



THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON DC

State of the Development of the FY 2007
Budget and the “Gap”

Office of the Executive Vice President and Treasurer

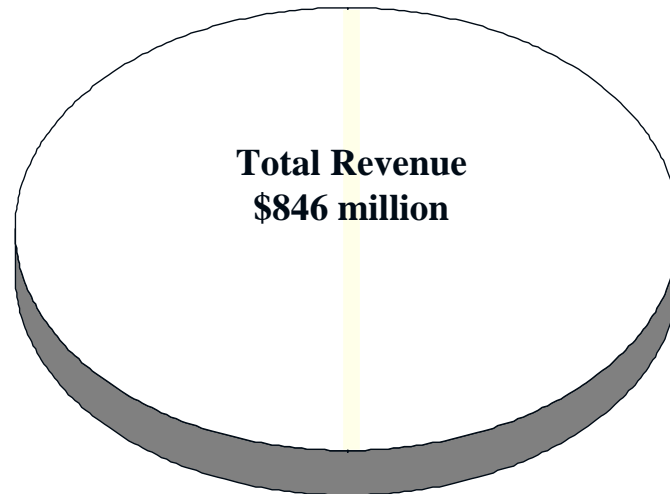
February 3, 2006



Background – Total University Funds

Last year, the University's total revenue was \$846 million. This figure includes:

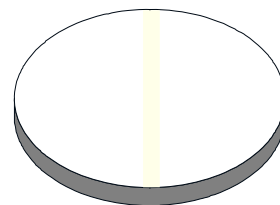
- ❖ Appreciation on the University's endowment
- ❖ Other funds (e.g., contributions to the endowment) not available to support day-to-day operations



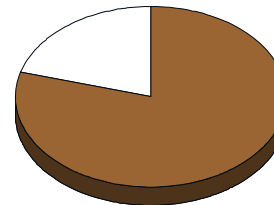
Background – Total University Operating Funds

By excluding these items, you arrive at the University's total operating revenue – those funds available to support day-to-day operations. Last year, the University's operating revenue was \$672 million. This figure represents both University and Medical Center revenue and includes:

- ❖ Tuition Revenue
- ❖ Revenue from student housing, parking and other auxiliary enterprises
- ❖ Sponsored research revenue (payments for direct costs and overhead)
- ❖ Gifts that are immediately expendable, including those restricted for specific purposes by donors



Total Revenue
\$846 million



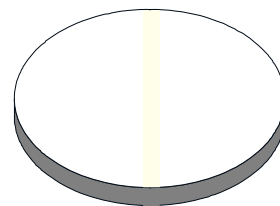
Operating Revenue
\$672 million

Background – Total University Operating Budget

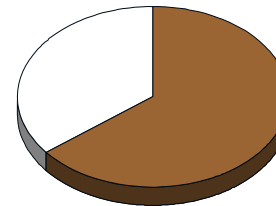
Because revenue related to the direct costs of sponsored research is pass through money, it is not included in the University's operating budget. Medical Center activity is budgeted separately and is also excluded from the University's operating budget. Once these items are removed, the University's (non-Medical Center) operating revenue for last year was \$467 million.

Over the past five years, the University's operating revenue has increased \$124 million. This represents an average annual increase of 8.1 percent. Almost 90 percent of the increase is attributable to tuition revenue:

- ❖ 1/3rd from enrollment growth
- ❖ 2/3rd from tuition increase



Total Revenue
\$846 million



Operating Budget Revenue
(non-Medical Center)
\$467 million

Background – Total University Operating Budget

The University's operating expenses for last year were \$414 million. Over the past five years, the University's operating expense has increased \$72 million or an average of 5 percent annually.

The University's operating revenue and expenses exclude four items that are reported separately ("below the line") on the University's financial statements. These items include:

- ❖ Transfers from the endowment to support operations (\$25 million last year). These are an additional source of funds for the budget.
- ❖ Transfers out of operations for debt service (\$34 million last year).
- ❖ Amounts to purchase furniture and equipment and for library acquisitions (\$12 million last year).
- ❖ Transfers out of operations for capital project funding and capital reserves (\$31 million last year)

