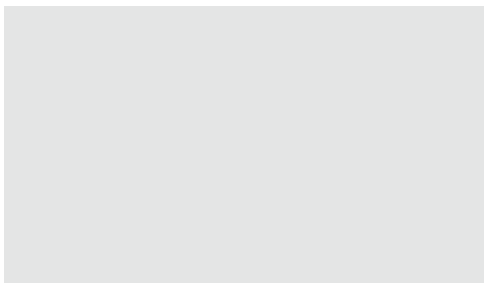
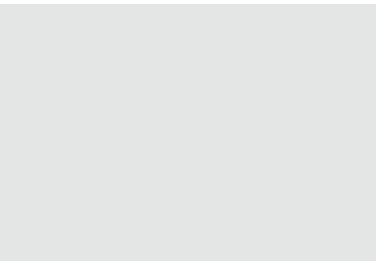
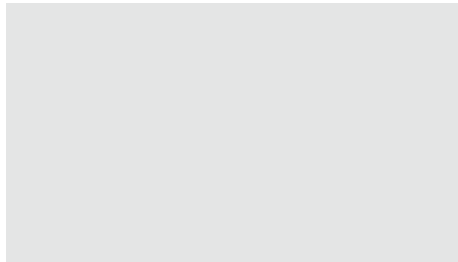


PREPARING FOR THE FUTURE



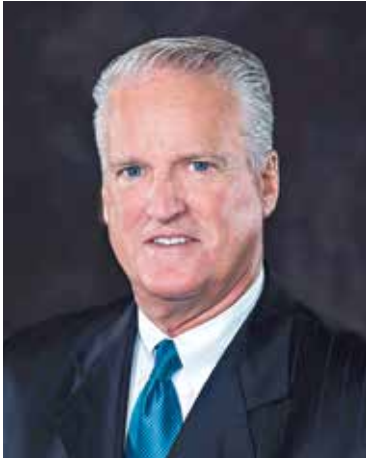


COVER (clockwise from left): Dilanthi Ranaweera, SIS/MA '15, assists a rural family farmer in the rice fields of Myanmar. Bender Library is one of 10 buildings on campus with solar panels on their rooftops. School of Public Affairs graduates reflect with smiles on their faces at spring commencement. ABOVE: Students enjoy a sunny fall day on campus.

A photograph of a university campus. In the foreground, there is a large green lawn with scattered fallen leaves. A person is walking across the lawn. In the background, there are several trees with green and some autumn-colored leaves. A modern building with large windows is visible in the distance under a blue sky with some clouds.

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FROM THE CHAIR OF THE BOARD OF TRUSTEES

This year we mark the 125th anniversary of the founding of American University. With the inauguration of a new president, the first woman to serve as president, it is a moment to reflect on the proud and accomplished century and a quarter that led us here. This time finds us hard at work shaping American University's future.

We are planning the details of the next five years of the growth and innovation of this university, through a new, five-year strategic plan, developed in close consultation with schools, departments, and offices across campus. It is the map that will guide us through the coming years as we meet the challenges of a changing system of higher education and a changing economy, and send our graduates into the world prepared to thrive.

The coming year includes the naming of a new provost to help guide our academic community toward a new era of excellence at American, exemplified by recent successes like the Don Myers Technology and Innovation Building, the Center for Postsecondary Readiness and Success, and the many achievements of our scholars advancing the frontiers of knowledge in the United States and abroad.

We are not just discussing the future on this campus. We are investing in it. With historic gifts from the Abramson and Sine families, our campus will soon be home to a cutting-edge Hall of Science, and the Sine Institute of Policy and Politics, which will open the door to substantive solutions to some of the most pressing policy challenges of our time.

As we look toward the 125 years to come, American University is poised to take flight to even greater heights, inspired anew by the spirit of our proud motto: Once an Eagle, Always an Eagle.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jack C. Cassell'. The signature is stylized with a large, looping initial 'J' and a long horizontal stroke at the end.

Jack C. Cassell



FROM THE PRESIDENT

A year into my tenure at American University, we are putting the finishing touches on a strategic plan that embraces our strengths and helps us move confidently toward new opportunities in the future of work, learning, and citizenship, and the development of economic models for higher education that are both sustainable and accountable.

As we began preparing for the plan, I listened to our AU family, friends, donors, business partners, and government leaders. I heard some dominant themes. At American University, there is no indifference. We are passionate about applying our knowledge and experience to effect meaningful change on the most pressing problems facing our nation and world. And we are not waiting for a finished plan to move forward.

Despite record demand for admission to AU, we maintained our commitment to access by fully supporting the 18 percent of our students who are eligible for Pell Grants. We celebrated when their first-year retention rate exceeded that of the overall student body for the second consecutive year. We launched our Plan for Inclusive Excellence, because no institution can be excellent if it is not inclusive. And we were proud to be the first university to achieve carbon neutrality, two years ahead of schedule.

American established new momentum for philanthropy through two significant gifts—one for our Hall of Science building, now under construction, and one for an institute that builds on our historic strengths in public policy, political science, and international relations, takes advantage of our Washington location, and combines learning with practice to deepen the impact of practitioners: the Sine Institute of Policy and Politics.

American represents a distinctive balance of excellence in research, teaching, and experiential learning. Our strategy will grow from this firm foundation as we reach for the future and the change we know we can make.

Sincerely,

A handwritten signature in black ink that reads "Sylvia M. Burwell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sylvia M. Burwell



We are a university of strivers and dreamers, of activists, of scholars and servant-leaders. We are all, quite literally, One AU.”

| President Sylvia M. Burwell





As we celebrate American University's 125th anniversary, we honor a legacy of making impact. From the inception of the Washington College of Law, the first founded by women, to the first US university to reach carbon neutrality, record-making is woven into who we are.

April 12, 2018, marked another milestone. As we celebrated the inauguration of our 15th and first female president, Sylvia Burwell laid out a new vision for AU, one based on values etched into our founding that actively guide our future:

To **lead** in academics, teaching, and experiential learning. The new Don Myers Technology and Innovation Building and the forthcoming Hall of Science empower AU to be the university of "and," not "or."

To **focus** on the future by empowering innovation and improving the student experience. Initiatives already underway include the Plan for Inclusive Excellence, a broad-reaching effort to build a truly inclusive campus community.

To **nurture** our connections to Washington, DC. When our home city thrives, so do we, so we have initiated programs that include teaching DC high school students the power of technology and entrepreneurship.

To **empower** changemakers and change-making scholarship, from alumni forging paths of public service across the globe to professors on campus, like Ibram X. Kendi, a leading scholar on racism.

To **achieve** excellence in our classrooms and the workforce through strategic partnerships. We are strengthening bonds across schools within our home city and with the public and private sectors alike, including a new alliance with Special Olympics International.

Universities must be ready to meet the needs of an ever-changing world. Here at AU, we not only prepare for the future; we also define it.



We need to be the university of 'and,' not 'or.' We need to value our research and scholarship, as well as the experience inside and outside the classroom. ”

| President Sylvia M. Burwell

PUSHING FULL STEAM AHEAD WITH NEW SPACES FOR INNOVATION

The state-of-the-art Don Myers Technology and Innovation Building is open for business. It is a 70,000-square-foot complex of high-tech laboratories, classrooms, and shared research space, and it offers students and faculty new opportunities for collaborative research.

The building contains College of Arts and Sciences departments, such as computer science, physics, and mathematics and statistics. It also has the AU Game Lab, the AU Center for Innovation, and the AU Entrepreneurship Incubator, as well as the Design and Build Lab (DaBL), colloquially known as the makerspace.

“Twenty-first-century research requires twenty-first-century facilities. The Don Myers building will build on the already vibrant synergy in the sciences here at AU and foster strong collaboration across the physical and mathematical sciences,” says College of Arts and Sciences dean Peter Starr.

The Don Myers building reflects AU’s substantial commitment to STEM—science, technology, engineering, and math subjects that are critical to a twenty-first-century economy. Yet multidisciplinary efforts also include the arts as part of the nascent STEAM movement (the “A” for “arts,” and the “E” here for “entrepreneurship”).

Kathryn Walters-Conte is the coordinator for science outreach and the organizer of AU’s first STEAM Faire. In supporting STEAM, she wants spaces like DaBL and the incubator to be used university-wide.

“Having the ‘A’ in there is not only for arts, but also for accessibility. This is not just something exclusively for students who are studying science: These spaces and these resources are for everybody,” she says.

DaBL highlights that strong nexus between science and the arts. This makerspace is part of a nationwide effort to get people working with their hands again, and it includes everything from a laser cutter to a sewing machine.



DaBL manager Kristof Aldenderfer, CAS/BS '07, describes a place where things are designed and the designer is involved in the entire development process.

“We’re finding students who are excited about working for the space. We’re training them on the equipment so they can assist users with their projects, and we’re building out the educational materials for the space as well,” says Aldenderfer, a physics and computer science instructor. “You can buy all the 3-D printers you want, but if no one understands how to design for them or how to actually use them, then what’s the point?”

Jonathan Newport, who teaches physics and is heavily involved with DaBL, has personally designed complex gadgets to enhance scientific knowledge. For instance, he constructed a device that allows people to “hear” electronic noises, as it picks up signals from cell phones and amplifies the signals to make sounds. He also spends hours ensuring that these devices are visually appealing.

“Is engineering anything without an aesthetic component? You could have something that is very practical but maybe no one would use because it doesn’t have a good user interface,” Newport says. “Two of the most interesting features of humans are our ability to understand the universe and our capacity for creativity, and these features are embodied in science and art.”

HALL OF SCIENCE MAXIMIZES INTERDISCIPLINARY DISCOVERY

“IN AN EVER-CHANGING WORLD, SCIENCE IS ESSENTIAL TO HOW SOCIETY APPROACHES ITS GREATEST OPPORTUNITIES AND CHALLENGES. AU STUDENTS AND FACULTY DESERVE A SPACE THAT MATCHES THEIR AMBITION AND AFFORDS THEM EVERY OPPORTUNITY TO ADVANCE SCIENTIFIC DISCOVERY.”

| Gary and Pennie Abramson

Groundbreaking has begun on the new Hall of Science with a generous \$5 million gift from Board of Trustees member Gary Abramson, SPA/BA '68, and his wife, Pennie Abramson.

The airy and modern facility will embody the university's commitment to support the sciences—the fastest growing area of undergraduate study at AU. Conceived to maximize collaborative research and foster discovery, the center will serve as a catalyst for success for students and faculty and enhance the university's impact in every field.

AU is poised for a new level of scientific achievement. The College of Arts and Sciences has seen a 116-percent increase in research grants over the past five years, securing 48 unique awards from the National Institutes of Health (NIH) and National Science Foundation. In 2018, its faculty received a total \$8.3 million in new research funding. The upgraded facilities will position the university to receive more funding grants as opportunities arise for researchers utilizing the facility's advanced labs and infrastructure.

“This state-of-the-art facility brings together students and faculty across disciplines to support the highest caliber of research and teaching, and foster innovation inside and outside the classroom,” says Victoria Connaughton, professor of biology.

The three-story building, with its expansive 95,000-foot gross floor area, will transform how the sciences are taught and learned and how research is conducted at AU. The departments of biology, environmental science, chemistry, and neuroscience will be housed here to

encourage interdisciplinary interaction and spur partnerships. Functional lab groupings will cluster scholars for optimal efficiency and academic interchange. Designed with an eye on the future, the facility will have the capacity to adapt to advances in and changing requirements of scientific research.

“At AU we are building an integrative scientific culture, as opposed to a collection of individual laboratories,” says Terry L. Davidson, director of the Center for Behavior Neuroscience. “We are uniquely supportive of diverse research interests.”

The Hall of Science will be a hub of innovation, where award-winning scientists and students can optimize their research on issues from hunger to national security to climate change, and where they will have the opportunity to collaborate with scientists from such prestigious organizations as the NIH, National Institute of Standards and Technology, and National Aeronautics and Space Administration. To honor the Abramsons' generosity and in the tradition of creating spaces to foster discovery through community, the Hall of Science auditorium will be named the “Gary and Pennie Abramson Discovery Hall.”

The building, on track to be LEED Gold-certified, will stand as another mark of sustainability on AU's carbon neutral campus.

The university's investment in the sciences will enhance the student experience, encourage innovative problem solving, launch new academic programs, and promote the shared exploration of the most challenging concerns of our time.

An initiative to raise \$40 million for the Hall of Science is underway.



ARCHITECTURAL RENDERINGS OF HALL OF SCIENCE INTERIORS.

\$1.8M PROJECT STUDIES ESSENTIAL ROLE OF CAREGIVERS

Maria Floro, economics professor and codirector of the Program on Gender Analysis in Economics, received \$1.8 million from the William and Flora Hewlett Foundation for a three-year project, “The Care Economy and Gender Sensitive Macroeconomic Modeling for Policy Analysis.” She leads a team of multidisciplinary AU scholars.

