



THE GEORGE
WASHINGTON
UNIVERSITY
WASHINGTON, DC

THE GEORGE WASHINGTON UNIVERSITY

FINANCIAL REPORT

2013-2014



ENGAGING *the* WORLD

FROM THE NATION’S CAPITAL

The George Washington University’s solid financial performance is allowing the university to expand academic programs, enhance student support and develop hubs for research and the arts in the heart of the nation’s capital.

The university continues to forge partnerships with leading academic, arts and philanthropic institutions. A record \$80 million gift from the Milken Institute, the Sumner M. Redstone Charitable Foundation and the Milken Family Foundation—together with a new state-of-the-art facility—is helping GW prevent disease and promote wellness across the globe. A historic collaboration with the Corcoran Gallery of Art and the National Gallery of Art promises a renaissance for arts education at GW, while a partnership with The Textile Museum will result in the opening of a stunning new museum on the university’s Foggy Bottom Campus. A ground-breaking renewable energy collaboration, the Capital Partners Solar Project, will enable the university to meet a significant portion of its energy needs through solar power and reduce its carbon footprint.

Some of the university’s key capital projects will be realized in the upcoming year, including the Science and Engineering Hall, which will provide state-of-the-art classrooms, laboratories and classroom space for learning and research. With the new facility, students and faculty from across the university will be able to work together to push the boundaries of innovation and exploration.

To ensure students have access to comprehensive health and well-being resources, the university will open a combined student wellness space in early 2015. The space will house both the Student Health Service and the University Counseling Center in the centrally located Marvin Center.

New space for students to live, study and meet is also under development on campus. The university is making progress in the construction of District House, a 12-story residence hall that will provide housing for nearly 900 students as well as student life and retail space in the heart of Foggy Bottom.

In 2014, the university surpassed its fundraising goal, raising \$191 million. To invest in the future, the university publicly launched “Making History,” a \$1 billion philanthropic campaign effort that will bring the university into its third century and advance its “Vision 2021” strategic plan. The campaign supports the university’s key priorities of enhancing academics, supporting students and breaking new ground.

These highlights are a few of many detailed in the following pages that illustrate how the university is building a strong future as an educator of citizen-leaders.



Louis H. Katz
Executive Vice President and Treasurer

KNOWLEDGE *in Action*

An exceptional gift to support public health, a historic partnership with two of the nation's leading arts institutions and new cross-disciplinary initiatives focused on sustainability and autism demonstrate how the George Washington University is working to break new ground in education and research.



The Milken Institute School of Public Health was named in honor of transformative gifts from the Milken Institute, the Sumner M. Redstone Charitable Foundation and the Milken Family Foundation.

“These remarkable gifts mark the beginning of a new phase for the School of Public Health. The support and engagement of the Milken Institute, the Sumner M. Redstone Charitable Foundation and the Milken Family Foundation begin a new chapter in our growth as a 21st-century center of global public health leadership.”

—Lynn R. Goldman, dean of the Milken Institute School of Public Health

TRANSFORMING PUBLIC HEALTH WORLDWIDE

Thanks to a record-breaking collaborative donation, the university has a greatly enhanced ability to address public health challenges across the globe.

In March 2014, the university announced the largest gift in its history—a total of \$80 million from the Milken Institute, the Sumner M. Redstone Charitable Foundation and the Milken Family Foundation.

To honor these exceptional gifts, the GW Board of Trustees approved the renaming of the School of Public Health and Health Services as the Milken Institute School of Public Health and the establishment of the Sumner M. Redstone Global Center for Prevention and Wellness.

The donation is funding research and scholarships, enabling the development and advancement of innovative strategies to expand wellness and prevention of disease, and supporting the dean's office, including a newly created public health scholarship program. As part of the Milken Family Foundation gift, the school will be led by the Michael and Lori Milken Dean of Public Health.





GW assumed custody of and care for a number of permanent artworks in the historic Corcoran building, including the Canova Lions (above) and the Salon Doré (right), the Corcoran's 18th-century French period room.

AN UNPRECEDENTED ARTS COLLABORATION

The university established a partnership with two world-class art museums to create a collaborative institution that will dramatically elevate arts education in our nation's capital.

An agreement with the Corcoran Gallery of Art, the Corcoran College of Art + Design and the National Gallery of Art was finalized in May 2014.

Upon closing of the final agreement in August 2014, GW began operating the Corcoran School of the Arts and Design, maintaining its identity within the Columbian College of Arts and Sciences, and assumed ownership of the Corcoran's historic 17th Street building and its renovation.

The agreement maintains the Corcoran building as a center for the arts while safeguarding the museum's collection and increasing access to it as a public D.C. resource.

GW also assumed custody and care of a number of permanent artworks in the Corcoran building. The National Gallery will keep a Corcoran Legacy Gallery within the building, displaying a selection of works from the collection that are identified historically with the 17th Street landmark structure.

As part of the finalized agreement, GW will receive approximately \$43 million in funds that will go toward the operations of the Corcoran School and to the renovation of the 17th Street building, which will remain a classroom and studio space for Corcoran students.

The university's commitment to arts and arts education is also evident in the development of the George Washington University Museum and The Textile Museum on the Foggy Bottom Campus. The museum, slated to open March 2015, will showcase world-renowned textiles as well as the Albert H. Small Washingtoniana Collection in a stunning new setting.

“I can't imagine a more effective way to demonstrate the vitality of the arts and the power of arts education than this unprecedented three-way partnership among George Washington, the Corcoran and the National Gallery of Art. Together, we are building a kind of collaborative institution that the arts world has never before seen.”

—George Washington University President Steven Knapp

ON THE CUTTING EDGE OF DISCOVERY

With the help of more than \$100 million in grants, GW continues to make extraordinary research progress in science, medicine, public health and more.

In just one month—September 2013—faculty members received more than \$13 million from federal agencies to fund research projects within the School of Medicine and Health Sciences, the Milken Institute School of Public Health, the Elliott School of International Affairs and the Graduate School of Education and Human Development.

The grants, which came from institutions including the Centers for Disease Control and Prevention and the Department of State, funded projects that are examining renal and kidney cancer in autoworkers, how mobile phones can improve diabetes care and helping empower women in Pakistan, among others.

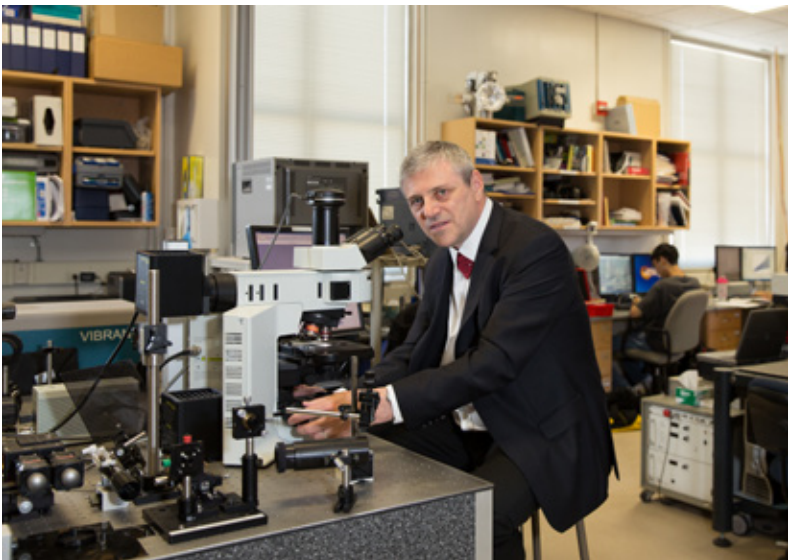
The grants were awarded at a time when federal funding for academic research has become more competitive than ever before—making the achievements of GW faculty and researchers particularly significant.

In January 2014, the university announced that a team led by Akos Vertes, professor of chemistry in the Columbian College of Arts and Sciences, will receive up to \$14.6 million over five years from the Defense Advanced Research Projects Agency (DARPA) to develop an approach that will rapidly identify the root of biological and chemical threats. The research has the potential to bolster national security efforts.

The Global Women's Institute also received its first major research grant during this fiscal year. The institute was awarded \$500,000 from the Australian government to begin a systematic review of all studies related to violence against women prevention and response.