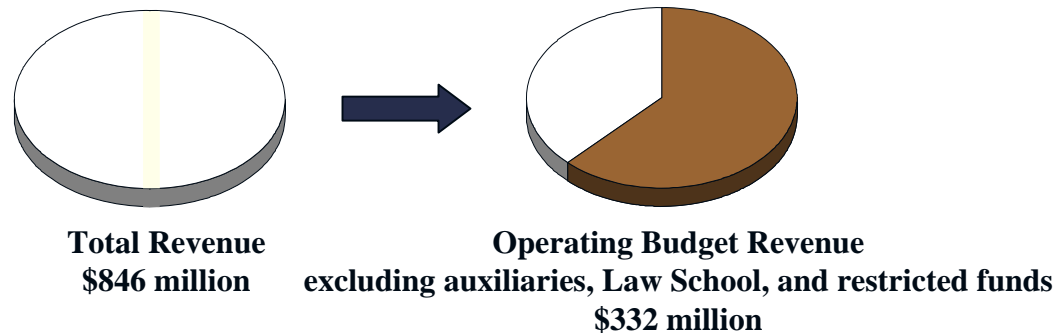
Once these below the line items are included, the University ended last year with an operating surplus of \$300,000.

Background – Total University Operating Budget

The University's FY 05 operating budget results we have reviewed include about \$135 million in revenue from:

- ❖ Auxiliary enterprises
- ❖ The Law School
- ❖ Restricted funds (primarily R funds) that are used for one-time purposes rather than to support ongoing operations

Excluding these activities provides a clearer picture of the operating budget going into next year.



Preliminary FY 07 Budget

In the current year, the University's operating revenue, excluding these items, is \$350 million. Tuition revenue accounts for 95 percent of this revenue. Based on current estimates, revenue for next year is projected to grow \$5.6 million or 1.6 percent. This is well below the annual growth in prior years and reflects a decline in enrollment relative to the current year budget:

- ❖ About 250 undergraduates (-2.6 percent)
- ❖ About 200 on campus graduate students (-3.5 percent)

Preliminary FY 07 Budget

The University's operating expense budget for the current year, excluding the Law School, auxiliary enterprises and restricted funds, is \$348 million. The budget is allocated as follows:

- ❖ \$240 million for compensation (69 percent of the total).
- ❖ \$42 million for occupancy costs (utilities, maintenance and operations, leased space, etc.). This represents 12 percent of the total budget.
- ❖ The largest expenses of the remaining \$66 million (19 percent) include:
 - \$15 million for computer and software leases and maintenance
 - \$13 million for pass through payments to other institutions that provide education programs to our students (e.g., Study Abroad)
 - \$6 million for graduate stipends
 - \$4 million for student bad debt
 - \$3 million for insurance and legal expense

Preliminary FY 07 Budget

Based on current estimates, operating expenses are projected to increase \$16.5 million (4.7 percent) next year. While the rate of expense growth is below prior years, it is 3 times more than the rate of revenue growth next year.

The increases include:

- ❖ \$13.2 million for compensation. This represents a 5.5 percent increase over the current year and assumes 4 percent merit increase for faculty and staff effective January 1, 2007.
- ❖ \$2.8 million for occupancy costs. This represents a 6.7 percent increase over the current year and includes \$1 million for Duques Hall operating costs. Excluding the Duques Hall increase, occupancy costs are projected to increase 4.3 percent next year.

Preliminary FY 07 Budget

The major change in the “below the line” items next year is a \$2.5 million increase in debt service. This represents a 9 percent increase over the current year and includes about \$1.4 million for Duques Hall and related projects.

Overall, based on current estimates, there is a shortfall of between \$10 and \$12 million for next year. As noted earlier, the “gap” is largely a function of expenses growing at a faster rate than revenue.

Debt Management

The University relies primarily on debt to finance its capital budget. Approximately 85 percent of the current capital budget is funded by debt.

The University's current debt management strategy is aimed at ensuring we have adequate capacity for future borrowing requirements, such as a Science building. This requires that we continue to amortize current debt at a prudent rate. Paying down our current debt also demonstrates to ratings agencies that the University has the fiscal discipline to meet future debt obligations.

Current annual levels of debt service can be reduced if:

- ❖ Fundraising is used to fund future capital projects
- ❖ We defer capital projects

Endowment and the Strategic Plan

To provide additional funding for the Advancement Office and Strategic Plan initiatives, the University is proposing a change to the base used to determine endowment payout.

Under the approved payout policy, the annual increase to payout is capped at the CPI increase for the Washington-Baltimore Metropolitan area for the last year. Based on this policy, the FY 06 payout is approximately 4.5 percent of the year-to-date average market value of the endowment.

Endowment and the Strategic Plan

The University is proposing that FY 07 payout, in absolute dollars, equal 5 percent of the market value of the endowment as of March 31, 2006.

Next year's payout will be the base for endowment payout going forward. Increases in subsequent years will continue to be subject to the current policy of capping the annual increase based on CPI increases.