The grant supports research on the care economy, which consists of those who look after the physical, psychological, emotional, and developmental needs of others.

Care work, performed mostly by women, is largely invisible and therefore not recognized in economic policies that affect workers’ benefits, health, employment, and more. Floro’s team is looking at the caregiving sector, with the goal of integrating it into economic models that assess policy impact on employment, social policies, taxation, and growth.

“The visibility of unpaid and paid care work is vital to enhancing policymakers’ recognition of women’s economic contributions and the essential role of care in our lives and the economy,” says Floro.



Jasmin Merdan/Getty Images

AU MAKES PHYSICS FUN FOR DC YOUTH

Seeing light in new ways helped more than 150 DC-area middle school students penetrate the mysteries of the cosmos during AU’s Optics Olympiad.

One demonstration showed light “behaving” as a wave—a complex concept that takes time to grasp, but also an experience that can be fun, says physics professor Gregory Harry.

If the students’ excited maneuverings through a maze of laser light beams was any indication, Optics Olympiad was a success.



ONE-STOP LEARNING HUB FOR ESL STUDENTS

School of Professional and Extended Studies professorial lecturer Krisztina Domjan blends various technologies to simplify learning for international English as a second language (ESL) students adapting to a new environment.

Frustrated with Microsoft Word’s numerous document attachments, she utilized Google Docs and other applications to create a one-stop course work destination. This 60-page template enables ESL students to track their progression throughout the semester.

For her efforts, the Center for Teaching, Research and Learning recognized Domjan with the Jack Child Teaching with Technology Award.



DEANS EXEMPLIFY THE SCHOLAR-TEACHER IDEAL



Two exemplars of the scholar-teacher ideal—Christine BN Chin and Vicky Wilkins—accepted deanships at the School of International Service (SIS) and the School of Public Affairs (SPA), respectively.

Chin, SIS/PhD '95, has long ties with SIS, including as director of the intercultural and international communications program. An internationally renowned global migration scholar, she has conducted path-breaking work on the intersections of gender, class, nationality, and race and ethnicity. She received several awards for her 2013 book, *Cosmopolitan Sex Workers: Women and Migration in a Global City*. Chin holds an MA from the University of California–Berkeley and a BA from Wellesley College.

Wilkins joined AU in 2014 after 11 years at the University of Georgia, where she earned teaching awards and international recognition for her expertise in representative bureaucracy. She has held top positions at the Public Management Research Association and the American Political Science Association, and she has served on several editorial boards. Wilkins earned her political science doctorate at the University of Missouri–Columbia.

INTERNET GOVERNANCE SCHOLAR LAUDED

A world-renowned Internet governance scholar and author of eight books is the 2017–2018 Scholar-Teacher of the Year. Laura DeNardis, professor and dean of faculty in the School of Communication, was honored for her significant contributions to teaching, research, scholarly publication, and university and public service. DeNardis is affiliated with Columbia and Yale Universities and featured frequently in the media for her expertise on the social and political implications of Internet technical architecture and governance.



WILD FILMMAKING INTENSIVE

Caroline Kettlewell weathered unpredictable storytelling conditions during her Classroom in the Wild filmmaking intensive on Maryland's Eastern Shore. "How about sleeping on the floor and skipping a shower for the better part of a week—while 15 heretofore strangers become your 24/7 companions, you swathe yourself in enough thermal layers to insulate a small village, and people less than half your age patiently explain 'spray and pray,' 'two shot,' and why you need a 'dead cat'?" says Kettlewell. (The "dead cat" is a fake-fur sock that covers a shotgun mic to muffle the sound of roaring wind.)



We must set our sights on the future. The future of learning. The future of work. The future of citizenship. We need to focus on what it means to learn over the course of a lifetime. 》》

| President Sylvia M. Burwell

INCLUSIVE EXCELLENCE INITIATIVE LAUNCHES ACROSS CAMPUS

A multimillion-dollar plan to advance the cause of equity, inclusion, and diversity is underway at American University.

More than \$121 million is being invested to implement goals set out in the Plan for Inclusive Excellence through FY 2019.

The plan's first phase budgets \$53 million in spending on institutional scholarships like Pell Grants, Frederick Douglass Distinguished Scholars, the Yellow Ribbon Program for veterans, and graduate student scholarships aimed at increasing diversity and access across the institution. The plan designates an additional \$7 million in year-one funds for academic initiatives such as the American University Experience Courses (AUx), academic centers, faculty development, curricular enhancements, and other support services and programs to advance access, equity, and inclusion. A further \$61 million is earmarked for investments in diversity, equity, and inclusion programs in year two. University leadership is committed to ensuring that financial resources are properly aligned to support the goals outlined in this plan and, during the coming year, will assess additional needs in time for the next biennial budget process.

"American University can thrive only when we affirm the dignity of everyone, when we demonstrate cultural competence, and when all members of our community—especially students, faculty, and staff of color—feel included," President Sylvia M. Burwell said in her inauguration speech.

The Plan for Inclusive Excellence touches all parts of and all people at the university. It addresses the student experience inside and outside the classroom; faculty and staff recruitment, hiring, promotion, and retention; the handling of incidents of bias and discrimination claims; communication around issues of diversity, equity, and inclusion; and much more.

One goal of the plan is to equip members of the AU community to lead change in a complex world. As part of this goal, AU is implementing institution-wide training initiatives, tailored to the needs of campus constituencies and focused on cultural competence as a critical aspect of orientation, learning, onboarding, and professional development.



Another goal is to focus on campus climate and culture so that all members feel that they belong. The university is providing grant incentives to encourage collaboration across departments and student organizations to develop innovative diversity and inclusion programs, foster a sense of community, and positively impact campus climate.

Changing AU's systems, policies, and procedures to promote diversity, inclusion, transparency, and accountability is a critical plan goal. Objectives include adopting consistent hiring policies and practices across the university to advance equitable outcomes.

Access and equity in the way AU recruits, hires, trains, develops, evaluates, and recognizes faculty, staff, and administrators are also a goal. AU will pilot a training program for faculty hiring, reappointment, and promotion review committees. It will focus on recognizing and eliminating bias in recruitment and promotion processes.

University leadership has worked with the Office of Institutional Research and Assessment to develop a set of metrics by which to drive and assess the progress of the plan. Among the key measures is an improved campus climate that provides a sense of belonging and community for all its members, as evidenced in surveys and focus groups.

Other measures are an increase in compositional diversity among faculty, students, staff, and administrators, and the successful completion of trainings or course work by members of the community. Student success is measured by indicators like retention and graduation rates of underrepresented populations.

Welcome
1st Years!



AUX INSTRUCTOR/ADVISOR CAMILLE CLARK WELCOMES FIRST-YEAR STUDENTS. |

STUDENT RETENTION UP WITH AUx, NEW ACADEMIC ADVISORS

The core of AU's Reinventing the Student Experience (RiSE) initiative is the rollout of the American University Experience classes—AUx1 and AUx2. The university conducted two successful AUx pilot programs during academic years 2016–2017 and 2017–2018, which boosted retention rates.

In 2016–2017, the one-year retention rate for students enrolled in AUx was 94.7 percent versus 89.1 percent for those not enrolled. In 2017–2018, preliminary results show that AUx students are again retaining at higher rates overall, with the strongest returns coming from those benefitting from both AUx and a newly created first-year academic advisor position. Students with both interventions are currently retaining at rates 2 to 4 percentage points higher than their non-AUx counterparts.

“The initial results from our AUx pilots have been pretty astounding,” says Jessica Waters, dean of undergraduate education and vice provost for academic student services. “On factors [that] we know lead to retention and thriving, students enrolled in AUx are far above students who are not.”

These factors include whether students feel included on campus, whether they feel that professors care about them as people, and whether students know how to navigate university services and where to go to resolve problems.

The 2017–2018 pilot also incorporated the new first-year advising program, which assigns a dedicated first-year advisor to each incoming student. “Each advisor will have no more than 76 students,” Waters says, compared with the national average of one advisor to 300 students. First-year advisors also teach AUx1 in the fall semester, so they see their advisees at least once a week.

In the 2018–2019 academic year, all incoming first-year students are participating in the AUx and first-year advising programs for the first time.

RiSE's financial aid pilot, which began in 2016, continued through the 2017–2018 academic year. The goal of the pilot has been to boost completion rates for three components of the financial aid process: timely filing of financial aid applications, submission of required documents, and fulfillment of Satisfactory Academic Progress (SAP) requirements.

The pilot assigned a financial aid counselor to each incoming first-year student, starting with the cohort that entered in Fall 2016 and continuing with the Fall 2017 cohort. Counselors conducted one-on-one meetings with their students and provided personalized communication and guidance.

Sharon Alston, vice provost for undergraduate enrollment, says the initial pilot showed that 70 percent of the cohort filed applications by April 1, 2017, one month ahead of the deadline, as compared to 62 percent in 2016. Ninety-five percent completed financial aid requirements by the start of the academic year, as opposed to 90 percent previously. The pilot also showed a nearly 50 percent decrease in the number of need-based aid recipients who failed to meet minimum SAP standards. On May 1, 2018, the financial aid model expanded to include all undergraduate and graduate students.

Another key RiSE initiative addresses the communication load for incoming students, who typically receive more than a hundred communications from the university between their submission of deposit and arrival on campus. Fanta Aw, vice president of Campus Life and Inclusive Excellence, says the communications overhaul will decrease that load and focus on tone and impactful content so students do not “tune out.”

“ HIGHER EDUCATION IS CHANGING RAPIDLY. WE REALLY NEED TO UNDERSTAND THE STUDENTS IN TERMS OF WHERE THEY ARE, AND WHERE WE'RE TRYING TO GET THEM TO. ”

Fanta Aw
Vice President of Campus Life
and Inclusive Excellence

ENTREPRENEURSHIP EXPERT IS FIRST INNOVATION CHAIR

Brett Gilbert knows what new businesses need to thrive. An accomplished entrepreneurship researcher, she joined the Kogod School of Business management faculty as inaugural Kogod Regional Innovation Chair.

Robert Kogod, KSB/BSBA '62—celebrated philanthropist, renowned member of the DC business community, and AU trustee emeritus—and his wife, Arlene, established the Kogod Regional Innovation Fund to connect business scholars with the area's business community and to support research on the increasing importance of regional economic centers.

"Holding the Kogod Chair is very important to me," Gilbert says. "It gives me the license and resources to develop my research—not just internationally but domestically—and to focus on the Washington, DC, area to better understand capital cities."

Gilbert studies technology clusters to understand how geographic regions foster startups and how to create dynamic ventures in cities where they do not exist. She and her AU colleagues hope to collaborate with British university researchers to compare DC and London as hubs for innovation.



AU RAISES BAR FOR CIVIL DISCOURSE

The School of Public Affairs and Office of Campus Life have launched a civil discourse program that encourages students to have tough conversations and listen to differing points of view.

"There is a difference between robust debate and unkindness, between challenging ideas and unproductive attacks," says Lara Schwartz, program director and SPA professorial lecturer. "The idea of civil discourse is to help students develop the will and the capacity to engage in conversations that are intellectually rigorous and enriching."

DOCUMENTING ISLAND LIFE AFTER MARIA

Students in School of Communication professor Terry Bryant's advanced television production class covered the story of a lifetime when they journeyed to post-hurricane Puerto Rico in April 2018.

Each of the eight documentarians produced their own news project related to the impact of Maria. Topics included the only operational dialysis unit on the island, life in areas still without electricity, and protests against a US Department of Education order closing 283 schools due to reported low enrollment.



MORE LIGHT, SPACE AT LIBRARY

The Bender Library renovation maximized natural light and created spaces more conducive to learning, studying, research, and productivity. It increased seating on the library's first floor by 31 percent, including additional tables, and expanded study-room space by 17 percent, which means more options for groups and those seeking minimal distraction. The library also streamlined its desk services on the first and second floors for easier access for patrons.

A NEW ERA OF MOMENTUM IN PHILANTHROPY



Gifts from two committed AU alumni trustees and their spouses totaling \$15 million signal the beginning of a new era of momentum in philanthropy to reach AU's ambitious goals.

A \$10 million gift from Jeff Sine, SIS/BA '76, and Samira Sine will establish the Sine Institute of Policy and Politics in the nation's capital. A laboratory for university-wide collaboration and an incubator for bipartisan policy innovations, the Sine Institute will bring together leaders from the public, private, and nonprofit sectors and journalism with top scholars and students to foster an exchange of ideas around the complex drivers shaping policy and political discourse.

"Through this gift we wanted to empower American University to make an immediate and lasting impact at the intersection of politics and policy, increasing AU's national and international visibility," say Jeff and Samira Sine.

A \$5 million gift from Gary Abramson, SPA/BA '68, and Pennie Abramson to begin construction of the new science building will advance the sciences at AU. (See story, page 8.)