In May, Paul Marvar, an assistant professor of pharmacology and physiology, was awarded a \$721,435 grant from the National Heart, Lung and Blood Institute to study stress-induced hypertension and its effects on the neuroimmune system. This grant will support further understanding of why those with psychological disorders, such as post-traumatic stress disorder (PTSD), have a higher risk of developing high blood pressure. Also in May, Wenge Zhu, assistant professor of biochemistry and molecular medicine, received \$1.6 million from the National Institutes of Health to study a new mechanism governing DNA damage response, which plays an important role in the development of anti-cancer approaches.

Ongoing research at GW has yielded discoveries that have the potential to change the way we treat disease and shape our understanding of the world. For example, a study published by Lance Price, professor of environmental and occupational health, could help doctors identify, stop or



Akos Vertes, professor of chemistry, will lead a team tasked with rapidly identifying the root of biological and chemical threats—reducing to 30 days a process that can take years or even decades.

prevent a particularly malignant strain of E. coli before it turns into a lethal infection. And Narine Sarvazyan, a professor of pharmacology and physiology, is engineering tiny pumps—or mini-hearts—that could be put wherever the circulatory system could use an extra push. The pumps could help prevent varicose veins, ulcers, infections or even amputations.

GW researchers also spent this year developing innovative devices with various real-world applications. Chemistry professor Stuart Licht and his research team developed a new type of high-energy, rechargeable batteries that have the highest intrinsic electric energy storage of any other batteries to date. This “molten air battery” has the potential to someday replace conventional electric car batteries. In the School of Engineering and Applied Science, assistant professor Zhenyu Li is creating flexible electronics, which could be used in diagnostic devices or to make laptops that could roll up into your pocket. A study that was published in June from Lorien Abrams, a professor in the Milken Institute School of Public Health, found that a text-messaging program, called Text2Quit, helped smokers resist the urge to light up. After a six-month period, 11 percent of smokers who used the GW-licensed smoking cessation program quit the habit, compared with just 5 percent of controls.

Also in fiscal year 2014, two separate groups of GW researchers unearthed remarkable findings on reptiles: Biology professor Alex Pyron's research suggests that the ancestors of snakes and lizards likely gave birth to their live young, rather than laying eggs. Lorena Barba, associate professor of mechanical and aerospace engineering, helped show how a species of snakes can fly through the air by building a computer model to study the aerodynamics of the slithering creatures.

“ Our faculty members are able to be competitive in a very, very challenging climate. At a time when almost nine out of 10 applications get turned down, it is really remarkable.”
— Vice President for Research **Leo Chalupa**

NEW LEADERSHIP

The university added two renowned scholars and experienced leaders to its senior staff this year.

Linda Livingstone, formerly the dean of the Graziadio School of Business and Management at Pepperdine University, was appointed the dean of the GW School of Business. Dr. Livingstone led Pepperdine University’s business school for 12 years, overseeing a \$200 million expansion of the business school’s regional campuses and increasing the school’s international partnerships to 40 business schools around the world. In 2014, she also assumed a position as chair of the board of directors of the Association to Advance Collegiate Schools of Business (AACSB), the premier international accrediting body for institutions offering undergraduate, master’s and doctoral degrees in business and accounting.

GW also selected a top educator to lead its Law School. Blake D. Morant served as dean of the Wake Forest University School of Law for seven years. He is president-elect of the Association of American Law Schools, comprising 176 law schools, and will serve as its president in 2015. In addition, he has served in numerous leadership positions for the American Bar Association (ABA), including as vice chair of the ABA Diversity Committee. He was appointed to the Federal Judicial Center Foundation Board by U.S. Supreme Court Chief Justice John G. Roberts and by the Virginia Supreme Court to serve on a task force to study gender bias in the Virginia courts. Mr. Morant was also named GW’s Robert Kramer Research Professor of Law.



Law School Dean *Blake D. Morant*



School of Business Dean *Linda Livingstone*



GW community members raise their hands in support of Pakistani activist Malala Yousafzai.

CROSSING DISCIPLINES

The George Washington University continues to forge interdisciplinary research and academic programs that address complex challenges facing our nation and the world.

In 2014, the university launched a Sustainability Institute to advance GW’s prominence as an academic leader in multidisciplinary sustainability education, research and outreach. Kathleen A. Merrigan, the former deputy secretary of the U.S. Department of Agriculture, was chosen to lead the effort, following an extensive nationwide search.

To help children with autism and neurodevelopmental disorders transition into adulthood, the university established an interdisciplinary Autism and Neurodevelopmental Disorders (AND) Initiative in spring 2014. A \$2.5 million gift from the Nelson A. and Michele Carbonell Family Foundation will endow a professor who will serve as the inaugural director of the initiative. Mr. Carbonell, B.S. ’85, is the chair of the university’s Board of Trustees; he and his wife, Michele, have a son with autism.

In an effort to bolster education about women’s issues and rights, GW’s Global Women’s Institute (GWI) worked with the Malala Fund, a nonprofit organization that represents Pakistani activist Malala Yousafzai, the youngest-ever Nobel Peace Prize winner. Under the partnership, the university is developing a curriculum to accompany Ms. Yousafzai’s memoir, “I Am Malala,” with publisher Little, Brown and Company. It will focus on themes such as the importance

of a woman’s voice, how education empowers women, global feminism and political extremism. The curriculum will also encourage students to take action through service learning and advocacy. It will be available to faculty and students at no cost.

OPENING DOORS FOR ALL STUDENTS

The George Washington University has pledged to extend educational opportunities for low-income students. After participating in a college affordability summit with more than 100 university and college presidents at the White House in January 2014, President Steven Knapp convened a university-wide Task Force on Access and Success.

The task force is examining the university’s current efforts, looking for new ways of encouraging college attendance and ensuring that GW does everything possible to guarantee the academic success of lower-income students. It is chaired by Vice Provost for Diversity and Inclusion Terri Harris Reed, and its members include Dean Ben Vinson III of the Columbian College of Arts and Sciences, Dean Michael Feuer of the Graduate School of Education and Human Development and Dean Jean Johnson of the School of Nursing, as well as faculty, students and staff from across the university.

With record service hours, new opportunities for service learning and social entrepreneurship and expanded resources for career services, George Washington community members are better prepared than ever to leave their imprint on the world.

PASSION for CHANGING the WORLD

“Service is a hallmark of our culture. Civic engagement, citizenship and leadership are integrated across the university.”
—Amy Cohen, executive director,
Center for Civic Engagement and
Public Service



RECORD SERVICE

In fiscal year 2014, George Washington students, faculty and staff helped rebuild communities devastated by natural disasters, constructed and repaired schools, taught children English and how to read, and assembled care packages for wounded veterans.

In the process, they amassed 403,146 service hours, more than four times the challenge goal of 100,000 hours First Lady Michelle Obama issued in 2009. Over the past five years, the university has compiled 1.24 million volunteer hours in communities around the world.

Volunteers accumulated more than 25,000 hours of service through GW Alternative Breaks, Freshman Day of Service and MLK Day of Service, rolling up their sleeves on beautification, infrastructure, environmental sustainability and mentoring programs in communities in D.C. and around the world.

The university hosted a record 17 alternative break trips in 2014, including international excursions to Ecuador, Guatemala, Nicaragua, Costa Rica and Puerto Rico as well as national ones to cities including Detroit, New Orleans and Tuscaloosa, Ala.

For the sixth year in a row, GW was recognized as a top Peace Corps producer. The university was fourth in a list of the top 25 volunteer-producing colleges in the medium school category. Forty-one alumni currently serve as Peace Corps volunteers, and more than 1,100 have served since the organization was established in 1961.

The university was also named a top contributor to Teach for America by the nonprofit organization. Over the past 23 years, 317 GW alumni have worked as Teach for America corps members.





Students on Alternative Break partnered with organizations like Habitat for Humanity to help communities in need.



At Lemonade Day D.C., GW's citywide social entrepreneurship program, young students learn the fundamentals of entrepreneurship—fostering financial literacy, responsibility and independence.

“Programs like Alternative Breaks allow GW students to act on changing the world rather than just talking about it.”