Endowment and the Strategic Plan

Based on the endowment market value as of December 31, 2005, the change in the payout rate would yield approximately \$4.3 million in additional revenue above the current base.

Impact of Proposed Change in Payout (Dollars in Thousands)

	FY 06 Estimated	FY 06 @ 5%	Additional Payout
Market Value of Endowment as of December 31	\$850,891 ⁽¹⁾	\$879,000 ⁽²⁾	
Annual Payout	\$38,383	\$43,900	\$5,517
Payout Rate	4.5%	5.0%	
Distribution Using Current Base			\$1,200
Balance From Increment to Base			\$4,317
University			\$3,237
Medical Center			\$1,080

(1) Year to date average market value (July-December)

(2) Market value as of December 31, 2005

Endowment and the Strategic Plan

The additional funds would be allocated to achieve two objectives:

- ❖ \$1 million will be allocated to the Advancement Office to bolster fundraising efforts, with the goal of raising additional funds for the endowment.
- ❖ The remaining funds will be set aside in a Strategic Plan Investment Pool to provide an incentive for schools to implement programs to further Strategic Plan goals.
- ❖ The Pool will be allocated based on competitive proposals submitted by the schools that demonstrate:
 - How the proposal will further Strategic Plan objectives
 - A commitment to reallocate existing resources in support of the proposal

Other strategies will also be developed to increase funding for the Strategic Plan.

Endowment and the Strategic Plan

If the concept is approved by the Board next week, the Budget proposal submitted to the Board in May will include benchmarks for measuring the impact of the additional investment in the Advancement Office and the Strategic Plan.

Reserves

There are several types of reserves the University maintains. These include:

- ❖ Operating reserves for contingencies that arise out of operations (e.g., allowances for doubtful accounts and claims against the University)
- ❖ Interest rate reserves are funded by annual interest rate savings that are transferred from operations.
- ❖ Capital reserves. These reserves are funded primarily by transfers from operations and are used to pre-fund capital projects. They provide another source of funding for capital projects and reduce borrowing requirements.
- ❖ The Fixed Price Tuition reserve. The purpose of the reserve is to set aside the difference between the annual net tuition revenue generated by the Fixed Price Tuition plan and the net tuition revenue that would have been generated had we continued to increase tuition for all students annually.

Illustration of Undergraduate Fixed Price Tuition Reserve Funding ⁽¹⁾

	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Increase in Net Tuition Revenue Supporting the Budget ⁽²⁾	8,890	7,076	7,345	7,624	7,914	8,214	8,526	8,850	9,187
Increase in Tuition Revenue from Fixed Price Tuition ⁽³⁾	14,426	10,539	9,013	7,454	8,198	8,624	8,952	9,292	9,645
Net Tuition Revenue Reserved	5,536	3,463	1,669	(169)	284	410	425	441	458
Fixed Price Tuition Reserve Balance	5,536	8,999	10,668	10,499	10,782	11,192	11,618	12,059	12,517

- (1) Both projections assume steady state enrollment of 9,205 full-time undergraduates.
- (2) Assumes a 5 percent increase in FY 05 and 3.8 percent annual increases thereafter. The 15.9 percent increase for fixed price tuition in FY 05 reflected an effective annual increase of 3.8 percent.
- (3) Assumes a 15.9 percent increase for incoming students in FY 05 and 3.8 percent increases for incoming students in subsequent years.

Summary

The primary cause of next year's budget gap is that expenses are growing at a faster rate than revenue.

While the projected 4.7 percent expense increase is lower than prior years, it is 3 times higher than the projected revenue increase.

Issues to focus on between now and when the FY 07 budget is proposed in May:

- ❖ Identifying additional revenue
- ❖ Identifying ways of reducing the rate of expense increases
- ❖ Identifying an appropriate balance between:
 - Capital budget requirements and borrowing capacity, and
 - Providing relief to the operating budget

Schedule of Exhibits

- A. FY 06 Second Quarter Budget Status Report
 - B. FY 06 Second Quarter Debt Management Report
 - C. FY 06 Second Quarter Endowment Management Report
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Exhibit A



THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON DC

**The George Washington University
Committee on Finance & Audit
Second Quarter Report
FY 06**

Office of the Executive Vice President
and Treasurer

February 8, 2006

University Second Quarter Report – FY06 ⁽¹⁾

(Dollars in Millions)

	Approved Budget	1st Quarter Forecast	2nd Quarter Forecast	Variance
Revenue	\$488.8	\$489.5	\$489.5	\$0.6
Expense	\$439.6	\$439.9	\$445.5	(\$5.9)
Other Changes in Net Assets	(\$43.2)	(\$47.6)	(\$44.0)	(\$0.8)
OPERATING RESULTS	\$6.1	\$1.9	(\$0.0)	(\$6.1)
Interest Rate Reserve	\$1.9	\$1.4	\$0.0	\$1.9
Investment Property Reserve	\$0.7	\$0.5	\$0.0	\$0.7
NET OPERATING RESULTS	\$3.5	\$0.0	(\$0.0)	(\$3.5)

(1) The Approved Budget and First Quarter Forecast have been restated to reflect changes in accounting. There is no change in operating results. Figures may not add due to rounding.