CHOICES GROW FOR PLACES TO GO

Two new gathering places offer students spaces to study, engage with friends or peers, or simply take a break. The Hub for Organizing, Multiculturalism and Equity (HOME) in Mary Graydon Center is a place for support and positive interactions among multicultural communities. It is an Office of Campus Life, University Center, and AU Student Government collaboration. University Center's Bridge Café in Bender Arena offers space to gather and hosts concerts, open mic nights, and other events throughout the semester.



ALUM PROMOTES FLAVORS OF DC

Sixty-five small food businesses are part of TasteLab, a DC culinary incubator and commercial kitchen founded by Ryan Hansan, Kogod/BSBA '08, in 2015. Hansan opened TasteLab Marketplace in 2018—the only outlet in Union Market that exclusively sells DC-made food and beverages. "Not only will this marketplace allow us to introduce all of these incredible products and entrepreneurs to the thousands of people who visit Union Market on a daily basis, but we will be creating a new revenue stream for our members and in some cases, putting them on their first shelves," Hansan says.





We need to nurture our connection with Washington, DC. That means finding ways to be productive members of our local community through acts of service, helping the local economy thrive, and making sure that the AU community benefits from everything this great city has to offer. 》》

VAST TROVE OF CORCORAN ART IS GIFTED TO KATZEN MUSEUM

The American University Museum at Katzen Arts Center is the recipient of one of the largest free art distributions in US history as it received nearly 9,000 works from the Corcoran Gallery of Art. One of the country's first private museums when it was established in 1869, the Corcoran Gallery closed in 2014.

"American University Museum is excited about the opportunities to share this rich collection with our students, scholars, the Washington community, and beyond," says Katzen museum director and curator Jack Rasmussen. "This collection will enhance the museum's long-standing commitment to exhibiting works by Washington, national, and international artists who hail from diverse backgrounds and encompass many artistic styles and ranges."

The acquisition includes paintings, photographs, sculpture, textiles, and the bulk of the Corcoran's famous collection of works on paper, as well as pieces by such masters as Picasso and Rembrandt. Other prominent artists include sixteenth-century Italian painter Titian, a contemporary of Michelangelo; German Renaissance painter and printmaker Albrecht Dürer; American artists Winslow Homer, John Singer Sargent, Andy Warhol, and Jimmy Ernst (pictured); eighteenth-century British portraitist Thomas Gainsborough; French impressionist Charles-François Daubigny; and American sculptor Louise Nevelson.

The AU Museum, the largest university-affiliated art venue in the DC metro area, now has a dedicated exhibition space in which to feature the work of historical and contemporary Washington artists, thanks to a major gift from alumna and arts advocate Carolyn Alper, BA/CAS '68, in 2014. The Alper Initiative for Washington Art provides funds to identify significant artists and give them a deserving place of prominence.

"William Corcoran's dedication to presenting works by American artists led to his collecting an exceptional body of nineteenth-century art from Washington, DC, representing



the simultaneously national and local identities of art in the emerging capital city," Rasmussen says.

The museum's willingness to maintain the integrity of important American collections, such as works from William A. Clark and Olga Hirshhorn, will provide opportunities for scholarship and exhibitions for years to come.

The Corcoran gift also supplements the museum's collection of work by female artists and artists of color, in alignment with the Department of Art History's leadership in feminist art history and the university's commitment to diversity and inclusion.

AU has upgraded its collections management software and plans to work with registrars at the National Gallery of Art to incorporate data on the collection.

In support of this acquisition, AU has launched a funding initiative to update the museum's exhibition and storage space, including a redesign of the second-floor galleries. Plans also call for creation of a study room for students, faculty, and visiting scholars, and the hiring of staff with specialized skills to assess and conserve the art and to share the collection through public programming and international promotion.

The Corcoran College of Art and Design, added to the art gallery in 1880, was transferred to George Washington University.

STUDENTS TURN THEIR IDEAS INTO PRODUCTS IN MAKERSPACE

“WE ARE TEACHING THEM THAT ORIGINAL IDEAS HAVE MEANING AND VALUE, WHICH MAY BE THE MOST IMPORTANT OUTCOME OF THE PROGRAM.”

Bill Bellows
Codirector of AU
Entrepreneurship Incubator

An inaugural group of H.D. Woodson High School students visited campus six times to explore the role that science, technology, engineering, and mathematics—subjects collectively known as STEM—play in today’s marketplace.

Guided by AU faculty, the students got hands-on practice with the tools of innovation and design at cutting-edge facilities like the Design and Build Lab (DaBL).

“Entrepreneurship is creating something of value from nothing more than an idea. To shape an idea into a product by talking to potential customers and building prototypes through the DaBL is an amazing and unique opportunity,” says Bill Bellows, Kogod executive in residence and codirector of the AU Entrepreneurship Incubator.

“It is a lot of fun to watch the students’ enthusiasm grow as they see the process start to work and as they pitch their ideas. We may not turn them all into entrepreneurs, but we are teaching them that original ideas have meaning and value, which may be the most important outcome of the program.”

The students started off in the American University Center for Innovation, where Bellows taught them how to use customer discovery—the process of turning a vision into a business model—to develop ideas for the marketplace.

Next, they moved on to the DaBL to create prototypes for their product concepts, which ranged from customized fidget spinners to a robotic dog. DaBL manager Kristof Aldenderfer and physics lab director Jonathan Newport

helped the students use Tinkercad design software to visualize objects in three dimensions.

When the time came for the big reveal, the high schoolers turned their ideas into physical products using the lab’s 3-D printers, electronics workbench, and other state-of-the-art equipment.

The program culminated with product pitches by the students to a panel of AU science and business faculty, students from the National Science Foundation I-CORPS program, and external technology entrepreneurship experts.

“Through the program, the students have learned the fundamentals of customer discovery, additive and subtractive manufacturing, design, assembly, and entrepreneurship,” says Kathryn Walters-Conte, director of the biotechnology master’s program and science coordinator at the College of Arts and Sciences (CAS).

The students also met with School of Education (SOE) faculty to discuss how to apply their new skills to future internships and educational pursuits.

The program was a real team effort by CAS, SOE, and the Kogod School of Business, whose faculty worked together to share their expertise with the Woodson students.

“American University has an amazing cohort of faculty across many schools and disciplines who are genuinely invested in bridging the achievement gaps that sideline many of our talented DC Public Schools students,” Walters-Conte says.

The next cohort of students will develop a ThinSat, a miniature satellite that collects scientific measurements and will be launched into orbit with a NASA satellite in April 2019.



PHYSICS LAB DIRECTOR JONATHAN NEWPORT TEACHES WOODSON STUDENTS IN THE DaBL.

FOOD FOR ACTION

In Jane Palmer's community-based research course, students work with DC organizations to confront endemic social problems. The course is part of Community-Based Research Scholars (CBRS), a living-learning community program for first-year students that Palmer directs.

Palmer's class focused on food insecurity and partnered with the Latin American Youth Center (LAYC), which offers health-conscious cooking classes for young DC residents. AU students conducted survey and focus groups with local kids, and they found recurring challenges they presented to LAYC staff: DC families have limited time to prepare healthy meals; they live too far from grocery stores to gather all the necessary ingredients; and fast food is more easily accessible in urban neighborhoods.

AU student Kefai Debebe says the CBRS program perfectly comports with her career goals. "It's an amazing opportunity to be able to learn about research and to apply the things that we're learning in class directly into the community," she says. "That's the whole reason why I chose to come to AU."



MALALA NAMED WONK OF THE YEAR

Malala Yousafzai, champion of human rights and gender equity, received a standing ovation when presented with the 2017 Wonk of the Year Award. She gained global attention as an advocate for girls' education after surviving an assassination attempt by the Taliban at age 15.

"Imagine a life where your mind is just completely limited, where your world is very small. Knowledge and learning makes your world bigger, it makes your mind bigger—so be thankful for it," she says.



WILSON STUDENTS SEE REFLECTIONS OF MODERN LIFE IN NEW OTHELLO

Creatively staged with contemporary references, AU's production of Shakespeare's *Othello* brought to life familiar themes of jealousy, racism, and isolation to an audience of students from DC's Wilson High School.

"The focus of this play is the black male. I know Wilson has a strong population of students of color, so I wanted the students to see the play in this context," says Caleen Sinnette Jennings, professor of theater in the College of Arts and Sciences.



LAW STUDENTS TEACH CONSTITUTION AT AREA SCHOOLS



Never does understanding the Constitution of the United States seem more important than when it stands in greatest peril. Improving that understanding is a top goal of Washington College of Law's (WCL) Marshall-Brennan Constitutional Literacy Project, a nationally recognized legal education initiative with chapters in 19 law schools.

Established in 1999 by WCL faculty members Jamin Raskin and Stephen Wermiel, WCL/JD '82, the project sends exceptional upper-level students to teach courses in constitutional law and oral advocacy at DC-area high schools, including Dunbar, Eastern, Wilson, Capital City Public Charter School, Paul Public Charter School, and School Without Walls.

The project culminates in the annual William H. Karchmer Moot Court Competition, which sends finalists to national competition.

The hope, says professor and project associate director Lisa M. Curtis, WCL/JD '11, is to reinforce high school students' interest in pursuing legal education—and, more importantly, bolster in them “the belief that they can make a difference in promoting a fairer and more equitable society.”

DC COURT COMES TO THE PEOPLE

The US Court of Appeals-DC Circuit heard oral arguments in *USA v. Jamal* and *Electronic Privacy Information v. FAA* at the Washington College of Law. A three-judge panel that included chief judge and Supreme Court nominee Merrick Garland presided over the cases.

“The chance to bring the court to . . . law students and others is a great way to let more people see their work and to understand what they do,” says WCL professor Stephen Wermiel.



A LAUNCH PAD FOR COLLEGE AND LIFE

Through the School of Professional and Extended Studies' Gap Program, high school students who want to take time off before going to college can try out the nation's capital as they grow professionally and personally. Students intern in DC for real-world experience while they take intensive seminar classes in American politics, international affairs, or global business. The spring 2018 semester cohort had the opportunity to meet with Russian and Turkish diplomats and Department of Homeland Security cybersecurity experts and to tour the United States Institute of Peace.



We must continuously take up our charge to make a positive impact on the world, combining our scholarship with a commitment to service to produce changemakers as well as change-making scholarship. ”

| President Sylvia M. Burwell

ALUMNA BREAKS INCOME BARRIERS FOR RURAL FAMILY FARMERS

Dilanthe Ranaweera, SIS/MA '15, has forged a path of public service from Washington, DC, to the farms of Myanmar and Kenya. Part of the field operations team at One Acre Fund, a US-based NGO, Ranaweera helps smallholder farmers, who typically rely on family labor, to develop a better quality of life.

Most of the world's poor live in rural areas, like the rice fields of Myanmar, says Ranaweera. These farmers do not have access to resources like money for education or health care. They live in perpetual debt, their livelihood entirely dependent on agriculture.

One Acre Fund works with these farmers to increase their harvest and household profits. When income barriers are removed, their access to resources, like technology and health care, or the opportunity for a few days off, increases.

"Improving the farmers' crops and yields—and, as a result, their whole household income—not only improves his or her family's livelihood and well-being," says Ranaweera. "It also provides food for the community and the world."

One Acre Fund started in Kenya in 2006 and now serves more than 600,000 smallholder farmers. Ranaweera led field operations for the organization's first pilot program in East Asia, where she recruited, trained, and assisted farmers in the field. After the Myanmar pilot ended, she joined the Kenya program. She chose to remain in field operations because it enables her to have direct contact with farmers.

"One Acre Fund strongly believes in putting the farmers first," she says. "We care deeply for their well-being. I love working for an organization that insists on putting the customer—our farmers—at the center of every decision we make."

Ranaweera shares the organization's philosophy that the best way to serve those customers is to live and work in the vicinity.



In Kenya, she can see the farm fields from her office window; in Myanmar, she lived 30 minutes away and made frequent site visits to oversee operations and any challenges facing staff.

"I literally got my feet muddy with our farmers regularly. I traveled to their fields and houses to understand their farming needs and to support them with cultivation," she says.

In Kenya, Ranaweera works on the field staff management team that recruits, trains, and manages the performance of the field team, which numbers about 2,000. Instead of interacting directly with the farmers, she now trains staff from local communities to perform that role, empowering them to be the changemakers.

Ranaweera became acquainted with development work in her home country of Sri Lanka. In the wake of a devastating civil war, from 1983 to 2009, while doing relief work in rural areas, she found a focus for her passion: to help generate income for poor, rural populations.

She credits SIS, ranked among the top 10 schools of its kind, and the internationally recognized master's program in international development for planting the seeds of her successful and meaningful career.



IBRAM X. KENDI |



CENTER STAFF POSE WITH COVER POSTER OF DR. KENDI'S AWARD-WINNING BOOK.