—Columbian College senior **Mike Cuttler**, who made three Alternative Breaks trips to New Orleans for post-Hurricane Katrina relief

CIVIC ENGAGEMENT IN THE CLASSROOM

Academic service-learning is one of the fastest-growing areas of civic engagement at GW, increasing from 41 courses two years ago to 67 in 2013-14. History professor Chris Klemek’s “Washington D.C.: History, Culture, Politics” course, for example, has evolved from a traditional reading-lecture-discussion format into Digital DC, the first course designated by the Columbian College of Arts and Sciences for civic engagement credit and the first service-learning class offered in the history department.

Dr. Klemek’s course is unique in material but familiar in mission. Long-running service-learning courses at the university place students with community partners in the city, where they spend three to four hours a week on projects that improve their skills and enhance the capacity of the organization.

SOCIAL ENTREPRENEURSHIP

Partnerships in the D.C. community and immersive programs like GW Jumpstart, a national AmeriCorps program that trains and places college students in preschools, have contributed to the large increase in students who qualify for the President’s Volunteer Service Award, an honor bestowed by President Barack Obama, by accumulating more than 100 hours of service in a year. GW reported 269 students achieving this national status in 2012-13. In the 2013-14 academic year, the number grew to 618.

The emergence of problem-solving programs that blend service and professional development is creating a new generation of social entrepreneurs. GWupstart, which launched in fall 2013 as part of the university’s participation in the Clinton Global Initiative, introduced a social entrepreneurship track in the GW Business Plan Competition. Lemonade Day, which teaches the fundamentals of entrepreneurship while fostering financial literacy in 36 cities nationwide, came to D.C. when a GW student pitched the idea to the School of Business in 2013. It now exists alongside MLK Day of Service and Freshman Day of Service as one of the largest single-day service events at the university.



Pedal Forward, a sustainable bamboo bike company founded by three GW students, was launched with help from GWupstart’s “Best For-Profit Social Venture” prize.



Members of the Naval Reserve Officers Training Corps honor Veterans Day.

“George Washington is a community of individuals who care. Upon my departure from the institution, I know I will be more than prepared to serve my country and my community.”

—Columbian College senior
Emanuel Johnson, president,
GW Student Veterans

SUPPORT FOR VETERANS

More than 1,350 military members, veterans and their families are enrolled at the university, and assistance for veterans continues to be a priority for GW.

Under the leadership of Vice Admiral (retired) Mel Williams Jr., associate provost for military and veterans affairs, GW launched the Veterans Accelerate Learning Opportunities and Rewards program (GW VALOR) in 2013. Since then, the university has expanded access and affordability for military members, veterans and their families by increasing support at the GW Hampton Roads Center, military facilities and the School of Nursing’s Transition to Nursing program.

In spring 2014, the university was selected to create a graduate-level leadership program for company officers in their first year of service at the United States Naval Academy (USNA). The interdisciplinary, 45-credit Master of Arts in Leadership Education and Development (LEAD) degree program blends coursework from the Columbian College of Arts and Sciences, the Graduate School of Education and Human Development and USNA. It is intended to prepare company officers for their roles as mentors to midshipmen. The first cohort began in June 2014.

Partnerships with outside organizations such as the Pat Tillman Foundation allow GW student veterans to receive additional financial assistance and to achieve academic excellence. GW is one of 15 university partners within the Tillman organization—a designation awarded based on an institution’s veteran-specific services and supportive culture. In 2014, two GW graduate students were selected as Tillman Military Scholars in recognition of their service, leadership and academic excellence.

The Office of Military and Veteran Student Services has created a number of initiatives in fiscal year 2014 that are intended to ease the transition from combat to college as well as to educate the non-veteran GW community about military culture. These projects include a faculty and staff training program called the Ribbon Project and the Transition Assistance Guidance and Support (TAGS) peer-mentoring program. GW also became one of 96 colleges nationwide to participate in the VetSuccess On Campus program, which places a U.S. Department of Veterans Affairs vocational rehabilitation counselor permanently on campus to assist veterans with their academic success and wellness.



A record number of students and alumni attended networking events organized by the Center for Career Services.

ENHANCING CAREER SERVICES

The university continues to empower students and alumni in the job market through the Career Services Enhancement Initiative and the Center for Career Services.

The class of 2013 Post-Baccalaureate Survey (compiled by GW’s Center for Career Services and Office of Survey Research and Analysis) reported that 92 percent of GW graduates have found full-time employment, continued their education or engaged in military and philanthropic service, among other activities. The Center for Career Services revamped the fall and spring career fairs, inviting a host of new prospective employers and introducing Grupio, a mobile app that helps students connect with employers

during career fairs. More than 1,500 students and alumni—a record number—attended the fall networking event held at the Charles E. Smith Center.

In February 2014, the university launched the My Career Success Plan, a comprehensive action plan to connect students with a career path and awarded \$150,000 in funding to 86 students participating in unpaid internships through the Knowledge in Action Career Internship Fund. And in May, Board of Trustees member Mark R. Shenkman, M.B.A. ’67, and his wife, Rosalind, donated \$5 million to support the GW Career Services Enhancement Initiative and the F. David Fowler Career Center at the School of Business.

The university continues to invest in the future by developing state-of-the-art facilities and innovative resources for research, teaching and learning.

BUILDING A *Stronger* GW

making HISTORY THE CAMPAIGN FOR GW

“Power & Promise truly lives up to its name. It gives students the power to achieve their goals, and a promise that they’re believed in. That’s why I believe in it so much.”

—Elliott School of International Affairs
senior Maddison Bruer

MAKING HISTORY: THE CAMPAIGN FOR GW

The university raised \$191 million in fiscal year 2014, including a record-breaking 26 principal gifts of \$1 million or more, totaling \$129.5 million.

In June, the George Washington University publicly launched “Making History: The Campaign for GW,” a seven-year comprehensive campaign that builds upon the university’s strategic plan. The \$1 billion philanthropic campaign focuses on three areas: breaking new ground on facilities and research, enhancing academics and supporting students through financial aid and career services.

The campaign began with a quiet phase in July 2011. At the launch in June, GW announced that the Making History campaign has raised \$525 million through the generous support of more than 45,000 donors.

More than \$35 million was raised for Power & Promise student aid during the fiscal year, over twice the previous year. Annual giving numbers also increased with over 22,000 donors—the most ever at GW in a single year—making gifts totaling \$13.5 million. The senior class set a record for participation and dollars, with more than 58 percent of the graduating class contributing to a \$94,450 class gift. A \$55,000 challenge by Board of Trustees chair Nelson A. Carbonell, B.S. ’85, and Michele Carbonell was met by the class of 2014, bringing the final gift to \$149,450.



“The Science and Engineering Hall will raise the visibility and awareness of research at the university and inspire students and researchers. I am excited to see faculty grow their programs to benefit students and enhance their own research.”

—Professor of Epidemiology and Biostatistics
Jeanne Jordan



TOP: The Science and Engineering Hall is scheduled to open in early 2015.

BOTTOM: U.S. Supreme Court Justice Sonia Sotomayor helps celebrate the renovation of the Jacob Burns Community Legal Clinics.

ENHANCING FACILITIES

GW celebrated a number of campus development milestones in fiscal year 2014 that advance the university's mission of providing state-of-the-art spaces for learning, research and living.

The new home of the Milken Institute School of Public Health formally opened with a ribbon-cutting ceremony in May 2014. It is the first facility to house all seven of the school's departments in one building and the first LEED Platinum-certified university project in D.C.—the highest rating for green design awarded by the U.S. Green Building Council. Developed with the health and wellness of the community in mind, the nine-story building boasts floor-to-ceiling windows, elegant central staircases, a meditation room, student lounges, study rooms and convertible workstations.

In January 2014, U.S. Supreme Court Justice Sonia Sotomayor helped the university celebrate the renovation of the GW Law School's Jacob Burns Community Legal Clinics. The LEED Gold-certified space enables students to gain firsthand experience representing community members in need of legal services. The renovated legal clinics feature a moot courtroom, four private rooms for client interviews and five classrooms.

The renovated entrance floor of the Estelle and Melvin Gelman Library was greeted with praise from students, faculty, staff, parents and alumni at the grand opening ceremony held during Colonials Weekend in October 2013. A new outdoor patio leads through the modern entryway on Kogan Plaza to the second floor of the library, which features a student lounge and laptop bars, a learning commons, and a multimedia lab and data visualization space.