University Second Quarter Report – FY06

The University is projected to end the year with a balanced budget.

Total revenue is projected to be about \$600,000 above the approved budget. Net tuition and fee revenue is projected to be \$1.1 million above the approved budget and \$200,000 higher than the first quarter. Significant variances to budget include:

- Law School tuition revenue is estimated to be \$3.8 million higher than budget, up \$800,000 from the first quarter due to better than expected enrollment. The additional revenue stays within the Law School budget and will be used to support operations.
- Due to a shortfall in continuing students, undergraduate revenue is projected to be \$2.7 million below budget. The methodology used to project continuing student enrollment did not account for the full impact of the graduation of the unusually large class that entered in Fall 2001. Retention among second and third year students is better than budget. The incoming class is also 76 students better than budget.
- Academic year revenue for graduate and non-degree students is projected to be \$1.8 million below budget and \$800,000 down from the first quarter. Most of the shortfall will be offset by higher enrollment in summer programs.

There are no significant changes to the other revenue variances reviewed by the Committee in October:

- Indirect cost recoveries are estimated to be \$900,000 below budget. The projection reflects no increase over the prior year.
- Contributions are forecast to be \$4.7 million below budget. The projection reflects a 3 percent increase over the prior year.
- Other income is projected to be \$4.8 million above budget. Half of the increase reflects the proceeds from the sale of the University's ITFS broadcast rights. These funds will be transferred to the endowment and are reflected on the Support/Investment line of the forecast. The balance of the increase is the result of incorporating recurring revenue associated with Athletics, special events, and other activities into the budget. Because there are recurring expenses associated with this revenue, there is no bottom line impact of the additional revenue.

Expenses are \$5.9 million above budget. Of this amount, \$3 million is associated with the increase in Law School tuition revenue. The current estimate reflects a smaller Law School transfer to capital reserves than the previous estimate. The following variances reviewed by the Committee in October are also included in the increase:

- \$1.3 million for legal and compliance related initiatives. These increases are consistent with prior year spending levels.
- \$500,000 for the Mount Vernon Campus shuttle as a result of increased fuel costs.
- \$500,000 to expand Advancement staff.
- \$400,000 for increased occupancy costs. Half of the increase relates to the impact of Hurricane Katrina. The remainder is associated with additional contractor support necessitated by staff vacancies.

New variances reflected in the forecast include:

- Bad Debt Expense is projected to be \$500,000 better than budget as a result of improvements to billing and collections processes.
- Purchased Services expense is projected to be \$600,000 over the first quarter budget due largely to the cost of contract personnel to support Facilities staff vacancies.
- An additional \$350,000 for compliance-related initiatives.

As a result of favorable interest rates, Debt Service is expected to be \$5.8 million below budget and the \$1.9 million Interest Rate Reserve will not be needed. The Investment Property Reserve will also not be needed. Of the total interest rate and reserve savings, \$6 million will be transferred to capital reserves. The balance will be used to fund operations.

As a result of the reduction in projected contributions and departmental spending, Designated Net Assets are projected to end the year in balance, as opposed to the \$3.5 million surplus reflected in the approved budget.

University Second Quarter Report – FY06 ⁽¹⁾

(Dollars in Thousands)