A FORCE FOR CHANGE

Under the leadership of Ibram X. Kendi, a leading scholar of racism in the United States, the Antiracist Research and Policy Center at American University has positioned itself to become an unstoppable engine of racial change.

“The world’s racial problems are quite big, discrimination is rather bold,” says Kendi, the founding director. “We need serious research, practical policies, and innovative ways of bringing about change, and we cannot wait. We can no longer sit on the sidelines of history as inequality passes on to another generation.”

The center engages in research around racial inequity to dismantle discriminatory policies in the US and abroad. It is founded on a pioneering vision of racial change: to eradicate racist ideas, you must first do away with racist policies. Toward this end, interdisciplinary experts will be employed to execute powerful campaigns for change.

Its advent coincides with a major moment in the life of our nation, says Christine BN Chin, dean of the School of International Service (SIS). “This center affirms the educational, research, policy, administrative, and demographic imperatives of crossing borders,” Chin says. “All of these are aimed at addressing a significant barrier—racial inequality and inequity—that plague the human condition in this country and elsewhere in the world.”

In February 2018, the center unveiled its first major initiative: FD200. Launched in partnership with Frederick Douglass Family Initiatives, the project commemorates the bicentennial of Douglass’ birth by celebrating 200 people who embody the spirit of his work—as an abolitionist, politician, writer, feminist, educator, entrepreneur, and diplomat.

Honorees include Black Lives Matter cofounder Patrisse Cullors, award-winning novelist Min Jin Lee, and Oprah Winfrey.

While many people throughout history have dedicated their lives to exposing racist policies and people, the same cannot be said for institutions, says Rachel Lee, the center’s research and communications specialist. When it comes to institutional efforts, many firsts have yet to be achieved, she says, and the center is poised to lead them. In 2019, it will host an Antiracist Book Festival, the world’s first and only event dedicated to literature on racial justice.

“There haven’t been a lot of projects dedicated to antiracist heroes,” says Lee, “so seeing them celebrated is really empowering.”

Kendi announced the inception of the center in 2017 when he joined AU as a professor of history and international relations in the College of Arts and Sciences and SIS. Since then the center has been building its conceptual, fiscal, and strategic foundation.

Its unique research model is team based and project oriented. Six teams of experts have been assembled and assigned to focus on one sector of society—economy, education, environment, health, justice, or politics. Each group is tasked with targeting an inequity in that sector that needs to be eliminated, researching the underlying causes of the inequity, and developing a campaign for change.

“We want to bring these people together on teams where each person can do what he or she does best,” Kendi says, “as part of an intellectual assembly line where problems of inequity become policy solutions—and where solutions become change.”

“WE WANT TO BRING THESE PEOPLE TOGETHER . . . AS PART OF AN INTELLECTUAL ASSEMBLY LINE WHERE PROBLEMS OF INEQUITY BECOME POLICY SOLUTIONS—AND WHERE SOLUTIONS BECOME CHANGE.”

Ibram X. Kendi
Director of Antiracist Research
and Policy Center

STUDY LINKS CHILD HUNGER, PARENTAL JOB STRESS

Each year in the US, hunger and health problems strike more than 60 percent of children aged three to five in households where parents' jobs and income change, says a study coauthored by School of Public Affairs professor Taryn Morrissey. About half of children in the same age group have parents whose income swings up or down by 33 percent, the study shows.

Such income fluctuation appears linked to food insecurity, say Morrissey and her University of Pennsylvania coauthor, Sharon Wolf, in "Economic Instability, Food Insecurity, and Child Health in the Wake of the Great Recession," published in the *Social Service Review*.

"We focus on young children," says Morrissey, "because economic resources, family stability, and other characteristics are particularly important to lifelong cognitive, health, and social-emotional outcomes."

Stabilizing parents' work schedules and improving enrollment procedures for programs like Supplemental Nutrition Assistance Program and Medicaid are part of the solution, she says. The study draws from the 2008 Survey of Income and Program Participation.



EX-EAGLE SCORES 19 IN NBA DEBUT

After playing 10 seasons in professional basketball's minor league, the Los Angeles Lakers signed Andre Ingram, CAS/BS '07, for its last two games of 2018. Not only did Ingram accomplish his NBA dream—he captivated the sports world, scoring 19 points in his debut. "Every time I was ready to jump off that ledge, something pulled me back," he says. "My story is to let that voice, let that encouragement, pull you back in."



COMBATting STEREOTYPES WITH MUSLIM PROJECT

Ammarah Rehman, SIS/BA '19, is building bridges with her website, The Muslim Project, to combat stereotypes of Muslims in mainstream media and society.

"As a Muslim American, I always saw the Muslim community portrayed negatively in the media and felt responsible to end Islamophobia," the 2018 Newman Civic Fellow writes in her personal statement for the fellowship.

"My goal is to humanize people who practice Islam and mitigate the scourge of Islamophobia and bigotry through advocacy, policy, education, and interfaith dialogue."

FILM EXAMINES DEBATE OVER DEATH PENALTY



School of Communication professors Maggie Stogner and Richard Stack released their powerful new documentary, *In the Executioner's Shadow*, which examines all sides of the death penalty debate through interviews with crime victims, family members, and a Virginia-based executioner. The film navigates the moral quandaries of capital punishment, while exploring larger questions of American identity, justice, and mercy. Several AU students and alumni assisted with the production.

Central to the film is Jerry Givens, who conducted 62 executions—work so secretive that even his wife did not know. (She thought he was a prison guard.) He has since become a leading anti-death-penalty advocate.

Although it illuminates the dark side of capital punishment, the documentary does not take a formal position on the issue. It simply challenges the viewer to consider the ramifications of this practice—which occurs increasingly beyond public purview—for our society.

Stogner says, “It’s about who we are as a country and what our values are in the twenty-first century.”

TRACKING CLIMATE CHANGE FUNDING

SPA professor Todd Eisenstadt is tracking how funding for climate change projects flows from international donors to local development projects and the effect on indigenous populations in developing countries.

“This is a burgeoning area of study because a lot of money is being collected,” says Eisenstadt. “It is important for the public, policy analysts, scientists, and policy makers to understand whether and how these funds are being channeled so they get where they need to go.”



JEWISH GROUP AIDS HOUSTON'S RECOVERY EFFORT

To many, the sustainability of Houston's Jewish community came under threat when Hurricane Harvey damaged synagogues and flooded thousands from their homes.

Avital Ingber, Kogod/BA '03, head of the Jewish Federation of Greater Houston, helped raise millions of dollars for shelter, synagogue reconstruction, and Jewish day school tuition.

“In the fourth-largest city in America, we don't want to have a generation that is lost in terms of its connection to the Jewish community,” Ingber says.





It is only by working together that we can achieve excellence in our scholarship, excellence in our research, excellence on the playing field, excellence in our classrooms and in the workforce. 55

| President Sylvia M. Burwell

AU IS FIRST CARBON NEUTRAL UNIVERSITY IN UNITED STATES

Eight years after it publicly pledged to become carbon neutral by 2020, American University achieved its goal—two years ahead of schedule. AU is the first carbon neutral university in the nation, as well as the first urban campus and the first research university to accomplish this achievement.

“We wanted to demonstrate leadership and innovation in addressing the serious social, economic, and environmental issues associated with global warming,” says President Sylvia M. Burwell. “Having a net-zero carbon footprint reflects our commitment to acting on our values and leading into the future.”

To earn official designation as carbon neutral, AU had to meet guidelines set by Second Nature, a nonprofit dedicated to accelerating climate action in—and via—higher education. The strategy includes reducing energy use per square foot and producing renewable energy on campus, using green power, and purchasing strategic offsets.

AU’s electricity is 100 percent renewable. Fifty percent comes from solar power panels at a solar farm in North Carolina. The site was the largest solar purchase installation by a non-utility company at construction in 2014. The remainder comes from renewable energy credits.

“American University is truly raising the bar for the country,” says Timothy Carter, president of Second Nature. “With this type of leadership and innovation, we can meet our shared climate goals faster than anyone expects.”

AU’s carbon neutral campus is the result of a community-wide effort led by the Office of Sustainability, with significant contributions from Facilities Management and Transportation Programs.

While the university worked toward its goal, faculty integrated sustainability into their classes. Students in an environmental studies course, for example, organized a waste audit and an urban ecosystem walk on and around campus to collect data on their local environment.

Other students produced short films about campus waste practices and infrastructure, participated in zero-waste events,



and joined in campus-wide competitions to reduce waste and the university’s carbon footprint.

Staff contributed by participating in programs like Green Office, which promotes the adoption of sustainable practices and environmental responsibility by employees in their day-to-day work.

“Sustainability is something that our students care deeply about. But more than talking about it, we have to model the behavior we want to see in the world around us,” says Kiho Kim, environmental science professor at AU. “Achieving carbon neutrality is a very strong statement about what is important to us, the entire AU community, and shows that we will continue to lead by example.”

After achieving this major milestone, the AU community looks forward to developing more innovative approaches to enhancing sustainability efforts. The university is currently undergoing a two-year hot water and heat conversion project that will drive down campus use of fossil fuels. Underground steam lines will be replaced with low-temperature hot water lines to meet campus heating needs. This new system will provide AU with reliable energy and carbon savings for the future.

“Climate change is one of the most urgent issues of our time,” says Megan Litke, director of sustainability programs. “Each organization and individual has a responsibility to act to reduce their environmental impact. I’m proud to be part of a university that takes this responsibility seriously and has acted to achieve carbon neutrality.”

CLOSING COLLEGE-OPPORTUNITY GAP FOR DISADVANTAGED STUDENTS

“INFORMED BY THE LATEST AND MOST ROBUST RESEARCH FINDINGS INTO STUDENT OUTCOMES, THE CENTER’S MISSION WILL BE TO PUT BEST PRACTICES AND KNOWLEDGE INTO THE HANDS OF POLICY MAKERS.”

Laura Owen
Inaugural Director

The college-opportunity gap widens whenever a student from a low-income background does not go to college or falls short of finishing a degree. While many scholars agree the problem exists, there is also a research gap as to the causes and solutions.

American University’s new Center for Postsecondary Readiness and Success aims to close both gaps by partnering with high school counselors, postsecondary experts, and scholars around the nation to produce pioneering new research on ways to make higher education more available to underserved populations.

Housed in the School of Education (SOE), the center is the first of its kind to critically examine school counseling systems, college advising practices, systemic inequities, and other patterns that work against students from low-income backgrounds, new-majority and first-generation students, and students of color.

Part of the solution involves training more high school counselors, says Laura Owen, the center’s inaugural director. The national ratio of students to counselors is 482 to 1, according to the National Association for College Admission Counseling and the American School Counselor Association. Both organizations recommend a ratio of 250 to 1—a goal so far achieved only in the less populated states of New Hampshire, Vermont, and Wyoming.

In addition to seeking better training for career guidance advisors and stronger financial aid support, the center helps students better prepare for college by texting them timely information as they need it. The UpNext texting program sends messages about everything from preparing for the SATs and ACTs to applying for financial aid. Through partnerships, the center is bringing messaging support to 3,500 rising DC college freshmen and 1,500 rising DC college sophomores.

All this research comes at a time when the number of young Americans who receive more education than their parents lags behind the numbers in many other countries.

Owen and SOE dean Cheryl Holcomb-McCoy have done extensive work addressing systemic college-opportunity challenges. Since launching the center, they have assembled an advisory board of more than 20 national experts from multiple fields. They bring concrete ideas for improving the odds of low-income, first-generation, and new-majority students getting into—and finishing—degree programs at two- and four-year institutions.

Guided by these education scholars, practitioners, and leaders, the center is looking at models of student support, such as school counseling and postsecondary advising, with the aim of introducing new frameworks for postsecondary success.

The center has defined its core goals: One is to identify common practitioner competencies that give students good postsecondary guidance. Another is to reimagine, reframe, and conduct interdisciplinary research on effective practices to support equitable student postsecondary exploration and planning.

Also on the agenda is to provide practitioners, families, and students with user-friendly reports containing information they need to improve postsecondary success. In the long term, it is about giving students tools and practices that can be replicated throughout US schools.

The center has already received three grants totaling more than \$400,000 from Civic Nation, the Kresge Foundation, and Raise DC.

Owen and Holcomb-McCoy also are involved in the Reach Higher Initiative spearheaded by former first lady Michelle Obama. Its goal is to help students around the country continue their education beyond high school, whether through professional training programs, community colleges, or institutions offering four-year degrees.



SENIORS LINE UP FOR GRADUATION IN BENDER ARENA.

AU, SPECIAL OLYMPICS PARTNER ON DISABILITY STUDY

Students in Kogod's master's in business analytics program are examining Special Olympics International's data on health information for persons with intellectual disabilities to develop predictive analytical models.

The first-time partnership between AU and Special Olympics focuses on research and education at the intersection of disability, development, communication, information technology, entrepreneurship, and public policy. Students also participate in for-credit internships to learn how the organization is contributing to make communities more inclusive, particularly in urban settings.