GW also continued progress on the development of the George Washington University Museum and The Textile Museum, offering a sneak peak of the project in June 2014. The facility includes the 160-year-old Woodhull House—connected to the gallery by a glass bridge. The museum will display pieces from The Textile Museum's collection of more than 19,000 objects, the Albert H. Small Washingtoniana Collection of nearly 1,000 objects, and items from GW's collection. Artifacts will be stored at a LEED Silver-certified conservation and collections resource center on the Virginia Science and Technology Campus, completed in spring 2014.

In December 2013, the construction reached the highest point in the Science and Engineering Hall's concrete structure—a process known as “topping out.” The hub for science and engineering has space for teaching, research and faculty offices—including eight floors above grade, six floors below grade and four floors of parking space. It is slated to open in 2015.

“The new museum brings collections of global importance to the GW campus and provides a public place for scholarship, cultural programming and museum education.”

—Director of the George Washington University Museum and The Textile Museum **John Wetenhall**

To provide a central, comprehensive health resource center for students, the university announced plans to move the Student Health Service and University Counseling Center to the Marvin Center. The two offices will share space on the entrance and main levels of the building, offering significantly expanded square footage and increased accessibility for the student community. The center is expected to open for the spring 2015 semester.

The university continued construction on District House, a new residence hall on Square 77, slated for completion in advance of the fall 2016 semester. The 12-story building incorporates historically significant portions of Crawford, Schenley and West End residence halls and will provide nearly 900 housing spots to students at the heart of the Foggy Bottom Campus.

GW also began a seven-year renovation cycle for all residence halls to better serve students living on campus. During summer 2014, Dakota Hall, International House and City Hall received the first round of upgrades, including new carpets, cabinetry, drywall and appliances.

FOSTERING SUSTAINABILITY

In June 2014, GW announced the Capital Partners Solar Project, a partnership with American University and the George Washington University Hospital to create a renewable energy project that taps into solar power from North Carolina. The project, owned and operated by a subsidiary of Duke Energy Renewables, will meet 50 percent of the university's power usage over the next 20 years and support GW's climate action plan to reach carbon neutrality by 2040. The project marks the largest non-utility solar photovoltaic (PV) power purchase in the U.S. and the largest PV project east of the Mississippi River.

FURTHERING INNOVATION

The university continued to invest in its top academic priorities through the Innovation Task Force, convened by GW President Steven Knapp in 2009 to generate annual, recurring savings and new revenue for reinvestment in the university. GW's fiscal year 2015 budget will include \$26 million in ITF-generated funds that will be used to support GW's core faculty, research and academic programs.

Alex Schneider, a second-year Law School student, and Joe Holleran, a junior in the School of Business, were each awarded \$50,000 scholarships in April 2014 through the first ITF scholarship competition. The competition calls upon students for ideas to reduce net costs or generate new net revenues of \$1 million or more annually for the university. The winning students' ideas were selected from a pool of 47 proposals. The innovative plans will reduce computer energy use and lower the fees incurred by the university and international students when exchanging currency.



University community members celebrate Earth Day.

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

Elizabeth Warren, U.S. senator

Kathryn Bigelow, Academy Award-winning director

Elliott School of
International Affairs

Jim Yong Kim, World Bank president

Dan Rather, former CBS News anchor

Doris Kearns Goodwin, author and presidential historian

Mark Warner, U.S. senator

Thomas Friedman, author and New York Times columnist

Arne Duncan, U.S. secretary of education

Sonia Sotomayor, U.S. Supreme Court justice

Joe Biden, U.S. vice president

Christine Lagarde, International Monetary Fund
managing director

José Andrés, chef and humanitarian

Hillary Clinton, former U.S. secretary of state

Antonin Scalia, U.S. Supreme Court justice

So does **OUR**
CAMPUS.

Independent
AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The George Washington University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of unrestricted activities, consolidated statements of activities, and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McLean, Virginia
September 16, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2014 and 2013 (in thousands)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 40,232	\$ 224,255
Short-term investments	346	100,336
Accounts receivable, net	56,030	40,902
Pledges receivable, net	130,057	68,441
Investments	1,983,120	1,760,862
Loans and notes receivable, net	28,863	29,350
Physical properties, net:		
Land and buildings	1,434,523	1,213,953
Furniture and equipment	83,122	76,935
Other assets	26,239	30,804
Total assets	\$ 3,782,532	\$ 3,545,838
LIABILITIES		
Accounts payable and accrued expenses	\$ 215,788	\$ 205,413
Deferred revenue:		
Tuition and other deposits	33,087	30,261
Grants and contracts payments	13,557	11,883
Bonds and notes payable	1,361,030	1,378,834
Funds advanced for student loans	29,311	28,887
Total liabilities	1,652,773	1,655,278
NET ASSETS		
Unrestricted net assets (deficit):		
Unrestricted operating	(26,266)	(25,731)
Unrestricted capital and investing	1,493,452	1,407,340
Total unrestricted	1,467,186	1,381,609
Temporarily restricted	420,552	281,284
Permanently restricted	242,021	227,667
Total net assets	2,129,759	1,890,560
Total liabilities and net assets	\$ 3,782,532	\$ 3,545,838

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

CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES

Years Ended June 30, 2014 and 2013
(in thousands)

	2014			2013		
	Operating	Capital and Investing	Total Unrestricted	Operating	Capital and Investing	Total Unrestricted
REVENUE						
Student tuition and fees	\$ 847,060	\$ -	\$ 847,060	\$ 827,985	\$ -	\$ 827,985
Less: University funded scholarships	(238,932)	-	(238,932)	(229,031)	-	(229,031)
Net student tuition and fees	608,128	-	608,128	598,954	-	598,954
Grants and contracts						
Program funds	171,784	4,724	176,508	143,340	8,938	152,278
Indirect cost recoveries	22,768	-	22,768	21,171	-	21,171
Investment income, net	58	80,989	81,047	286	52,546	52,832
Investment real property rents and appreciation	-	151,003	151,003	-	77,775	77,775
Change in value of split-interest agreements	-	31	31	-	11	11
Auxiliary enterprises	98,388	-	98,388	101,667	-	101,667
Contributions, net	17,180	4,447	21,627	14,805	2,423	17,228
Net assets released from restrictions	6,408	26,402	32,810	10,266	33,920	44,186
Medical education agreements	58,236	3,035	61,271	55,434	2,832	58,266
Other income	24,840	2,971	27,811	22,328	2,767	25,095
Total revenue	1,007,790	273,602	1,281,392	968,251	181,212	1,149,463
EXPENSES						
Salaries and wages	530,602	-	530,602	506,304	39	506,343
Fringe benefits	117,810	-	117,810	110,322	3	110,325
Purchased services	223,096	988	224,084	183,442	1,276	184,718
Supplies	13,443	5	13,448	13,246	10	13,256
Equipment	13,545	4,848	18,393	13,574	2,087	15,661
Bad debt	3,043	-	3,043	1,672	-	1,672
Occupancy	60,912	67,373	128,285	58,574	62,104	120,678
Investment real property expense	-	39,412	39,412	-	39,146	39,146
Scholarships and fellowships	17,243	-	17,243	19,373	5	19,378
Communications	5,425	5	5,430	5,274	2	5,276
Travel and training	29,243	-	29,243	28,398	-	28,398
Interest	-	37,325	37,325	8	42,664	42,672
Other	29,684	(3,321)	26,363	27,877	4,372	32,249
Total expenses	1,044,046	146,635	1,190,681	968,064	151,708	1,119,772
OTHER INCREASES (DECREASES) IN NET ASSETS						
Debt service and mandatory purposes	(66,367)	66,367	-	(56,889)	56,889	-
Endowment support	66,916	(68,319)	(1,403)	62,531	(63,891)	(1,360)
Capital expenditures	(20,639)	20,639	-	(18,980)	18,980	-
Postretirement related changes	-	(1,656)	(1,656)	-	1,198	1,198
Support/investment	55,811	(57,886)	(2,075)	10,933	(10,631)	302
Total other changes in net assets	35,721	(40,855)	(5,134)	(2,405)	2,545	140
Increase (decrease) in net assets	(535)	86,112	85,577	(2,218)	32,049	29,831
Net assets (deficit) at the beginning of the year	(25,731)	1,407,340	1,381,609	(23,513)	1,375,291	1,351,778
Net assets (deficit) at the end of the year	\$ (26,266)	\$ 1,493,452	\$ 1,467,186	\$ (25,731)	\$ 1,407,340	\$ 1,381,609