	Approved Budget	1st Quarter Forecast	2nd Quarter Forecast	Variance \$
REVENUES				
Student Tuition & Fees	508,540	510,273	510,470	1,930
Less University Funded Scholarships	(133,395)	(134,185)	(134,173)	(778)
Net Student Tuition & Fees	375,145	376,088	376,297	1,152
Indirect Cost Recoveries	8,331	7,431	7,431	(900)
Auxiliary Enterprises	76,724	77,074	76,974	250
Contributions Net	13,187	8,487	8,487	(4,700)
Other Income	15,430	20,406	20,270	4,840
Total Revenues	488,818	489,486	489,459	641
EXPENSES				
Salaries & Wages	241,205	237,070	240,520	685
Fringe Benefits	52,513	51,506	52,188	326
Purchased Services	54,790	60,932	61,516	(6,726)
Supplies	6,765	7,179	7,210	(445)
Equipment	16,755	15,779	16,679	76
Bad Debt	4,053	3,928	3,428	625
Occupancy	37,444	38,317	38,199	(755)
Scholarships & Fellowships	6,419	6,918	6,888	(469)
Communications	5,209	4,898	4,846	363
Travel & Training	7,160	7,518	7,601	(441)
Other	7,248	5,872	6,388	860
Total Expenses	439,562	439,917	445,463	(5,901)
OTHER (DECREASES)/INCREASES IN NET ASSETS				
Debt Service & Mandatory Purposes	(46,763)	(40,946)	(40,905)	5,858
Endowment Support	25,800	26,488	26,488	688
Capital Expenditures	(12,190)	(12,135)	(12,548)	(358)
Support/Investment	(10,017)	(21,026)	(17,031)	(7,014)
Total Other Changes in Net Assets	(43,171)	(47,619)	(43,996)	(826)
OPERATING RESULTS	6,085	1,950	(0)	(6,086)
Interest Rate Reserve	1,900	1,425	0	1,900
Investment Property Reserve	700	525	0	700
NET OPERATING RESULTS	3,485	0	(0)	(3,486)

(1) The Approved Budget and First Quarter Forecast have been restated to reflect changes in accounting. There is no change in operating results.

University Second Quarter Report – FY06 ⁽¹⁾

(Dollars in Thousands)

	FY 05	Estimated FY 06		
		As of May ⁽⁴⁾	As of September ⁽⁵⁾	As of December ⁽⁶⁾
Market Value of Endowment ⁽¹⁾				
Beginning of Year	733,801			
End of Year	823,129			
Average	778,465	779,079	823,129	850,891
Gifts Designated for Endowment ⁽²⁾	13,298			8,400
University Additions ⁽³⁾	1,997			1,165
Total Payout	36,136	37,438	38,106	38,383
Annual Payout Rate	4.6%	4.8%	4.6%	4.5%

(1) Net of liabilities.

(2) Cash basis.

(3) Payout reinvested.

(4) Market value as of March 31, 2005. Payout based on funds invested as of April 2005 and a payout rate of \$3.04 per unit.

(5) Market value as of June 30, 2005. Payout based on funds invested as of July 2005 and a payout rate of \$3.04 per unit.

(6) Average market value for first six months of FY 06. Payout based on funds invested as of December 31, 2005 and a payout rate of \$3.04 per unit.

Exhibit B

The George Washington University

Debt Management Report

	As of December 31, 2005	As of December 31, 2004
<u>AMOUNT OUTSTANDING</u>		
Total Debt Outstanding	\$716,174,645	\$736,854,525
Total Debt Outstanding ex Endowment	\$522,514,346	\$543,221,105
Total Debt Outstanding ex Non-recourse	\$574,618,657	\$610,769,794
<u>DEBT SERVICE</u>		
Annual Debt Service	\$53,174,574 (FY 06)	\$43,111,578 (FY 05)
<u>COST OF FINANCING</u>		
Weighted Average Interest Rate	4.750%	4.243%
<u>COMPOSITION</u>		
Fixed	45%	42%
Variable	55%	58%
Tax-exempt	48%	48%
Taxable	32%	35%
Non-recourse	20%	17%
University	67%	68%
Medical Center	6%	6%
Endowment	27%	26%
<u>CREDIT RATING</u>		
Moody's	A2	A2
Standard & Poor's	A	A