"We are delighted to partner with American University to advance public policies, data analytics, and collaborative research that will positively impact our vast network of athletes and the global disability community," says Special Olympics chair Timothy Shriver.

The collaboration coincides with the unveiling of AU's new strategic initiative on global disability and development, led by its Institute on Disability and Public Policy. According to Special Olympics, approximately 6.5 million people in the US, and as many as 200 million people worldwide, have an intellectual disability.



STUDENTS SAVE TEXTBOOK COSTS

Membership in a collaborative of 600-plus colleges and universities that share and peer-review academic course content gives AU faculty greater access to high-quality open educational resources for their classes. The Open Textbook Network allows professors more freedom to customize course curriculum, and students save an estimated \$1,220 per year on textbooks, according to the College Board. Support from the Center for Teaching, Research and Learning streamlines the process.

DIVERSIFYING THE PR INDUSTRY

PR firm MWWPR and the School of Communication are working to increase ethnic diversity in the public relations industry. Summer fellows at MWWPR conceptualize and build their own agencies, implement work on behalf of actual clients, and explore employment opportunities.

"We are looking to build a truly integrated team of individuals with unique cultural backgrounds, skill sets, and experiences that will contribute to the future success of our agency and the industry at large," says Michael Kempner, SOC/BS '81, MWWPR founder and CEO.



THE FUTURE OF HEALTH CARE

Leading thinkers assessed the future of US health care while offering constructive policy recommendations at "Next Steps in Health Reform 2017" at the Washington College of Law. AU president Sylvia M. Burwell, the former secretary of Health and Human Services, delivered a hopeful address that encouraged collaboration: "This isn't the work of government or business alone. It's the work of policy makers and physicians, advocates and attorneys, patients and families."

AIRLIE-RAISED FOODS FIND WAY TO STUDENTS' PLATES



Twenty-four hours after a rainbow of produce is plucked from the historic Airlie Center's 20-acre farm in Warrenton, Virginia, it is served to hungry students in AU's Terrace Dining Room.

The property, gifted to the university in fall 2016, grows and harvests 10,000 pounds of fruit and vegetables each year—the majority of which is used by AU's Dining Services. Another 75 acres are dedicated to raising Berkshire pigs and Angus cattle, producing 12,000 pounds of beef and pork for AU students and Airlie guests.

The 300-acre meeting and conference destination also serves up research and experiential learning opportunities for the AU community.

"Science faculty have taken students out overnight to sample water [and] SOC professor Sarah Menke-Fish took out a class to do a series of documentaries on the property's history," says environmental science professor Kiho Kim, Airlie's academic liaison. "Few universities have the capacity to provide experiential learning in both urban and rural environments. Airlie gives us longer reach into different parts of the metropolitan DC area."

CAMPUS TOUR COMES TO LIFE WITH AUGMENTED REALITY

Prospective students and their families can bring the AU campus to life by pointing their smartphones at augmented reality posters they come across on their tours.

With Tour AU, a mobile admissions app developed in partnership with Sony, students can meet President Sylvia M. Burwell, take a selfie with Clawed Z. Eagle, get excited about physics with Professor Nate Harshman, and learn about what Bender Library has to offer.

The posters are a key feature of the app, and AU is the only university in DC currently offering this technology.



BASKETBALL WOMEN IN BIG DANCE

For the second time in its history, the women's basketball team earned a berth in the NCAA Tournament. The Eagles punched a ticket to the Big Dance by defeating Navy 58-49 to win the Patriot League championship. The victory clinched AU's first undefeated season at home since the 1970s. Junior Cecily Carl scored 20 points to lead the team and was named the tournament MVP. Despite playing well in its NCAA Tournament matchup with UCLA, AU lost to the Bruins 71-60.

AU AT A GLANCE

92%

AU grads working or
in grad school, or both*

*results of Graduation Census as of
six months after degree conferral

#78

national universities ranking

U.S. News and World Report

A1 Moody's

A+ S&P

WAMU 88.5

AMERICAN UNIVERSITY RADIO

reaches more than

1 million listeners

on-air, online, and on-demand

75%

growth in
African-American
listeners*

81,000

members

*Washington, DC Metro, Metro AQH Share
Black 6+, Mon-Sun 6a-Mid, May 2017-April 2018
Nielsen Audio PPM

AU IS THE FIRST

carbon neutral
university in the US



reached 2020 pledge

2 years early

116%

growth in research grants

to College of Arts and Sciences
in the past five years

AU IS THE

fifth largest

nongovernmental
employer in DC

GIVING, AND GIVING BACK, AT AU

\$56.3M

gifts and pledges

FY2018

51%

gifts of \$1M or greater

2nd most successful
fundraising year
in AU's recorded history

INCLUSIVE EXCELLENCE

\$121M

committed

FYs 2018 and 2019

including

\$53M

for scholarships to increase
diversity and access in year one

CARNEGIE CLASSIFICATION

R2: Doctoral Universities

Higher Research Activity

\$47,640

tuition and fees

\$14,880

average housing
and meal costs

80%

of incoming students
received need- or merit-
based financial aid

11,435

total full-time
enrollment

7,953

undergraduates

2,373

graduate students

1,109

law students

32%

admit rate
fall 2018

29%

yield rate
fall 2018

44%

of new tenure-line faculty
identify as people of color

1 in 4

is African American

AY17-18

#6

Truman Scholarships
2009-2018

(tied with Georgetown, Louisiana State,
and universities of Virginia and Oklahoma)

5 LAW SPECIALTY
PROGRAMS RANKED
IN THE TOP 20

*U.S. News and
World Report*

#4

Clinical Legal
Education

#6

International Law

#7

Trial Advocacy

#9

Intellectual
Property

#20

Health Law

#1

most politically
active students

#2

most active
student government

Princeton Review

OUR STUDENTS

31%

of color

143

countries

50

states + DC

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Cheryl Holcomb-McCoy, Dean, School of Education
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* alumna or alumnus of American University

FINANCIAL STATEMENTS

2017-2018

“

The foundation for all our current achievements and future endeavors is our long-standing tradition of sound financial management, disciplined investment, and thoughtful planning.”

Douglas Kudravetz
CFO, Vice President and Treasurer



From the CFO, Vice President and Treasurer

Walking the grounds of American University, one always notices an air of energetic purpose and industry. This year, that atmosphere is especially palpable, as there is a unified and heightened sense of anticipation for the future. From President Burwell's five pillars for the future set forth in her inauguration speech to the new construction and revitalization of our infrastructure already underway, it is an exciting and exceedingly productive time for our community.

We reached a significant milestone in spring 2018 when we became the first urban campus and research university to achieve carbon neutrality—two years earlier than planned. Credit for this momentous accomplishment goes to the entire university community for its steadfast commitment, leadership, and innovative efforts to address climate change. As we look to the future to further reduce our carbon footprint, work already has begun on a massive two-year hot water and heat conversion project and the replacement of our current underground steam lines with low-temperature hot water lines to serve the university's heating needs. These upgrades will further reduce our use of fossil fuels and provide reliable energy and carbon savings long into the future.

To provide greater opportunities for research and teaching, and to support the increase in recent years of science and pre-med majors, we broke ground recently on the Hall of Science building. The state-of-the-art facility, expected to open in fall 2020, will be home to the biology, environmental sciences, chemistry, and neuroscience departments. The building's shared space and research laboratories are intended to foster collaboration across the various disciplines.

The foundation for all our current achievements and future endeavors is our long-standing tradition of sound financial management, disciplined investment, and thoughtful planning. For the first time in the university's history, total assets have surpassed \$2 billion. Net assets are \$1.28 billion. Standard & Poor's and Moody's reaffirmed AU's A+ and A1 credit ratings, respectively, and our total endowment stands at \$708 million.

Significant progress was made in the past year to advance American University's goals and aspirations. As we develop our next five-year strategic plan, I look forward with anticipation to the innovative and collaborative ways in which the university community embraces the future and makes President Burwell's five pillars a reality.

Sincerely,

A handwritten signature in black ink that reads "Douglas Kudravetz". The signature is fluid and cursive, with the first name being particularly prominent.

Douglas Kudravetz



REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF TRUSTEES OF AMERICAN UNIVERSITY:

We have audited the accompanying consolidated financial statements of American University (the “University”) and its subsidiaries, which comprise the consolidated balance sheets as of April 30, 2018, and April 30, 2017, and the related consolidated statements of activities and cash flows for the years then ended.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American University and its subsidiaries as of April 30, 2018, and April 30, 2017, 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

August 30, 2018

PricewaterhouseCoopers LLP, 100 East Pratt Street, Suite 1900, Baltimore, MD 21202-1096
T: (410) 783 7600, F: (410) 783 7680, www.pwc.com/us

CONSOLIDATED BALANCE SHEETS APRIL 30, 2018 AND 2017

(IN THOUSANDS)

	2018	2017
ASSETS		
1 Cash and cash equivalents	\$ 127,892	\$ 17,482
2 Accounts and University loans receivable, net	37,742	43,841
3 Contributions receivable, net	15,613	11,470
4 Prepaid expenses and inventory	5,379	5,586
5 Investments	979,494	934,104
6 Deposits with trustees/others	252	1,269
7 Deposits for collateralized swaps	18,099	28,407
8 Property, plant, and equipment, net	797,374	785,336
10 Interest in perpetual trust	18,960	17,935
11 Deferred tax asset	-	-
12 Total assets	2,000,805	1,845,430
LIABILITIES AND NET ASSETS		
Liabilities:		
13 Accounts payable and accrued liabilities	64,269	65,679
14 Deferred revenue and deposits	25,270	20,894
15 Notes payable and long-term debt	558,674	478,720
16 Swap agreements	58,711	73,980
17 Assets retirement obligations	1,751	1,667
18 Refundable advances from the US government	10,144	9,805
19 Deferred tax liability	-	1,427
20 Total liabilities	718,819	652,172
Net assets:		
21 Unrestricted	1,043,748	973,577
22 Temporarily restricted	119,417	104,184
23 Permanently restricted	118,821	115,497
24 Total net assets	1,281,986	1,193,258
25 Total liabilities and net assets	\$2,000,805	\$1,845,430

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED APRIL 30, 2018

<i>(IN THOUSANDS)</i>	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL	
Operating revenues and support					
1	Tuition and fees	\$ 557,566	\$ -	\$ -	\$ 557,566
2	Less scholarship allowances	(156,138)	-	-	(156,138)
3	Net tuition and fees	401,428	-	-	401,428
4	Federal grants and contracts	22,039	-	-	22,039
5	Private grants and contracts	24,687	-	-	24,687
6	Indirect cost recovery	2,761	-	-	2,761
7	Contributions	21,840	8,237	1,596	31,673
8	Endowment income	11,767	6,732	143	18,642
9	Investment income	8,534	671	-	9,205
10	Auxiliary enterprises	90,365	-	-	90,365
11	Other sources	7,293	-	-	7,293
12	Net asset release	8,943	(8,943)	-	-
13	Total operating revenues and support	599,657	6,697	1,739	608,093
Operating expenses					
14	Instruction	197,001	-	-	197,001
15	Research	56,031	-	-	56,031
16	Public service	28,193	-	-	28,193
17	Academic support	62,042	-	-	62,042
18	Student services	47,795	-	-	47,795
19	Institutional support	107,001	-	-	107,001
20	Auxiliary enterprises	87,392	-	-	87,392
21	Total operating expenses	585,455	-	-	585,455
22	Total operating activities	14,202	6,697	1,739	22,638
Nonoperating items					
23	Other nonoperating sources	(4,000)	204	82	(3,714)
24	Realized and unrealized net investment gains	59,969	8,332	1,503	69,804
25	Total nonoperating activities	55,969	8,536	1,585	66,090
26	Change in net assets	70,171	15,233	3,324	88,728
27	Net assets at beginning of year	973,577	104,184	115,497	1,193,258
28	Net assets at end of year	\$1,043,748	\$ 119,417	\$ 118,821	\$1,281,986