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013
(in thousands)

	2014				2013			
	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Student tuition and fees	\$ 847,060	\$ -	\$ -	\$ 847,060	\$ 827,985	\$ -	\$ -	\$ 827,985
Less: University funded scholarships	(238,932)	-	-	(238,932)	(229,031)	-	-	(229,031)
Net student tuition and fees	608,128	-	-	608,128	598,954	-	-	598,954
Grants and contracts								
Program funds	176,508	-	-	176,508	152,278	-	-	152,278
Indirect cost recoveries	22,768	-	-	22,768	21,171	-	-	21,171
Investment income, net	81,047	58,072	-	139,119	52,832	31,911	-	84,743
Investment real property rents and appreciation	151,003	-	-	151,003	77,775	-	-	77,775
Change in value of split-interest agreements	31	3,009	1,997	5,037	11	409	1,995	2,415
Auxiliary enterprises	98,388	-	-	98,388	101,667	-	-	101,667
Contributions, net	21,627	108,867	11,006	141,500	17,228	37,513	866	55,607
Net assets released from restrictions	32,810	(32,810)	-	-	44,186	(44,186)	-	-
Medical education agreements	61,271	-	-	61,271	58,266	-	-	58,266
Other income	27,811	-	3	27,814	25,095	-	13	25,108
Total revenue	1,281,392	137,138	13,006	1,431,536	1,149,463	25,647	2,874	1,177,984
EXPENSES								
Salaries and wages	530,602	-	-	530,602	506,343	-	-	506,343
Fringe benefits	117,810	-	-	117,810	110,325	-	-	110,325
Purchased services	224,084	-	-	224,084	184,718	-	-	184,718
Supplies	13,448	-	-	13,448	13,256	-	-	13,256
Equipment	18,393	-	-	18,393	15,661	-	-	15,661
Bad debt	3,043	-	-	3,043	1,672	-	-	1,672
Occupancy	128,285	-	-	128,285	120,678	-	-	120,678
Investment real property expense	39,412	-	-	39,412	39,146	-	-	39,146
Scholarships and fellowships	17,243	-	-	17,243	19,378	-	-	19,378
Communications	5,430	-	-	5,430	5,276	-	-	5,276
Travel and training	29,243	-	-	29,243	28,398	-	-	28,398
Interest	37,325	-	-	37,325	42,672	-	-	42,672
Other	26,363	-	-	26,363	32,249	-	-	32,249
Total expenses	1,190,681	-	-	1,190,681	1,119,772	-	-	1,119,772
OTHER INCREASES (DECREASES) IN NET ASSETS								
Endowment support	(1,403)	(194)	1,597	-	(1,360)	199	1,161	-
Postretirement related changes	(1,656)	-	-	(1,656)	1,198	-	-	1,198
Support/investment	(2,075)	2,324	(249)	-	302	45	(347)	-
Total other changes in net assets	(5,134)	2,130	1,348	(1,656)	140	244	814	1,198
Increase in net assets	85,577	139,268	14,354	239,199	29,831	25,891	3,688	59,410
Net assets at the beginning of the year	1,381,609	281,284	227,667	1,890,560	1,351,778	255,393	223,979	1,831,150
Net assets at the end of the year	\$ 1,467,186	\$ 420,552	\$ 242,021	\$ 2,129,759	\$ 1,381,609	\$ 281,284	\$ 227,667	\$ 1,890,560

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 239,199	\$ 59,410
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated assets	(11,341)	(2,201)
Depreciation, amortization and accretion expenses	66,746	63,251
Provision for bad debt	3,043	1,672
Change in value of split-interest agreements	(5,037)	(2,415)
Net unrealized (gain) on investments	(163,130)	(70,936)
Net realized (gain) on investments	(55,108)	(22,483)
Realized (gain)/loss on sale of real property	253	(441)
(Increase) decrease in operating assets:		
Accounts receivable	(18,186)	13,869
Pledges receivable	(61,616)	(153)
Other assets	3,539	(1,099)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,435	(9,491)
Tuition and other deposits	2,826	(228)
Grants and contracts deferred revenue	1,674	(2,027)
Contributions restricted for long-term investment	(16,436)	(9,711)
Net cash (used in) provided by operating activities	(9,139)	17,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(267,811)	(306,469)
Proceeds from sales and maturity of investments	282,913	328,422
Purchase of short-term investments	(174,980)	(149,950)
Proceeds from sales and maturity of short-term investments	275,000	50,000
Purchases and renovations of land and buildings	(267,965)	(192,976)
Additions of furniture and equipment	(26,546)	(19,334)
Net proceeds from sale of real property	5,198	683
Reduction in other loans and notes receivable	251	780
Net cash (used in) investing activities	(173,940)	(288,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from contributions restricted for long-term investment	16,436	9,711
Principal payments and refinancing of bonds and notes payable	(17,804)	(348,847)
Proceeds from borrowings and refinancing of bonds and notes payable	-	338,000
Payments of debt issuance costs	-	(1,765)
Increase in refundable advances from the U.S. Government	424	355
Net cash (used in) financing activities	(944)	(2,546)
Net (decrease) in cash and cash equivalents	(184,023)	(274,373)
Cash and cash equivalents at the beginning of the year	224,255	498,628
Cash and cash equivalents at the end of the year	\$ 40,232	\$ 224,255
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 51,608	\$ 56,144
Gross value of additions to capital leases	1,122	1,211
Note receivable on sale of real property	-	375

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE UNIVERSITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and reporting practices prescribed for not-for-profit entities. The consolidated statements include the accounts of the George Washington University and its wholly owned subsidiaries. Significant intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

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

Short-Term Investments

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received for capital projects, endowment funds, or student loans and contributions under split-interest agreements or perpetual trusts are reported as capital and investing unrestricted revenues, temporarily restricted revenues, or permanently restricted revenues according to donor-imposed restrictions. All other contributions are reported as operating revenues unless the donor has otherwise restricted the contributions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Promises to give with payments to be received after one year from the date of the financial statements are discounted. For promises to give received prior to July 1, 2008, the discount rate was the risk-free rate of return at the date of the gift. For promises to give received on or after July 1, 2008, payments expected to be received more than one year from the balance sheet date are discounted at a risk-adjusted rate approximating the market rates for unsecured borrowing as required by fair value measurement accounting standards. Allowance is made for uncollectible contributions based upon management’s judgment after analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments and Investment Income

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

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

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

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

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

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

Accounts Receivable

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

Loans Receivable and Refundable Advances

Loans receivable are primarily related to federal student financial aid programs and are carried at face value, less an allowance for doubtful accounts, of \$0.11 million and \$0.12 million for the years ended June 30, 2014 and 2013, respectively. The allowance for doubtful accounts is estimated based on the University’s historical experience and periodic review of individual accounts. The majority of the University’s loans receivable represents amounts due under federally guaranteed programs; therefore no reserves are recorded for the federal portion. Generally, payment on loans receivable commences upon graduation and can extend up to 10 years. These loans carry interest rates ranging from 3% to 9%. The carrying value of loans receivable approximates fair value. Funds provided by the U.S. Government under the Federal Perkins and Health Professions Student Loan Programs are loaned to qualified students and may be loaned again after collection. These funds are ultimately refundable to the U.S. Government. These federal loan programs have cash restricted as to their use of \$3.9 million and \$4.0 million as of June 30, 2014 and 2013, respectively.

Physical Properties

Land is stated at cost or appraised value at date of donation; buildings, furniture, and equipment are stated at cost. Buildings, furniture, and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. Construction in progress costs are included in Land and buildings on the Consolidated Statements of Financial Position. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Equipment under capital leases is included in assets and liabilities at the value of future minimum lease payments discounted by the University’s incremental borrowing rate. Property acquired on federally funded awards that meets the University’s capitalization criteria is recorded as an asset of the University and depreciated in accordance with the University’s depreciation policy. These assets are disposed of as prescribed by relevant federal requirements at the conclusion of the award.