Outstanding Debt as of December 31, 2005

Debt Obligations	Due Date	Weighted Interest Rate as of 12/31/2005	Interest Rate Type	Amount Issued	Amount Outstanding 12/31/2005	Projected Year End Outstanding Debt ¹				
						FY 06	FY 07	FY 08	FY 09	FY 10
Tax-exempt Debt										
Bonds										
1992 (Loudoun County)	05/15/2022	6.250%	Fixed	18,000,000	14,330,000	13,835,000	13,305,000	12,745,000	12,150,000	11,515,000
1999 Series A	09/15/2020	5.900%	Fixed	136,055,000	108,785,000	108,785,000	103,345,000	97,615,000	91,560,000	85,170,000
1999 Series B/C	09/15/2029	3.150%	Variable	167,730,000	167,730,000	167,730,000	167,730,000	167,730,000	167,730,000	167,730,000
2001 Series A	09/15/2031	5.573%	Fixed	55,970,000	55,310,000	55,310,000	54,615,000	53,885,000	53,120,000	52,325,000
Subtotal Tax-exempt Debt				377,755,000	346,155,000	345,660,000	338,995,000	331,975,000	324,560,000	316,740,000
Taxable Debt										
Bonds										
2002 Series A/B	09/15/2032	4.577%	Variable	200,000,000	192,600,000	192,600,000	189,800,000	186,800,000	183,600,000	180,200,000
Loans & Other										
Dept. of Education	05/01/2021	3.000%	Fixed	557,000	222,657	216,963	205,317	193,319	180,958	168,223
Flexible Note Program	06/01/2015	4.562%	Variable	25,641,000	25,641,000	64,119,141	101,503,586	136,656,351	144,162,543	140,294,325
Subtotal Taxable Debt				226,198,000	218,463,657	256,936,104	291,508,903	323,649,670	327,943,501	320,662,549
Non-recourse Debt										
2000 Penn Loan (Endowment)	05/11/2014	5.653%	Fixed	64,000,000	62,744,332	62,315,068	61,429,131	60,500,755	59,508,064	58,456,964
2100 Penn Loan (Endowment)	05/11/2014	5.653%	Fixed	51,250,000	50,244,490	49,900,746	49,191,308	48,447,886	47,652,963	46,811,267
GW Inn & OWCH Loan (Endowment)	05/11/2014	5.703%	Fixed	11,750,000	11,415,341	11,301,579	11,065,865	10,817,909	10,553,477	10,273,345
NTSB Building Loan (Operations)	07/11/2015	4.955%	Fixed	17,250,000	17,151,825	17,027,422	16,771,517	16,504,769	16,221,994	15,924,680
Subtotal Non-recourse Debt				144,250,000	141,555,988	140,544,815	138,457,821	136,271,318	133,936,498	131,466,257
TOTAL ex Lines of Credit:				<u>748,203,000</u>	<u>706,174,645</u>	<u>743,140,919</u>	<u>768,961,724</u>	<u>791,895,988</u>	<u>786,439,999</u>	<u>768,868,806</u>
Lines of Credit										
PNC Line of Credit	upon demand	4.616%	Variable	5,000,000	5,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
SunTrust Line of Credit	upon demand	4.651%	Variable	5,000,000	5,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Wachovia Line of Credit	upon demand		Variable	-	-	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Subtotal Lines of Credit				10,000,000	10,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
TOTAL plus Lines of Credit:				<u>758,203,000</u>	<u>716,174,645</u>	<u>764,140,919</u>	<u>789,961,724</u>	<u>812,895,988</u>	<u>807,439,999</u>	<u>789,868,806</u>
Weighted Average Cost of Debt at 12/31/2005					4.750%					
Uses of Debt										
University					471,111,535	508,077,809	533,898,614	556,832,878	551,376,888	533,805,696
Medical Center					41,402,811	41,402,811	41,402,811	41,402,811	41,402,811	41,402,811
Endowment					193,660,300	193,660,300	193,660,300	193,660,300	193,660,300	193,660,300
Liquidity Support					10,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Subtotal					716,174,645	764,140,919	789,961,724	812,895,988	807,439,999	789,868,806

¹ The University has internally financed some capital project expenditures amounting to \$164.0 million. Total financed capital projects at 12/31/2005 are \$870.2 million.

Note: Calculation of totals may vary slightly due to rounding.