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED APRIL 30, 2017

<i>(IN THOUSANDS)</i>		UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL
Operating revenues and support					
1	Tuition and fees	\$ 524,894	\$ -	\$ -	\$ 524,894
2	Less scholarship allowances	(130,802)	-	-	(130,802)
3	Net tuition and fees	394,092	-	-	394,092
4	Federal grants and contracts	18,307	-	-	18,307
5	Private grants and contracts	19,031	-	-	19,031
6	Indirect cost recovery	2,398	-	-	2,398
7	Contributions	19,867	3,547	4,806	28,220
8	Airlie Foundation contribution	17,410	-	-	17,410
9	Endowment income	11,451	6,587	143	18,181
10	Investment income	7,400	698	-	8,098
11	Auxiliary enterprises	81,996	-	-	81,996
12	Other sources	5,580	-	-	5,580
13	Net asset release	10,203	(10,203)	-	-
14	Total operating revenues and support	587,735	629	4,949	593,313
Operating expenses					
15	Instruction	182,002	-	-	182,002
16	Research	50,830	-	-	50,830
17	Public service	27,726	-	-	27,726
18	Academic support	59,629	-	-	59,629
19	Student services	44,929	-	-	44,929
20	Institutional support	94,070	-	-	94,070
21	Auxiliary enterprises	75,531	-	-	75,531
22	Total operating expenses	534,717	-	-	534,717
23	Total operating activities	53,018	629	4,949	58,596
Nonoperating items					
24	Other nonoperating sources	(1,254)	(149)	91	(1,312)
25	Realized and unrealized net investment gains	68,053	11,566	1,578	81,197
26	Total nonoperating activities	66,799	11,417	1,669	79,885
27	Change in net assets	119,817	12,046	6,618	138,481
28	Net assets at beginning of year	853,760	92,138	108,879	1,054,777
29	Net assets at end of year	\$ 973,577	\$ 104,184	\$ 115,497	\$1,193,258

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED APRIL 30, 2018 AND 2017

(IN THOUSANDS)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
1 Increase in net assets	\$ 88,728	\$138,481
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
2 Contribution of Airlie Foundation	-	(17,410)
3 Contributed art and property	(58)	(119)
4 Net realized and unrealized investment (gains)/losses	(70,211)	(83,623)
5 Net gain on the disposal of fixed assets	(180)	-
6 Gain on asset retirement obligation	-	(193)
7 Change in fair value of interest rate swaps	(15,269)	(11,665)
8 Depreciation, amortization, and accretion	40,963	40,400
9 Changes in assets and liabilities		
10 Decrease (increase) in accounts and university loans receivable, net	5,244	(8,394)
11 (Increase) decrease in contributions receivable, net	(4,143)	548
12 Decrease (increase) in prepaid expenses	207	(3,249)
13 Decrease in accounts payable and accrued liabilities	(9,499)	(30,539)
14 Increase in deferred revenue, deposits, and other refundable advance	4,715	4,286
15 Receipt of contributed securities	(934)	(1,530)
16 Sale of contributed securities	934	1,530
17 Contributions collected and revenues restricted for long-term investment	(3,536)	(4,030)
18 Benefit from deferred taxes	(1,427)	(15)
19 Net cash provided by operating activities	35,534	24,478
CASH FLOWS FROM INVESTING ACTIVITIES		
20 Purchases of investments	(471,210)	(186,086)
21 Proceeds from sales and maturities of investments	495,006	177,550
22 Acquisition of Airlie Foundation	-	3,867
23 Proceeds from sale of property, plant, and equipment	1,106	-
24 Purchases of property, plant, and equipment	(45,624)	(64,094)
25 Capitalized interest	(72)	(3,820)
26 Increase in deposits with trustees/other, net	11,325	16,175
27 Net cash used in investing activities	(9,469)	(56,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
28 Student loans issued	(642)	(1,030)
29 Student loans repaid	1,497	1,450
30 Issuance of debt	152,000	40,000
31 Repayment of debt	(71,936)	(42,409)
32 Debt issuance costs	(110)	139
33 Proceeds from contributions restricted for:		
34 Investment in plant	786	1,859
35 Investment in endowment	2,750	2,171
36 Net cash provided by financing activities	84,345	2,180
37 Net increase (decrease) in cash and cash equivalents	110,410	(29,750)
38 Cash and cash equivalents at beginning of year	17,482	47,232
39 Cash and cash equivalents at end of year	\$127,892	\$ 17,482
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
40 Cash paid during year for interest	\$ 22,404	\$ 19,812
41 Contribution of Airlie Foundation	-	13,543
42 Contributed art and property	58	119
43 Contributed securities	934	1,530
44 Accrued payment for property, plant, and equipment	8,089	19,235

1. AMERICAN UNIVERSITY

American University (the University) is an independent, coeducational university located on an 85-acre campus in northwest Washington, D.C. It was chartered by an Act of Congress in 1893 (the Act). The Act empowered the establishment and maintenance of a university for the promotion of education under the auspices of the Methodist Church. While still maintaining its Methodist connection, the University is nonsectarian in all its policies.

American University offers a wide range of graduate and undergraduate degree programs, as well as non-degree study. There are approximately 901 full-time faculty members in seven academic divisions, and approximately 13,900 students, of which 8,400 are undergraduate students and 5,500 are graduate students. The University attracts students from all 50 states, the District of Columbia, Puerto Rico, and nearly 130 foreign countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the University have been reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CLASSIFICATION OF NET ASSETS

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

Unrestricted—Net assets not subject to donor-imposed stipulations.

Temporarily Restricted—Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the University pursuant to those stipulations.

Permanently Restricted—Net assets subject to donor-imposed stipulations that must be maintained permanently by the University.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. 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 reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Non-operating activities represent transactions relating to the University's long term investments and plant activities, including contributions to be invested by the University to generate a return that will support future operations, contributions to be received in the future or to be used for facilities and equipment, and investment gains or losses.

PRINCIPLES OF CONSOLIDATION

Our consolidated financial statements include our accounts and that of our wholly-owned and controlled subsidiaries after elimination of intercompany accounts and transactions.

In May 2012, the University became the sole member of American University at Connecticut Avenue LLC ("the LLC"). The LLC purchased an office building to house the University's public radio station, WAMU - 88.5 FM, and other administrative offices. The University has consolidated the rental revenue of the LLC in our consolidated financial statements.

As disclosed in Note 3, the University acquired the Airlie Foundation (Airlie) on September 9, 2016, via a change of control. The results of Airlie from the acquisition date through April 30, 2018, are consolidated in the University's financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include U.S. currency and highly liquid short-term interest-bearing marketable instruments with original maturities of three months or less from the initial purchase date. Investments that qualify as cash equivalents are treated as investments in the consolidated balance sheet.

RECEIVABLES

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services, loans receivable primarily related to donor-structured loans and federal student financial aid programs, and amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts. The University reviews the individual receivables as well as the history of collectability to determine the collectible amount as of the balance sheet date. Additionally, loans receivable are evaluated annually by looking at both unsecured and secured loans.

DEPOSITS FOR COLLATERALIZED SWAPS

Deposits consist of the cash held as collateral for the University's interest rate swaps.

INVESTMENTS

Investments are presented at fair value in the balance sheet. Investments include endowment funds and university working capital funds. Endowment income included in operating revenues consists of annual amounts allocated for spending of endowment funds in accordance with the University's spending policy. Net realized and change in unrealized gains and losses are calculated using the average cost of investments. Gains and losses from investments of endowment funds are reported as non-operating revenues in the Consolidated Statements of Activities. Investment income included in operating revenues consists primarily of interest and dividends from investments of working capital funds and unexpended plant funds.

Investments are valued based on quoted market price when available. The University has interests in alternative investments consisting of limited partnerships. For these alternative investments, the University uses Net Asset Value ("NAV") as a practical expedient to determine fair value. Alternative investments are less liquid than the University's other investments. Furthermore, the investments held in these limited partnerships, as well as certain investment securities held in mutual funds classified as equity securities, may include derivatives and certain private investments that do not trade on public markets and therefore may be subject to greater liquidity risk. See Note 7 for an explanation as to methodology for determining fair value.

Investment income accrued as earned and is reported net of management fees and rental real estate property expenses.

PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment are stated at cost on the date of acquisition or at estimated fair value if acquired by gift including interest capitalized on related borrowings during the period of construction, less accumulated depreciation. Certain costs associated with the financing of plant assets are deferred and amortized over the terms of the financing. Depreciation of the University's plant assets is computed using the straight line method over the asset's estimated useful life, generally over 50 years for buildings, 20 years for land improvements, 5 years for equipment, 10 years for library collections, and 50 years for art collections. The University's capitalization policy is to capitalize all fixed assets and collection items that have a cost of \$10,000 or more per unit and a useful life of two years or more.

REFUNDABLE ADVANCES FROM THE US GOVERNMENT

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. Such funds are ultimately refundable to the government. Approximately 44% and 43% of net tuition and fees revenue for the years ended April 30, 2018 and 2017, respectively, was funded by federal student financial aid programs (including loan, grant, and work-study programs).

ASSET RETIREMENT OBLIGATIONS

The University records asset retirement obligations in accordance with the accounting standard for the Accounting for Conditional Asset Retirement Obligations (ARO). This standard requires the fair value of the liability for the ARO be recognized in the period in which it is incurred and the settlement date is estimable, even if the exact timing or method of settlement is unknown. The ARO is capitalized as part of the carrying amount of the long-lived asset retroactively to the time at which legal or contractual regulations created the obligation. The University's ARO is primarily associated with the cost of removal and disposal of asbestos, lead paint, and asset decommissioning. For the years ended April 30, 2018 and 2017, the accretion expenses were \$83,000 and \$79,000, respectively. There was no remediation during the current year ending April 30, 2018. No obligations were settled in April 30, 2018 and 2017.

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 liabilities in the 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.

AUXILIARY ENTERPRISES

The auxiliary enterprises revenue consists primarily of revenue received from students for housing revenue and food services operations, parking revenue and commercial property rental income.

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenues in the period received. 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 gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

INCOME TAXES

The University has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Such activities resulted in no net taxable income in fiscal years 2018 and 2017.

The Airlie Foundation, a subsidiary acquired by the University in September 2016, remains a taxable non-stock corporation and is taxed as a C-Corporation and uses the liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The University's policy is to record interest and penalties as an increase in income taxes payable and corresponding increase to income tax expense. No penalties or interest have been recorded for the year ended April 30, 2018 or 2017.

FUNCTIONAL EXPENSES

The University has developed and implemented a system of allocating expenses related to more than one function. These expenses are depreciation, interest and operations and maintenance of plant. Depreciation is allocated by individual fixed assets to the function utilizing that asset. Interest is allocated based on the use of borrowed money in the individual functional category.

The operations and maintenance of plant are divided into expenses used for the total institution not charged back to the operating units, and those expenses charged to some units but not all units. The allocation was determined through a study of departmental uses of the operations and maintenance budget within each category.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions are the value of alternative investments, the asset retirement obligations, the postretirement benefit plan, and swap agreements. Actual results could differ materially, in the near term, from the amounts reported.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The new guidance is effective for fiscal years beginning after June 15, 2018, for contributions received and

December 15, 2019, for contributions made. The University is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2020.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715) primarily to improve the presentation of net periodic pension cost and net periodic postretirement cost. The amendments in this update require that an employer reports the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. Under this update, nonpublic entities shall disclose the components of the net periodic benefit cost other than the service cost either in a separate line item in the statement of activities or in notes to the financial statements. This new guidance is effective for the University's fiscal periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Although early adoption is permitted, the University is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2020.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958), which makes targeted changes to the not-for-profit financial reporting model. Under the new standard, the existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The standard also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The University is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the lessees' balance sheet and disclosing key information about leasing arrangements for leases classified as operating leases under the previous GAAP. Under this update, lessees should recognize in the balance sheet as a liability to make lease payments and a right-of-use asset representing its right-to-use the underlying asset for the lease term. This new guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The University is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2020.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments (Topic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new guidance is effective for the University's fiscal periods beginning after December 15, 2018, and for interim periods within those fiscal years, with early adoption permitted. The University early adopted the portion of ASU 2016-01 related to fair value for debt disclosure and the adoption did not affect the University's consolidated financial condition, change in net assets, or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

3. THE AIRLIE FOUNDATION ACQUISITION

THE AIRLIE FOUNDATION

The Airlie Foundation was incorporated in 1960 under the laws of the Commonwealth of Virginia, as a not for profit non-stock corporation and is required to pay corporate income tax. It is engaged in the operation of an educational conference center and hotel located in Warrenton, Virginia.

Airlie’s organizational purpose is (1) to study, promote, encourage and foster knowledge, understanding and appreciation of the physical and social sciences; (2) in the field of adult education, to associate together and promote cooperation among administrators, scholars, scientific and professional groups, and others to engage in research and dissemination of impartial and authoritative findings on questions of national and international importance; and (3) to conduct an educational conference center for groups and organizations that have an educational purpose, and to hold, initiate, sponsor, aid in managing and directing, and to assist cooperative groups or organizations in holding meetings, assemblies, seminars and conferences of a local, state or national character.

CHANGE OF CONTROL

On September 9, 2016, Airlie’s board of directors unanimously elected to admit the University as an additional member. Immediately thereafter, the existing members of the board of directors voluntarily resigned, effectively transferring control of Airlie to the University. The University’s strategic goal for acquiring Airlie was to invest in the operations and help to further Airlie’s mission and continue the environmental stewardship of the Airlie property.