Net Asset Classes

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

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

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

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

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

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

Other Increases (Decreases) In Net Assets

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

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

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

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

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

Tuition, Fees, and Scholarships

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

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

Occupancy

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

Use of Estimates

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

Reclassifications to Prior Year Financial Statements

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

NOTE 3 - ACCOUNTS RECEIVABLE

(in thousands)	JUNE 30	
	2014	2013
Grants and contracts	\$ 28,973	\$ 14,678
Student tuition and fee accounts	20,352	20,048
Due from affiliation agreements	4,489	3,008
Due from hospital limited partnership	3,686	3,218
Other	2,018	2,754
Allowance for doubtful accounts	(3,488)	(2,804)
Total	\$ 56,030	\$ 40,902

NOTE 4 - PLEDGES RECEIVABLE

(in thousands)	JUNE 30	
	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	\$ 51,056	\$ 27,145
One year to five years	93,853	47,699
More than five years	507	1,387
Subtotal	145,416	76,231
Allowance for uncollectible pledges	(3,160)	(2,430)
Unamortized discount to present value	(12,199)	(5,360)
Total	\$ 130,057	\$ 68,441

Pledges receivable expected to be fulfilled more than one year from the date of the financial statements are recorded at fair value at the date of the gift, discounted at 2.42% - 5.16%, with the discount amortized over the life of the pledge.

At June 30, 2014 and 2013, the University had received notification of outstanding bequest intentions and certain conditional promises to give of approximately \$147 million and \$138 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	
	2014	2013
Cash and cash equivalents	\$ 29,032	\$ 24,464
Equity - global	523,499	449,148
Equity - strategic (private, long-term)	250,553	246,014
Fixed income - asset-backed securities	6,482	2,573
Fixed income - domestic convertible instruments	85,241	63,643
Fixed income - corporate debt securities	15,261	25,036
Fixed income - credit funds	23,094	21,668
Fixed income - U.S. state & federal bonds	6,907	1,273
Fixed income - mutual funds	2,688	2,963
Real estate	909,753	813,743
Split-interest agreements - GW as trustee	13,426	12,558
Split-interest agreements - trusts held by others	40,752	26,884
Deferred compensation plan assets	31,842	24,845
Other	44,590	46,050
Total	\$ 1,983,120	\$ 1,760,862

Investments are managed by a diverse group of investment managers. Managers may utilize hedging strategies or invest in financial instruments with off-balance sheet risk. Management has estimated that the risk associated with derivatives is not material to the University as of June 30, 2014 and 2013.

INVESTMENT INCOME, NET

(in thousands) JUNE 30		
	2014	2013
Interest and dividends	\$ 12,607	\$ 11,686
Net gains on investments carried at fair value	124,422	73,008
Net gains on investments carried at other than fair value	10,846	9,719
Administrative expenses	(8,756)	(9,670)
Total	\$ 139,119	\$ 84,743

INVESTMENT REAL PROPERTY RENTS AND APPRECIATION

(in thousands) JUNE 30		
	2014	2013
Real property rents	\$ 56,157	\$ 57,256
Net unrealized appreciation	94,846	20,519
Total	\$ 151,003	\$ 77,775

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 \$23.1 million and \$22.6 million as of June 30, 2014 and 2013, 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 \$31.8 million and \$33.6 million as of June 30, 2014 and 2013, respectively.

NOTE 6 - FAIR VALUE

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

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

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

(in thousands)	2014			2013		
	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	\$ 32,990	\$ 7,242	\$ 40,232	\$ 217,267	\$ 6,988	\$ 224,255
Short-term investments	-	346	346	99,992	344	100,336
Investments	1,914,549	68,571	1,983,120	1,691,475	69,387	1,760,862
Total	\$ 1,947,539	\$ 76,159	\$ 2,023,698	\$ 2,008,734	\$ 76,719	\$ 2,085,453

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

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

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

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

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

- **Cash equivalents** - Cash equivalents include cash deposits in investment funds and short-term U.S. Treasury securities, and other short-term, highly liquid investments which are actively traded. Cash equivalents also include a bank repurchase agreement valued at \$5.2 million and \$5.1 million as of June 30, 2014 and 2013, respectively. 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.
- **Short-term investments** - Short-term investments include U.S. Treasury securities with original maturities at dates of purchase of 3 months to one year. These securities are actively traded, are priced using independent market prices in the primary trading market and are classified as Level 1 based on the availability of quotes for identical assets.
- **Equity investments** - Equity investments generally include separately held accounts, shares in commingled funds, and limited partnership holdings. These assets, which are grouped by investment objective, consist of both publicly traded and privately held securities, diversified globally.
 - » **Publicly traded securities** - These investments generally include global equity holdings. Securities traded on an active exchange are priced using unadjusted market quotes for identical assets and are classified as Level 1.
 - » **Privately held securities** - These investments generally include strategic equity, as well as some global equity holdings, and are not publicly traded. The valuations are calculated by the investment manager based on traditional valuation techniques that take into account each fund’s underlying assets. The valuation policies adopted by the manager are reviewed by the University for propriety, consistency, compliance, and completeness. Funds that are valued at net asset value (NAV) or similar measure, are redeemable in the near term, and require no adjustment to the manager-provided valuation are typically classified as Level 2. All other funds are typically classified as Level 3. Inputs used to determine

fair value are based upon the best available information provided by the investment manager and may incorporate management judgments and best estimates after considering a variety of factors. For a small percentage of these investments, the manager reported NAV is prepared using non-U.S. GAAP, which may differ from fair value reported under U.S. GAAP. Where material differences are known to exist, management bases its measurements on fair value estimates obtained from the investment managers. Quantitative information about the significant unobservable inputs used in arriving at these fair value measurements is not readily available. Changes to these inputs may result in significant changes to the fair value measurement and such changes could be material to the consolidated financial statements.

- **Fixed income securities** - These investments generally include asset-backed securities, convertible bonds, corporate debt, investment funds with fixed income portfolios, and federal and municipal bonds. These assets are primarily valued using market prices, such as broker quotes, for the same or similar instruments; as these securities typically trade in less active markets and are redeemable in the near term, they are typically categorized as Level 2. Investment funds that are not publicly traded may be categorized as Level 2 or 3 depending upon redemption terms.
- **Real estate** - Real estate investment properties are valued based on results from an independent appraisal and a professional third-party market valuation and are included in Level 3. To determine fair value in cases where the two valuation methods yielded resulting values within 5%, the University adopted the average of the two values as the fair value. In cases where the variance between the two valuations was greater than 5%, the University considered the ranges of values provided by the valuator and made certain assumptions with respect to future property cash flow expectations and risk pricing in the form of income capitalization rates and discount rates. Valuation adjustments represent management’s assumptions of how a market participant would view the properties, and are based on the range of future cash flows and risk pricing presented in the appraisals and professional valuations. Different assumptions or changes in future market conditions could significantly affect the estimated fair value and such changes could be material to the consolidated financial statements.

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

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

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

One real estate investment property classified as Office buildings as of June 30, 2013 has been classified as Investment real estate subject to ground lease as of June 30, 2014. This property is being redeveloped subject to a ground lease.

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

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

(in thousands)					2013
2014					Fair Value
Category of Investment	Fair Value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period	
Equity - global	\$ 135,140	\$ 8,627	Bi-monthly to bi-annually	90 to 120 days	\$ 121,202
Equity - strategic (private, long-term)	250,553	95,626	Redemption not permitted during life of fund	N/A	246,014
Fixed income - credit funds	23,094	-	Monthly	10 days	21,668
Total	<u>\$ 408,787</u>	<u>\$ 104,253</u>			<u>\$ 388,884</u>

- **Equity - global** - These funds are typically composed of publicly traded developed and emerging-market stocks, long/short equity, and preferred stock. Approximately 1.5% of these are in liquidation and distributions are anticipated over the next 5 years as the underlying assets are sold. Approximately 8.7% of these assets are currently locked up for up to 1-2 years.
- **Equity - strategic (private, long-term)** - These assets are primarily composed of long term lock-up funds to include private equity, venture capital, oil and gas, land, distressed debt, infrequently traded small-capitalization and micro-capitalization securities. Distributions from the majority of these investments are received through the liquidation of the underlying assets. It is estimated that approximately 70% of the underlying assets will be liquidated within 10 years.
- **Fixed income - credit funds** - These funds are primarily composed of high-yield bonds and distressed debt. Approximately 11% of these assets are in liquidation with distributions anticipated over the next 5 years as the underlying assets are sold.