Debt Service as of December 31, 2005

Debt Obligations	Due Date	Weighted Interest Rate as of 12/31/2005	Interest Rate Type	Amount Issued	Amount Outstanding 12/31/2005	Debt Service FY 2006		Projected Year End Debt Service				
						Interest	Principal	FY 06	FY 07	FY 08	FY 09	FY 10
Tax-exempt Debt												
Bonds												
1992 (Loudoun County)	05/15/2022	6.250%	Fixed	18,000,000	14,330,000	895,625	495,000	1,390,625	1,394,688	1,391,563	1,391,563	1,394,375
1999 Series A	09/15/2020	5.900%	Fixed	136,055,000	108,785,000	6,406,956	5,165,000	11,571,956	11,575,375	11,571,800	11,572,713	11,573,463
1999 Series B/C ¹	09/15/2029	3.150%	Variable	167,730,000	167,730,000	5,053,305	-	5,053,305	5,638,302	5,646,896	5,629,700	5,638,302
2001 Series A	09/15/2031	5.573%	Fixed	55,970,000	55,310,000	2,814,106	660,000	3,474,106	3,475,231	3,474,606	3,475,578	3,472,906
Subtotal Tax-exempt Debt				377,755,000	346,155,000	15,169,992	6,320,000	21,489,992	22,083,595	22,084,865	22,069,553	22,079,045
Taxable Debt												
Bonds												
2002 Series A/B ²	09/15/2032	4.577%	Variable	200,000,000	192,600,000	9,726,398	2,600,000	12,326,398	14,965,475	15,009,138	14,974,617	14,960,018
Loans & Other												
Dept. of Education	05/01/2021	3.000%	Fixed	557,000	222,657	6,764	11,304	18,068	18,068	18,068	18,068	18,068
Flexible Note Program ²	06/01/2015	4.562%	Variable	25,641,000	25,641,000	2,094,121	6,235,002	8,329,123	8,497,885	11,605,954	13,694,454	15,414,084
Subtotal Taxable Debt				226,198,000	218,463,657	11,827,283	8,846,307	20,673,590	23,481,428	26,633,161	28,687,139	30,392,170
Non-recourse Debt												
2000 Penn Loan (Endowment)	05/11/2014	5.653%	Fixed	64,000,000	62,744,332	3,597,678	836,706	4,434,384	4,434,384	4,434,384	4,434,384	4,434,384
2100 Penn Loan (Endowment)	05/11/2014	5.653%	Fixed	51,250,000	50,244,490	2,880,954	670,014	3,550,968	3,550,968	3,550,968	3,550,968	3,550,968
GW Inn & OWCH Loan (Endowment)	05/11/2014	5.703%	Fixed	11,750,000	11,415,341	660,493	222,503	882,996	882,996	882,996	882,996	882,996
NTSB Building Loan (Operations)	07/11/2015	4.955%	Fixed	17,250,000	17,151,825	816,947	222,578	1,039,525	1,105,536	1,105,536	1,105,536	1,105,536
Subtotal Non-recourse Debt				144,250,000	141,555,988	7,956,072	1,951,801	9,907,873	9,973,884	9,973,884	9,973,884	9,973,884
TOTAL ex Lines of Credit:				<u>748,203,000</u>	<u>706,174,645</u>	<u>34,953,347</u>	<u>17,118,108</u>	<u>52,071,455</u>	<u>55,538,907</u>	<u>58,691,910</u>	<u>60,730,576</u>	<u>62,445,100</u>
Lines of Credit²												
PNC Line of Credit	upon demand	4.616%	Variable	5,000,000	5,000,000	382,521	-	382,521	455,000	455,000	455,000	455,000
SunTrust Line of Credit	upon demand	4.651%	Variable	5,000,000	5,000,000	376,564	-	376,564	455,000	455,000	455,000	455,000
Wachovia Line of Credit	upon demand		Variable	-	-	344,035	-	344,035	455,000	455,000	455,000	455,000
Subtotal Lines of Credit				10,000,000	10,000,000	1,103,119	-	1,103,119	1,365,000	1,365,000	1,365,000	1,365,000
TOTAL plus Lines of Credit:				<u>758,203,000</u>	<u>716,174,645</u>	<u>36,056,466</u>	<u>17,118,108</u>	<u>53,174,574</u>	<u>56,903,907</u>	<u>60,056,910</u>	<u>62,095,576</u>	<u>63,810,100</u>

¹ Projections are based on schedules provided by Legg Mason. Projected debt service is calculated using an effective rate of 3.367%

² Projections are based on an interest rate of 6.500%.

Note: Calculation of totals may vary slightly due to rounding.

Exhibit C

The George Washington University

Endowment Management Report - Year to Date

(Amounts in thousands)

	<u>Consolidated Pooled Endowment</u>	<u>Real Estate</u>	<u>Total</u>	
Market Value June 30, 2005	\$ 678,838	\$ 144,291	\$ 823,129	
Gifts	8,400	-	8,400	
Other Additions	1,165	-	1,165	
Earnings & Asset Appreciation	63,168	1,716	64,884	
Payout	<u>(17,209)</u>	<u>(1,716)</u>	<u>(18,925)</u>	
Market Value December 31, 2005	\$ 734,362	\$ 144,291	\$ 878,653	(1)

Notes:

(1) \$	878,238	Total market value per Mellon Bank as of December 31, 2005
	415	Net transfers after December 31, 2005
<u>\$</u>	<u>878,653</u>	Total market value above

The George Washington University

Endowment Management Report - Quarterly (Amounts in thousands)