The University followed the guidance outlined in ASC 958-805-25-13 to record the acquisition of Airlie on the University’s financial statements. As of the acquisition date there were no assets or liabilities noted that would fall outside the normal acquisition accounting guidance. Therefore, the University included all assets and liabilities of Airlie when assessing the fair value of the acquisition. As a result of the fair value assessment performed by the University, adjustments were recorded to reflect the fair value of the land and buildings using the property appraisal. The excess of the fair value of assets acquired over the liabilities assumed was \$17,409,650 and is reflected in the statement of activities as Airlie Foundation contribution revenue. The fair value of the \$17.4 million in assets and liabilities included the following (in thousands):

Assets		
1	Cash and cash equivalents	\$ 3,867
2	Property, plant, and equipment, net	18,419
3	Other assets	1,205
Liabilities and Net Assets		
4	Accounts payable and accrued liabilities	\$ 2,305
5	Notes payable and long-term debt	2,100
6	Deferred revenue and deposits	1,676
7	Unrestricted net assets	17,410

Airlie’s revenue and changes in unrestricted net assets since the acquisition date included in the statement of activities for the year ending April 30, 2017, are as follows (in thousands):

8	Revenue	\$ 5,898
9	Change in unrestricted net assets	(1,388)

SUPPLEMENTAL PRO FORMA INFORMATION

The University’s unrestricted revenue and changes in unrestricted net assets for the years ending April 30, 2017, would have been the \$592.1 million and \$119.7 million, respectively, if the University had acquired Airlie on May 1, 2016.

PUSH DOWN ACCOUNTING

Additionally, under US GAAP, an acquirer of a business may decide to reflect the acquirer’s “stepped up basis” for these assets in acquired financial statements by means of pushdown accounting pursuant to ASC 958-805-30-6. The University elected this option and pushed the fair value accounting adjustments down to Airlie’s financial statements as of the acquisition date.

4. ACCOUNTS AND UNIVERSITY LOANS RECEIVABLE, NET

Accounts and loans receivable, net, at April 30, 2018 and 2017, are as follows (in thousands):

	2018	2017
Accounts receivable		
1 Student	\$14,649	\$15,605
2 Grants, contracts, and other	14,491	15,411
3 Accrued interest	662	636
4 Student loans	9,407	14,474
5	39,209	46,126
6 Less allowance for uncollectible accounts and loans	(1,467)	(2,285)
7	<u>\$37,742</u>	<u>\$43,841</u>

At April 30, 2018 and 2017, the University had an outstanding student loans receivable balance in the amount of \$9.4 million and \$14.5 million, respectively. Management does not believe it has significant exposure to credit risk related to the federal student financial aid programs as these accounts receivable amounts are backed by the U.S. government. Additionally, management has considered the credit and market risk associated with all other outstanding balances and believes the recorded cost of these loans approximates fair market value at April 30, 2018 and 2017.

5. CONTRIBUTIONS RECEIVABLE, NET

As of April 30, 2018 and 2017, unconditional promises to give were as follows (in thousands):

	2018	2017
Amounts due in		
1 Less than one year	\$11,379	\$10,131
2 One year to five years	9,560	6,421
3 Over five years	1,240	584
4	22,179	17,136
5 Less unamortized discount	(1,734)	(781)
6 Less allowance for doubtful accounts	(4,832)	(4,885)
7	<u>\$15,613</u>	<u>\$11,470</u>

Contributions receivable over more than one year are discounted at rates ranging from 3.0% to 6.5%. New contributions received during fiscal years 2018 and 2017 were assigned a discount rate that is commensurate with the market and credit risk involved.

As of April 30, 2018 and 2017, the University had also received bequest intentions and conditional promises to give of \$66.6 million and \$50.3 million, respectively. These intentions to give are not recognized as assets. If the bequests are received, they 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 of the University. Conditional promises to give are recognized as contributions when the donor-imposed conditions are substantially met.

6. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment and related accumulated depreciation and amortization at April 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
1 Land and improvements	\$ 51,551	\$ 51,971
2 Buildings	999,498	960,141
3 Equipment	127,992	143,793
4 Construction in progress	12,210	20,083
5 Library and art collections	137,634	129,258
6	1,328,885	1,305,246
7 Less accumulated depreciation and amortization	(531,511)	(519,910)
8	<u>\$ 797,374</u>	<u>\$ 785,336</u>

Construction in progress at April 30, 2018 and 2017 relates to building improvements and renovations.

For the years ended April 30, 2018 and 2017, depreciation expense was approximately \$40.8 million and \$40.3 million, respectively.

CAPITALIZED INTEREST

Capitalized interest for the years ended April 30, 2018 and 2017 was approximately \$72,000 and \$3.8 million, respectively.

7. FAIR VALUE MEASUREMENTS

The University determines fair value in accordance with fair value measurement accounting standards. These standards establish a framework for measuring fair value, a fair value hierarchy based on the observability of inputs used to measure fair value, and disclosure requirements for fair value measurements. Financial assets and liabilities are classified and disclosed in one of the following three categories based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than Level 1, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table displays the carrying value and estimated fair value of the University's financial instruments as of April 30, 2018 (in thousands):

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 2018
Assets					
Investments					
1	Cash and cash equivalents	\$ 62,759	\$ -	\$ -	\$ 62,759
2	Equity—Corporate Stocks	607	-	-	607
3	Equity—Domestic Funds	71,119	-	-	181,831
4	Equity—International Funds	106,669	-	-	110,198
5	Equity—Hedge Funds	-	-	-	155,574
6	Equity—Real Asset Funds	10,745	-	-	22,460
7	Equity—Private Equity Funds	-	-	-	60,061
8	Fixed income—Corporate Bonds	-	33,101	-	33,101
9	Fixed income—Government Agency Bonds	-	11,121	-	11,121
10	Fixed income—International Bonds	-	50	-	50
11	Fixed income—US Treasury Securities	7,847	-	-	7,847
12	Fixed income—Domestic Bond Funds	144,792	103	-	457
13	Deposits with trustees	252	-	-	252
14	Interest in perpetual trust	-	-	18,960	18,960
15	Total assets at fair value	\$404,790	\$ 44,375	\$18,960	\$530,581
Liabilities					
16	Swap agreements	\$ -	\$ 58,711	\$ -	\$ 58,711
17		\$ -	\$ 58,711	\$ -	\$ 58,711

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

The following table displays the carrying value and estimated fair value of the University's financial instruments as of April 30, 2017 (in thousands):

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 2017
Assets					
Investments					
1	Cash and cash equivalents	\$ 16,508	\$ -	\$ -	\$ 16,508
2	Equity—Corporate Stocks	92,472	-	-	92,472
3	Equity—Domestic Funds	98,590	-	116,173	214,763
4	Equity—International Funds	96,875	-	98,749	195,624
5	Equity—Hedge Funds	-	-	115,256	115,256
6	Equity—Real Asset Funds	10,422	-	15,334	25,756
7	Equity—Private Equity Funds	-	-	45,163	45,163
8	Fixed income—Corporate Bonds	-	28,560	-	28,560
9	Fixed income—Government Agency Bonds	-	9,311	-	9,311
10	Fixed income—International Bonds	-	70	-	70
11	Fixed income—US Treasury Securities	14,811	-	-	14,811
12	Fixed income—Domestic Bond Funds	175,188	163	459	175,810
13	Deposits with trustees	1,269	-	-	1,269
14	Interest in perpetual trust	-	-	17,935	17,935
15	Total assets at fair value	\$506,135	\$ 38,104	\$ 17,935	\$391,134
Liabilities					
16	Swap agreements	\$ -	\$ 73,980	\$ -	\$ 73,980
17		\$ -	\$ 73,980	\$ -	\$ 73,980

The University determines a valuation estimate based on techniques and processes that have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the funds and fund custodians may also use established procedures for determining the fair value of securities that reflect their own assumptions. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of the financial instruments listed above:

- **Cash Equivalents:** Cash equivalents primarily consist of deposits in money market funds and short-term investments. These are priced using quoted prices in active markets and are classified as Level 1.
- **Equity Investments:** Equity investments consist of, but are not limited to separate accounts, common trust funds and hedge funds. These assets consist of both publicly traded and privately held funds.
 - o **Publicly traded securities:** These investments consist of domestic and foreign equity holdings. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

- o Privately held funds: These investments consist of domestic, international, hedge, real asset, and private equity funds that are privately held. The valuations of the funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value or interest in the fund shares. The investment shares or ownership interests in these funds may not be readily redeemable. If an active market exists for the fund and shares are redeemable at net asset value, these investments are classified as Level 2. In the absence of readily determinable fair value, those investments are valued using NAV as the practical expedient as outlined in ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent). Investments in such funds do carry certain risks including lack of regulatory oversight, interest rate risk and market risk.
- Fixed Income Investments: Fixed income securities include, but are not limited to, U.S. Treasury issues, U.S. government agency issues, corporate debt, and domestic and international bond funds. Fixed income security assets are valued using quoted prices in active markets and are classified as Level 1. Fixed income securities valued using quoted prices for similar securities or using pricing models based on observable market inputs are classified as Level 2. For investments in private bond funds, NAV as the practical expedient is used as fair value.
- Deposits with Trustees: Deposits with trustees consist of debt service funds and the unexpended proceeds of certain bonds payable. These funds are invested in short term, highly liquid securities and will be used for construction of, or payment of debt service on, certain facilities. These deposits are classified as Level 1.
- Interest in Perpetual Trust: Beneficial interest in perpetual trust held by third parties are valued using the fair value of the trust assets. The trust assets are priced using unadjusted market quotes. Based on the terms of the existing agreement, the University must retain the assets in perpetuity. Therefore, they are classified within Level 3.
- Swap Agreements: Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain interest rate swap arrangements have inputs that can generally be corroborated by market data and are therefore classified within Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

CHANGES IN LEVEL 3 ASSETS

The following table is a roll-forward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above for the years ended April 30, 2018 and 2017 (in thousands):

	INTEREST IN PERPETUAL TRUST	
	2018	2017
1 Beginning balance at May 1	\$17,935	\$16,958
2 Total gains or losses (realized/unrealized) included in earnings	1,025	977
Purchases, issuances, sales, and settlements		
3 Purchases	-	-
4 Issuances	-	-
5 Sales	-	-
6 Settlements	-	-
7 Transfers into level 3	-	-
8 Transfers out of level 3	-	-
9 Ending balance at April 30	\$18,960	\$17,935
10 Total gains or losses for the year included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end	\$ 1,025	\$ 977

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

Transfers into and out of Level 3 are typically the result of a change in the availability and the ability to observe market data that is considered a significant valuation input required by various models. Generally, as markets evolve, the data required to support valuations becomes more widely available and observable.

There were no significant transfers between Levels 1 and 2 or between Level 3 for the year ended April 30, 2018.

INVESTMENTS THAT CALCULATE NET ASSET VALUE

Investments in certain entities that calculate net asset values at April 30, 2018 and 2017 are as follows (in thousands):

		APRIL 30, 2018			
		FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
1	Domestic equity funds	\$181,831	\$ -	Daily	Same Day
2	International equity funds	110,198	-	Daily, Biweekly	Same Day-5 days
3	Domestic bond funds	457	-	Daily	Same Day
4	Real asset funds	22,460	42,026	N/A	N/A
5	Hedge funds	155,574	-	Monthly, Annually	2-90 days
6	Private equity funds	60,061	88,914	N/A	N/A
7	Total	\$530,581	\$130,940		

		APRIL 30, 2017			
		FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
1	Domestic equity funds	\$116,173	\$ -	Daily	Same Day
2	International equity funds	98,749	-	Daily, Biweekly	Same Day-5 days
3	Domestic bond funds	459	-	Daily	Same Day
4	Real asset funds	15,334	34,148	N/A	N/A
5	Hedge funds	115,256	-	Monthly, Annually	2-90 days
6	Private equity funds	45,163	38,408	N/A	N/A
7	Total	\$391,134	\$ 72,556		

Investments in debt securities and equity securities consist primarily of investments in funds managed by external investment managers.

