018	$ 11,919
2019	12,028
2020	9,838
2021	9,952
2022	8,453
Thereafter	25,027
Total	$ 77,217

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			
	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	$ 23,263	$ -	$ 34,848	$ -
Endowment funds:				
Instruction and academic support	193,229	140,189	158,779	137,594
Student aid	88,773	83,586	74,668	80,195
Building funds	871	632	786	632
Other endowments	21,658	11,020	20,228	10,779
	304,531	235,427	254,461	229,200
Loan funds	-	3,812	-	3,607
Pledges:				
Instruction and academic support	26,075	865	43,955	40
Student aid	14,129	383	10,721	674
Building funds	2,997	-	5,680	-
Other pledges	11,996	1	13,503	-
	55,197	1,249	73,859	714
Split-interest agreements	27,720	26,903	21,601	25,580
Other	54,176	11,855	51,946	11,854
Total	$ 464,887	$ 279,246	$ 436,715	$ 270,955

NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30	
	2017	2016
Instruction and academic support	$ 706,209	$ 680,863
Research	193,102	180,080
Auxiliary enterprises	94,290	91,896
Student services	104,123	105,859
Institutional support	127,020	126,064
Independent operations	35,055	45,407
Student aid	17,099	17,548
Total	$ 1,276,898	$ 1,247,717

Independent operations include expenses associated with the University's investment real estate operations and defeasance costs of $8.8 million for the year ended June 30, 2016.

Costs related to the maintenance and operation of physical plant of $214.8 million and $216.8 million for the years ended June 30, 2017 and 2016, 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 $71.9 million and $79.1 million for the years ended June 30, 2017 and 2016, 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 $38.3 million and $36.9 million for the years ended June 30, 2017 and 2016, respectively.

The University provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements. Effective June 1, 2017, the University updated its post retirement benefit plan to provide a Medicare health insurance exchange for retirees and long-tem disability participants who are age 65 or older. A Retiree Health Savings Plan is provided for retirees who are under age 65 or are not Medicare eligible. The plan change reduced the accumulated postretirement liability by approximately $16 million. The University's policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of $5.0 million and $22.1 million as of June 30, 2017 and 2016, 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 which totaled approximately $31.7 million and $32.4 million the years ended June 30, 2017 and 2016, respectively. In addition, MFA leases certain office space, uses operational services, and provides academic support. Medical education agreements and other revenue of approximately $11.2 million and $11.5 million was reported for the years ended June 30, 2017 and 2016, 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	
	2017	2016
Line of credit receivable	$ 5,000	$ 5,000
Trade receivable	822	1,574
Trade payable	(2,693)	(2,045)
Net receivable (payable)	$ 3,129	$ 4,529

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, 2017 and 2016 was approximately $16.0 million and $13.1 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 $34.8 million and $33.7 million was reported for the years ended June 30, 2017 and 2016, respectively. The receivable from DHP for the unpaid balance of these services is $4.5 million and $4.7 million as of June 30, 2017 and 2016, respectively.

NOTE 16 – SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 27, 2017, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2017.

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Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2017	2016
Assets	$ 4,383,980	$ 4,146,574
Net assets	$ 2,321,845	$ 2,122,997
Increase/(Decrease) in net assets	$ 198,848	$ (77,343)
Investments	$ 2,165,852	$ 2,008,389
Bonds and notes payable	$ 1,761,945	$ 1,722,017
Revenues	$ 1,461,146	$ 1,173,091
Expenses	$ 1,276,898	$ 1,247,717
Capital expenditures	$ 71,577	$ 135,008

ENROLLMENT	ACADEMIC YEAR END				
	2017	2016	2015	2014	2013
STUDENTS-FTE					
Undergraduate	10,724	10,435	10,046	9,770	9,921
Graduate	9,579	8,983	8,804	8,837	8,938
Law (J.D.)	1,632	1,663	1,602	1,565	1,624
Medical (M.D.)	718	727	705	714	710
Non-degree	213	225	252	246	228
Total fall enrollment	22,866	22,033	21,409	21,132	21,421
UNDERGRADUATE ADMISSIONS					
Applications	25,488	19,837	19,069	21,789	21,756
Selectivity Ratio	40%	46%	44%	34%	33%
Matriculation Ratio	25%	28%	29%	31%	33%
GRADUATE ADMISSIONS					
Applications	23,715	22,348	22,257	22,452	22,780
Selectivity ratio	51%	51%	47%	47%	44%
Matriculation ratio	41%	41%	42%	42%	45%
LAW (J.D.)					
Applications	7,214	7,028	6,264	6,844	7,227
Selectivity ratio	37%	40%	46%	42%	29%
Matriculation ratio	17%	16%	19%	17%	19%
MEDICINE (M.D.)					
Applications	12,393	11,839	10,981	10,397	10,504
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	54%	56%	56%	52%	55%
DEGREES CONFERRED					
Baccalaureate	2,595	2,441	2,311	2,482	2,454
Master's	4,363	4,109	4,223	4,376	4,210
First professional	797	733	627	766	758
Doctoral	368	372	332	325	313


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