Changes in Level 3 Assets

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

(in thousands)						
2013						
	Equity - global	Equity - strategic (private, long-term)	Fixed income - credit funds	Real estate	Split-interest agreements - trusts held by others	Deferred compensation plan assets
Beginning of year	\$ 101,260	\$ 276,311	\$ 5,155	\$ 770,416	\$ 25,284	\$ 3,903
Net realized/unrealized gains	13,418	8,578	909	20,551	1,662	83
Purchases/additions	10,840	34,536	-	2,054	-	307
Sales	(4,316)	(73,411)	(3,058)	(1,847)	(62)	(222)
End of year	<u>\$ 121,202</u>	<u>\$ 246,014</u>	<u>\$ 3,006</u>	<u>\$ 791,174</u>	<u>\$ 26,884</u>	<u>\$ 4,071</u>
Total net gains included in earnings attributable to the change in net unrealized gains for assets still held at June 30, 2013	<u>\$ 12,309</u>	<u>\$ 2,161</u>	<u>\$ 3,132</u>	<u>\$ 20,563</u>	<u>\$ 1,662</u>	<u>\$ -</u>

Level transfers are accounted for at the beginning of the reporting period and are typically the result of a change in the observability of significant valuation inputs. There were no transfers between levels for the years ended June 30, 2014 and 2013.

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

(in thousands)	2014			2013		
	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 included in changes in net assets	\$ 32,159	\$ 94,846	\$ 3,219	\$ 22,937	\$ 20,519	\$ 1,662
Change in net unrealized gains relating to assets still held at June 30	\$ 15,022	\$ 94,846	\$ 4,086	\$ 17,646	\$ 20,519	\$ 1,662

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 Board of Trustees approved management’s interpretation of the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) in the period it was enacted by the Council of the District of Columbia. UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. 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			
	2014		2013	
	Donor-restricted Endowment Funds	Board-designated Endowment Funds	Donor-restricted Endowment Funds	Board-designated Endowment Funds
Unrestricted	\$ (1,455)	\$ 1,118,924	\$ (4,105)	\$ 985,703
Temporarily restricted	258,212	-	203,220	-
Permanently restricted	200,827	-	190,384	-
Total endowment funds	\$ 457,584	\$ 1,118,924	\$ 389,499	\$ 985,703

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

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

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

Endowments with Eroded Corpus

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1.5 million and \$4.1 million as of June 30, 2014 and 2013, respectively.

Investment Objectives and Risk Parameters

The goal of the Endowment is to preserve and enhance its purchasing power while providing a relatively predictable and stable source of income to meet the needs that endowment funds were established to support. While it is the University's goal to maintain purchasing power in practice, it is not the University's accounting policy to accommodate purchasing power adjustments by classifying any additional portion of net appreciation as permanently restricted. The specific investment objective to be realized over complete market cycles is to achieve an average annual rate of return, net of investment management fees and expenses, of at least 5% above inflation.

Strategies Employed for Achieving Objectives

Asset allocation policy is the cornerstone of a disciplined, consistent, and diversified approach to achieving the Endowment's investment objectives. The Endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees. The Endowment's long time horizon and need to provide resources for current spending as well as preserve purchasing power calls for a bias towards equity and equity-like asset classes.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University's Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed for current expenditure with the remainder reinvested to shield against inflation. The payout rate is approved annually by the Board of Trustees as part of the budget process. Currently, spending increases in the payout are capped by the change in the Consumer Price Index for the Washington, DC metro area, adjusted for new gifts received during the year. The annual payout is intended to approximate 5% of the average fair value of the endowment. In establishing this policy, the University considered the long-term expected return on its endowment.

Accumulated appreciation in endowment funds with donor-restricted corpus is classified as temporarily restricted net assets until appropriated for spending under the 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	
	2014		2013
Land	\$ 152,260	\$	151,676
Buildings	1,502,421		1,345,061
Construction in progress	324,551		227,998
Building under capital lease	-		6,527
Accumulated depreciation	(544,709)		(517,309)
Total	\$ 1,434,523	\$	1,213,953
Furniture and equipment	\$ 139,812	\$	116,619
Library and historical research materials	82,823		86,224
Equipment under capital leases	5,875		9,117
Accumulated depreciation	(145,388)		(135,025)
Total	\$ 83,122	\$	76,935

The value of Construction in progress includes the addition of capitalized interest of approximately \$8.9 million and \$4.5 million for the years ended June 30, 2014 and 2013, respectively.

FURNITURE AND EQUIPMENT EXPENDITURES

(in thousands)		JUNE 30	
	2014		2013
Capitalized	\$ 27,920	\$	21,244
Expensed	18,393		15,661
Total	\$ 46,313	\$	36,905

DEPRECIATION EXPENSE

(in thousands)		JUNE 30	
	2014		2013
Buildings	\$ 44,084	\$	39,394
Furniture and equipment	20,034		18,730
Equipment under capital leases	1,611		1,909
Total	\$ 65,729	\$	60,033

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(in thousands)	JUNE 30	
	2014	2013
Accrued building construction payable	\$ 46,047	\$ 44,157
Accrued interest payable	16,450	16,588
Accrued other liabilities	26,922	19,216
Accrued payroll and related liabilities	76,166	66,917
Accumulated postretirement liability	21,032	19,329
Asset retirement obligation	1,396	1,609
FICA refund due to medical residents	-	1,101
Split-interest agreements	6,495	6,817
Trade payables	10,442	11,894
Other payables	10,838	17,785
Total	\$ 215,788	\$ 205,413

NOTE 10 - BONDS AND NOTES PAYABLE

(in thousands)	JUNE 30			
	2014			2013
	Final Scheduled Maturities	Ending Interest Rate	Amount Outstanding	Amount Outstanding
Taxable bonds:				
2007 Series General Obligation	2/01/2017	Fixed 5.3%	\$ 50,000	\$ 50,000
2009 Series General Obligation	2/01/2019	Fixed 6.0%	200,000	200,000
2010 Series General Obligation	9/15/2020	Fixed 4.535%	108,340	116,435
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
Non-recourse debt:				
Notes payable – secured by real estate	3/11/2017	Fixed 5.9%	200,000	200,000
Notes payable – secured by real estate	5/11/2014	Fixed 5.703%	-	9,331
Notes payable – secured by real estate	7/11/2015	Fixed 4.955%	14,577	14,940
Unsecured notes payable	5/01/2021	Fixed 3%	113	128
Total			\$ 1,361,030	\$ 1,378,834
Estimated fair value (Level 2) at June 30:			\$ 1,445,717	\$ 1,422,493

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

RECENT BOND ISSUANCES

(in thousands)				
Issue date	Series	Type	Amount	Purpose
March 2013	2013	Taxable	\$170,000	Refund Series 2002A/B taxable bonds
July 2012	2012A	Taxable	\$168,000	Refund Series 1999B/C tax-exempt bonds

As of June 30, 2014, 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 2015 and 2017. There were no amounts outstanding under lines of credit at June 30, 2014 or 2013.

The agreements for certain debt issuances require the University to deposit and maintain specified amounts in trustee-controlled accounts as repair and maintenance, taxes, and insurance reserves. In satisfaction of these requirements, \$0.3 million and \$3.6 million were included in Other assets at June 30, 2014 and 2013, respectively. Other assets include unamortized debt issuance costs of \$5.4 million and \$6.4 million as of June 30, 2014 and 2013, respectively.