	<u>Consolidated Pooled Endowment</u>	<u>Real Estate</u>	<u>Total</u>	
Market Value, September 30, 2005	\$ 721,769	\$ 144,291	\$ 866,060	
Gifts	6,075	-	6,075	
Other Additions	184	-	184	
Earnings & Asset Appreciation	14,938	1,233	16,171	
Payout	<u>(8,604)</u>	<u>(1,233)</u>	<u>(9,838)</u>	
Market Value, December 31, 2005	\$ 734,362	\$ 144,291	\$ 878,653	(1)

Notes:

(1)	\$ 878,238	Total market value per Mellon Bank as of December 31, 2005
	415	Net transfers after December 31, 2005
	<u>\$ 878,653</u>	Total market value above

The George Washington University

Endowment Management Report: Investment Performance Summary

(Net of Fees)

(Period Ending December 31, 2005)

	<u>Month</u>	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>Calendar YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>Inception</u>
TOTAL POOLED ENDOWMENT¹	2.00%	1.98%	7.98%	15.09%	15.09%	19.24%	12.07%
<i>Weighted Index²</i>	<i>0.94%</i>	<i>2.18%</i>	<i>6.44%</i>	<i>8.03%</i>	<i>8.03%</i>	<i>12.86%</i>	<i>9.26%</i>
Total Fund Ex PEQ & RE	2.48%	2.07%	12.14%	12.16%	12.16%	n/a	15.09%
<i>Weighted Index³</i>	<i>1.19%</i>	<i>2.29%</i>	<i>6.64%</i>	<i>7.38%</i>	<i>7.38%</i>	<i>n/a</i>	<i>11.67%</i>
Domestic Equities	1.63%	1.12%	12.07%	12.77%	12.77%	18.92%	12.18%
<i>Russell 3000</i>	<i>0.09%</i>	<i>2.04%</i>	<i>6.13%</i>	<i>6.12%</i>	<i>6.12%</i>	<i>15.90%</i>	<i>8.85%</i>
International Equities	5.49%	4.66%	18.11%	16.79%	16.79%	23.73%	7.05%
<i>MSCI EAFE</i>	<i>4.65%</i>	<i>4.08%</i>	<i>14.88%</i>	<i>13.54%</i>	<i>13.54%</i>	<i>23.68%</i>	<i>5.68%</i>
Total Fixed Income	0.66%	0.34%	1.41%	1.96%	1.96%	2.90%	5.51%
<i>Lehman 3-5 Govt/Agg</i>	<i>0.56%</i>	<i>0.50%</i>	<i>-0.23%</i>	<i>1.02%</i>	<i>1.02%</i>	<i>1.99%</i>	<i>5.93%</i>
Real Estate	1.20%	1.20%	1.20%	30.92%	30.92%	29.04%	15.43%
<i>CPI + 500 bps</i>	<i>0.00%</i>	<i>0.22%</i>	<i>3.65%</i>	<i>8.42%</i>	<i>8.42%</i>	<i>7.85%</i>	<i>7.43%</i>
Private Equity	-0.81%	3.01%	8.29%	16.64%	16.64%	23.74%	4.94%
<i>Russell 3000 + 500 bps</i>	<i>0.50%</i>	<i>3.26%</i>	<i>8.60%</i>	<i>11.12%</i>	<i>11.12%</i>	<i>20.90%</i>	<i>5.37%</i>
Absolute Return	1.05%	1.32%	5.16%	6.55%	6.55%	10.06%	9.32%
<i>91-Day T-bills + 500 bps</i>	<i>0.73%</i>	<i>2.15%</i>	<i>4.21%</i>	<i>8.07%</i>	<i>8.07%</i>	<i>6.80%</i>	<i>7.58%</i>
Ramsey Student Investment Fund⁴	0.63%	1.04%	11.92%	n/a	n/a	n/a	19.73%
<i>S&P 500</i>	<i>0.03%</i>	<i>2.09%</i>	<i>5.77%</i>	<i>4.91%</i>	<i>4.91%</i>	<i>14.39%</i>	<i>8.73%</i>

¹ Inception date of April 1, 1996. This date represents the time when the University shifted its endowment structure to the current investment manager format. Prior to this date, the portfolio excluding real estate was managed by the CommonFund.

² As of 10/1/2004: Russell 3000 - 35%, MSCI EAFE(Net) - 15%, LB 3-5 Govt/Agg Index - 10%, CPI + 500 bps 15%, 91-Day T-bills + 500 bps -15%, Russell 3000 + 500 bps - 10%

³ As of 10/1/2004: Russell 3000 - 46.67%, MSCI EAFE(Net) - 20%, LB 3-5 Govt/Agg Index - 13.33%, 91-Day T-bills + 500 bps - 20%

⁴ Ramsey Student Investment Fund Performance Start Date = 5/1/05