(in thousands)		JUNE 30	
Interest expense	Expense Category	2014	2013
Bonds/notes payable	Interest	\$ 37,289	\$ 42,576
Rental property	Investment real property	14,145	14,461
Capital leases	Interest	36	96
Total		\$ 51,470	\$ 57,133

As of June 30, 2014, principal payments are due on bonds and notes payable in accordance with the following schedule:

Fiscal Year Ending June 30	(in thousands)
2015	\$ 8,992
2016	23,335
2017	259,696
2018	178,266
2019	210,877
Thereafter	679,864
Total	\$ 1,361,030

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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

The University leases certain office, academic, residential, and administrative facilities under non-cancelable operating leases expiring at various dates through 2026. Rent expense under operating leases totaled \$29.4 million and \$30.5 million for the years ended June 30, 2014 and 2013, respectively. The aggregate minimum lease payments under these operating leases are as follows:

Fiscal Year Ending June 30	(in thousands)
2015	\$ 18,457
2016	16,320
2017	8,340
2018	4,488
2019	3,702
Thereafter	<u>17,612</u>
Total	<u>\$ 68,919</u>

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			
	2014		2013	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Building funds	\$ 4,294	\$ -	\$ 4,803	\$ -
Endowment funds:				
Instruction & academic support	171,940	128,264	134,933	122,771
Student aid	82,483	70,963	65,026	66,015
Building funds	1,026	632	884	632
Other endowments	<u>2,763</u>	<u>968</u>	<u>2,377</u>	<u>966</u>
	<u>258,212</u>	<u>200,827</u>	<u>203,220</u>	<u>190,384</u>
Loan funds	-	3,485	-	3,481
Pledges:				
Instruction & academic support	84,049	1,484	36,125	878
Student aid	16,909	2,374	10,133	246
Building funds	9,428	-	821	19
Other pledges	<u>7,713</u>	<u>-</u>	<u>5,157</u>	<u>127</u>
	<u>118,099</u>	<u>3,858</u>	<u>52,236</u>	<u>1,270</u>
Split-interest agreements	<u>19,555</u>	<u>28,816</u>	<u>5,288</u>	<u>27,497</u>
Other	<u>20,392</u>	<u>5,035</u>	<u>15,737</u>	<u>5,035</u>
Total	<u>\$ 420,552</u>	<u>\$ 242,021</u>	<u>\$ 281,284</u>	<u>\$ 227,667</u>

NOTE 13 - PROGRAM AND SUPPORTING ACTIVITIES EXPENSE

(in thousands)	JUNE 30	
	2014	2013
Instruction and academic support	\$ 620,561	\$ 592,143
Research and research support	185,181	146,105
Auxiliary enterprises	88,517	94,089
Student services	105,242	98,830
Institutional support	133,222	126,527
Independent operations	40,260	40,052
Student aid	<u>17,698</u>	<u>22,026</u>
Total	<u>\$ 1,190,681</u>	<u>\$ 1,119,772</u>

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

Costs related to the maintenance and operation of physical plant of \$170.0 million and \$169.7 million for the years ended June 30, 2014 and 2013, 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 \$77.1 million and \$75.4 million for the years ended June 30, 2014 and 2013, 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 \$35.0 million and \$33.1 million for the years ended June 30, 2014 and 2013, respectively.

The University provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements. The University's policy is to fund postretirement benefits as payments are made. Accounts payable and accrued expenses include accumulated postretirement liability of \$21.0 million and \$19.3 million as of June 30, 2104 and 2013, respectively.

NOTE 15 - RELATED PARTIES

Medical Faculty Associates, Inc.

The University has an Academic Affiliation Agreement with Medical Faculty Associates, Inc. (MFA). Under the agreement, MFA provides clinical teaching, research, and administrative services to the University. In addition, MFA leases certain office space, uses operational services, and provides academic support. Medical education agreements revenue of approximately \$11.2 million and \$10.7 million was reported for the years ended June 30, 2014 and 2013, respectively. Approximately \$30.6 million and \$25.9 million in expenses from the MFA were reported for the years ended June 30, 2014 and 2013, respectively. The University had an outstanding receivable balance due from MFA of \$1.3 million and \$0.9 million as of June 30, 2014 and 2013, respectively. The University had an outstanding payable balance due to MFA of \$1.5 million and \$0.9 million as of June 30, 2014 and 2013, respectively.

District Hospital Partners, L.P.

The University has a 20% limited partnership interest in District Hospital Partners, L.P. (DHP), which owns and operates the GW Hospital and provides support to the University in developing and maintaining the medical academic and research programs. The University's investment in DHP is recorded on the equity basis of accounting. The University's share of the partnership's profits for the years ended June 30, 2014 and 2013 was approximately \$8.2 million and \$7.2 million, respectively.

The University and DHP have executed several agreements, which reimburse or compensate the University for providing services or personnel to assist in the continued operations of the GW Hospital. Medical education agreements revenue of approximately \$31.3 million and \$30.4 million was reported for the years ended June 30, 2014 and 2013, respectively. The receivable from DHP for the unpaid balance of these services is \$3.7 million and \$3.2 million as of June 30, 2014 and 2013, respectively. Approximately \$0.8 million and \$0.4 million in purchased services from the GW Hospital were reported for the years ended June 30, 2014 and 2013, respectively.

NOTE 16 - SUBSEQUENT EVENTS

Effective August 21, 2014, the Corcoran College of Art and Design became a part of the University within the Columbian College of Arts and Sciences. The University assumed ownership of the Corcoran building, a limited number of artworks, and other Corcoran real estate located in Georgetown.

On August 7, 2014, the University issued \$300 million of Series 2014 taxable bonds at a fixed-rate of 4.3%. The proceeds of these bonds are to be used to finance certain capital expenditures, refunding existing debt, and to pay the issuance costs of the 2014 bonds.

The University has performed an evaluation of subsequent events through September 16, 2014, which is the date the financial statements were issued, noting no other events which affect the financial statements as of June 30, 2014.

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July 1, 2014 - June 30, 2015

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Summary of Financial Results and Enrollment

FINANCIAL RESULTS	YEAR END	
(in thousands)	2014	2013
Assets	\$ 3,782,532	\$ 3,545,838
Net assets	\$ 2,129,759	\$ 1,890,560
Increase/(Decrease) in net assets	\$ 239,199	\$ 59,410
Fair value of investments	\$ 1,983,120	\$ 1,760,862
Bonds and notes payable	\$ 1,361,030	\$ 1,378,834
Revenues	\$ 1,431,536	\$ 1,177,984
Expenses	\$ 1,190,681	\$ 1,119,772
Capital expenditures	\$ 294,511	\$ 212,310

ENROLLMENT	ACADEMIC YEAR END				
	2014	2013	2012	2011	2010
STUDENTS-FTE					
Undergraduate	9,770	9,921	9,905	9,793	9,916
Graduate	8,837	8,938	8,576	8,172	7,967
Law (J.D.)	1,565	1,624	1,701	1,671	1,581
Medical (M.D.)	714	710	714	719	717
Non-degree	246	228	228	299	323
Total fall enrollment	21,132	21,421	21,124	20,654	20,504
UNDERGRADUATE ADMISSIONS					
Applications	21,789	21,756	21,591	21,433	19,842
Selectivity Ratio	34%	33%	33%	32%	37%
Matriculation Ratio	31%	33%	31%	35%	36%
GRADUATE ADMISSIONS					
Applications	22,452	22,780	21,356	20,268	18,584
Selectivity ratio	47%	44%	47%	45%	50%
Matriculation ratio	42%	45%	44%	46%	46%
LAW (J.D.)					
Applications	6,844	7,227	8,652	9,610	10,021
Selectivity ratio	42%	29%	27%	23%	23%
Matriculation ratio	17%	19%	20%	28%	25%
MEDICINE (M.D.)					
Applications	10,397	10,504	10,625	10,588	10,557
Selectivity ratio	3%	3%	3%	3%	3%
Matriculation ratio	52%	55%	49%	54%	51%
DEGREES CONFERRED					
Baccalaureate	2,482	2,454	2,296	2,172	2,405
Master's	4,376	4,210	3,883	3,929	3,664
First professional	766	758	746	669	685
Doctoral	325	313	304	305	320

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Graduate School of Education and Human Development

Lynn R. Goldman
Milken Institute School of Public Health

Jean Johnson
School of Nursing

Linda Livingstone
School of Business

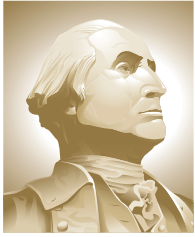
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