For the years ended April 30, 2018 and 2017, the University's investment management fees directly paid to external managers were approximately \$0.9 million and \$1.4 million, respectively.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

INVESTMENT INCOME

Total net investment income for the years ended April 30, 2018 and 2017 consists of the following (in thousands):

	2018			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1 Endowment income	\$ 11,767	\$ 6,732	\$ 143	\$ 18,642
2 Investment income	8,534	671	-	9,205
3 Realized and unrealized net capital gains	59,969	8,332	1,503	69,804
4 Total	\$ 80,270	\$15,735	\$1,646	\$ 97,651
Operating				
5 Investment income	\$ 8,534	\$ 671	\$ -	\$ 9,205
6 Endowment income	2,333	706	5	3,044
7 Allocated from nonoperating	9,434	6,026	138	15,598
Non-operating				
8 Realized and unrealized net capital gains	69,403	14,358	1,641	85,402
9 Allocation to operations	(9,434)	(6,026)	(138)	(15,598)
10 Total	\$ 80,270	\$15,735	\$ 1,646	\$ 97,651
	2017			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
11 Endowment income	\$ 11,451	\$ 6,587	\$ 143	\$ 18,181
12 Investment income	7,400	698	-	8,098
13 Realized and unrealized net capital gains	68,053	11,566	1,578	81,197
14 Total	\$ 86,904	\$18,851	\$ 1,721	\$107,476
Operating				
15 Investment income	\$ 7,400	\$ 698	\$ -	\$ 8,098
16 Endowment income	2,973	915	(19)	3,869
17 Allocated from nonoperating	8,478	5,672	162	14,312
Non-operating				
18 Realized and unrealized net capital gains	76,531	17,238	1,740	95,509
19 Allocation to operations	(8,478)	(5,672)	(162)	(14,312)
20 Total	\$ 86,904	\$18,851	\$ 1,721	\$107,476

8. NOTES PAYABLE AND LONG-TERM DEBT

The University classifies its notes payable and long-term debt into two categories: core debt and special purpose debt. Core debt represents debt that will be repaid from the general operations of the University and includes borrowings for educational and auxiliary purposes. Special purpose debt represents debt that is repaid from sources outside of general operations and includes borrowings for buildings, which house some administrative offices, along with rental space.

Notes payable and long-term debt at April 30, 2018 and 2017 consists of the following (in thousands):

	2018	2017
Core debt		
1 District of Columbia University Revenue Bonds, American University Issue Series 1999 maturing in fiscal year 2028	\$ 21,000	\$ 21,000
2 District of Columbia University Revenue Bonds, American University Issue Series 2003 maturing in fiscal year 2034	37,000	37,000
3 District of Columbia University Revenue Bonds, American University Issue Series 2006 maturing in fiscal year 2037	99,975	99,975
4 District of Columbia University Revenue Bonds, American University Issue Series 2008 maturing in fiscal year 2039	60,900	60,900
5 American University Taxable Bonds Issue Series 2015 maturing in fiscal year 2045	128,500	128,500
6 American University Taxable Bonds Issue Series 2017 maturing in fiscal year 2047	80,000	-
7 Term loan maturing in fiscal year 2022	75,000	75,000
8 Taxable commercial paper note program	-	-
9 Total core debt	502,375	422,375
Special purpose debt		
10 Note payable due in full in fiscal year 2022	22,000	22,000
11 Note payable due in full in fiscal year 2020	15,000	15,000
12 Mortgage payable due in full in fiscal year 2018	-	21,936
13 Issue Series 2017 maturing in fiscal year 2027	22,000	-
14 Total special-purpose debt	59,000	58,936
15 Total debt	\$561,375	\$481,311
16 Deferred financing fees	(2,701)	(2,591)
17 Total notes payable and long-term debt	\$558,674	\$478,720

The principal balance of notes payable and long-term debt outstanding as of April 30, 2018, is due as follows (in thousands):

Year ending April 30		
18	2019	\$ -
19	2020	15,000
20	2021	-
21	2022	97,000
22	2023	-
23	Thereafter	449,375
24		\$561,375

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

Due to the nature of certain variable rate bond agreements, the University may receive notice of an optional tender on some of its variable rate bonds. In that event, the University would have an obligation to purchase the tendered bonds if they were unable to be remarketed. The University has entered into four direct purchase agreements with three financial institutions for its 1999, 2003, 2006, and 2008 variable rate bonds. Under the agreements, the bonds were purchased directly by the banks and cannot be tendered back to the University until the expiration of the agreements in fiscal years 2020 (2008 series), 2021 (1999 and 2003 series), and 2023 (2006 series).

As of April 30, 2018, the University was in compliance with all debt covenants.

DISTRICT OF COLUMBIA BONDS PAYABLE

In October 2008, the University refunded and reissued the Series 1985 and Series 1985A bonds as Series 2008 variable rate demand bonds with interest payable weekly. These bonds are general unsecured obligations of the University. The interest rate at April 30, 2018, was 2.09%.

The Series 1999 bonds are general unsecured obligations of the University and bear interest at a variable rate, payable weekly. The proceeds from the bonds were used to repay a mortgage note prior to its scheduled maturity. The interest rate at April 30, 2018, was 1.98%.

The Series 2003 bonds are general unsecured obligations of the University and bear interest at a variable rate, payable weekly. The proceeds were used to fund construction and renovation of Katzen Arts Center and Greenberg Theatre. The interest rate at April 30, 2018, was 1.98%.

The Series 2006 bonds are general unsecured obligations of the University and bear interest at a variable rate, payable weekly. The proceeds were used to advance refund the Series 1996 bond issue, thus reducing the University's overall interest costs, and to fund construction and renovation projects including Nebraska Hall and the School of International Service building. The interest rate at April 30, 2018, was 1.98%.

On February 2, 2015, the existing letter of credit for the 2008 Bond was replaced with a direct purchase agreement from U.S. Bank, N.A, expiring in 2020. On December 21, 2017, the University replaced the existing letter of credit for the 2006 bonds with a direct purchase agreement with BB&T, expiring in fiscal year 2023. Additionally, on February 1, 2018, the existing direct purchase agreements for the 1999 and 2003 Bonds were renewed with Wells Fargo Bank N.A. and will expire in fiscal year 2021.

AMERICAN UNIVERSITY BONDS PAYABLE

In October 2017, the University issued the Series 2017 taxable bonds to finance or refinance the costs of various capital projects across campus. The 2017 bonds are general unsecured obligations of the University, of which \$22.0 million of the bonds bear interest at 3.12%, with a term of 10 years and \$80.0 million of the bonds bear interest at 3.86%, with a term of 30 years.

In March 2015, the University issued the Series 2015 taxable bonds to fund facilities development projects. The 2015 bonds are general unsecured obligations of the University and bear a fixed 4.32% interest rate, payable semi-annually.

TERM LOAN

In 2011, the University entered into a \$75 million term loan with JPMorgan Chase Bank, N.A. to fund its facilities development projects. The term loan is due in full in June 2021 and has a fixed 4.19% interest rate, payable monthly.

TAXABLE COMMERCIAL PAPER NOTE PROGRAM

On December 15, 2011, the University established a \$125.0 million taxable commercial paper note program to fund long-term projects for a temporary period until long-term financing is implemented. The notes can be issued for a maximum of 270 days and carry a floating taxable interest rate. As of April 30, 2018, there were no borrowings under the commercial paper note program.

NOTES PAYABLE

In 2001, the University issued a \$22.0 million note for the purchase of a building. The note is payable in full in September 2021 and bears an interest rate of LIBOR plus 0.45%, payable monthly. The interest rate at April 30, 2018 was 2.33 %.

In 2003, the University issued a \$15.0 million note payable to replace a 1998 note incurred for the purchase of a building. The note is payable in full in April 2020 and bears an interest rate of LIBOR plus 0.45%, payable monthly. The interest rate at April 30, 2018, was 2.33%.

MORTGAGE PAYABLE

In 2012, the LLC purchased an office building to house its public radio station, WAMU - 88.5 FM, and other administrative offices. The University, as the sole owner of the LLC, assumed the existing mortgage on the property of \$23.2 million. The University repaid the remaining balance of the mortgage in August 2017.

9. INTEREST RATE SWAPS

The University has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate long term debt. The interest rate swap agreements were not entered into for trading or speculative purposes. At April 30, 2018, the University had outstanding interest rate swap agreements with Bank of America and Morgan Stanley Capital Services. The interest rate swap agreement with Bank of America has a total notional principal amount of approximately \$61 million. This agreement effectively changes the interest rate to a 4.31% fixed rate for the Series 2008 bonds. Four interest rate swap agreements are in place with Morgan Stanley with a total notional principal amount of approximately \$134 million. These agreements effectively change the University's interest rate to a 4.12% fixed rate for the Series 1999 bonds, fixed rates of 5.26% and 4.37% on portions of the Series 2006 bonds, and a fixed rate of 4.46% on a portion of the Series 2003 bonds.

The interest rate swap agreements contain provisions that require the University's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the University's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The University is currently in compliance with these provisions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on April 30, 2018, is \$58.7 million, for which the University has posted collateral of \$18.1 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2018, the University would be required to post an additional \$40.6 million of collateral to its counterparties. The University is also exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the University does not anticipate nonperformance by the counter parties.

Derivatives at April 30, 2018 and 2017, are as follows (in thousands):

		LIABILITY DERIVATIVES	
BALANCE SHEET LOCATION		2018	2017
		FAIR VALUE	FAIR VALUE
Derivatives not designated as hedging instruments			
1	Interest rate contracts Swap agreements	\$58,711	\$73,980
LOCATION OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES		AMOUNT OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES	
		2018	2017
Derivatives not designated as hedging instruments			
2	Interest rate contracts Realized and unrealized net capital gains	\$15,269	\$11,665

10. ENDOWMENTS

The University's endowment consists of approximately 450 individual funds established for scholarships and related academic activities. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PERMANENTLY RESTRICTED NET ASSETS: INTERPRETATION OF RELEVANT LAW

The Board of Trustees has interpreted the District of Columbia enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies permanently restricted net assets as (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until purpose and timing restrictions are met and amounts are appropriated for expenditure by the Board of Trustees of the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) The investment policies of the University

The endowment net assets composition by type of fund at April 30, 2018, is as follows (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1 Donor-restricted endowment funds	\$ -	\$96,198	\$109,205	\$205,403
2 Board-designated endowment funds	471,027	-	-	471,027
3 Total endowment funds	\$471,027	\$96,198	\$109,205	\$676,430
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
4 Endowment net assets, May 1, 2017	\$429,625	\$87,866	\$104,509	\$622,000
Investment return				
5 Net appreciation on investments	39,802	14,394	1,337	55,533
6 Interest, dividends, and capital distributions	2,248	1,370	-	3,618
7 Total investment return	42,050	15,764	1,337	59,151
8 Contributions to endowment	111	-	3,359	3,470
9 Appropriation of endowment assets for expenditure	(11,742)	(7,432)	-	(19,174)
Other changes				
10 Transfers to create board-designated endowment funds	10,983	-	-	10,983
11 Endowment net assets, April 30, 2018	\$471,027	\$96,198	\$109,205	\$676,430

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

The endowment net assets composition by type of fund at April 30, 2017, is as follows (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
12 Donor-restricted endowment funds	\$ -	\$87,866	\$104,509	\$192,375
13 Board-designated endowment funds	429,625	-	-	429,625
14 Total endowment funds	\$429,625	\$87,866	\$104,509	\$622,000
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
15 Endowment net assets, May 1, 2016	\$384,337	\$76,300	\$97,452	\$558,089
Investment return				
16 Net appreciation on investments	47,452	17,276	1,348	66,076
17 Interest, dividends, and capital distributions	2,892	1,603	-	4,495
18 Total investment return	50,344	18,879	1,348	70,571
19 Contributions to endowment	196	-	5,709	5,905
20 Appropriation of endowment assets for expenditure	(11,425)	(7,313)	-	(18,738)
Other changes				
21 Transfers to create board-designated endowment funds	6,173	-	-	6,173
22 Endowment net assets, April 30, 2017	\$429,625	\$87,866	\$104,509	\$ 622,000

FUNDS WITH DEFICIENCIES

From time to time, the fair value of the assets associated with individual restricted endowments may fall below the level the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature reported in unrestricted net assets were \$13,403 at April 30, 2018. These deficiencies resulted from market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees. Deficient funds as of April 30, 2017, were \$6,280.

RETURN OBJECTIVES, RISK PARAMETERS, AND STRATEGIES

The University's objective is to earn a predictable, long-term, risk-adjusted total rate of return to support the designated programs. The University recognizes and accepts that pursuing such a rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The University has established a policy portfolio, or normal asset allocation. The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The University has a policy of appropriating for distribution each year 5% of the endowment fund's average fair value calculated on an annual basis over the preceding three fiscal years. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to provide additional real growth through new gifts and investment return.

11. EMPLOYEE BENEFIT PLANS

Eligible employees of the University may participate in two contributory pension and retirement plans, one administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund and the other administered by Fidelity Investments. Under these plans, contributions are fully vested and are transferable by the employees to other covered employer plans. Participating employees contribute a minimum of 1% up to a maximum of 5% of their base salary. The University contributes an amount equal to twice the employee's contribution.

The University's contribution to these plans was approximately \$17.8 million and \$16.8 million for the years ended April 30, 2018 and 2017, respectively. The University expects to contribute approximately \$17.8 million to the plans in fiscal year 2019.

POSTRETIREMENT HEALTHCARE PLAN

The University provides certain healthcare benefits for retired employees. The plan is contributory and requires payment of deductibles. The University's policy is to fund the cost of medical benefits on the pay as you go basis. The plan's measurement dates are April 30, 2018, and April 30, 2017, respectively.

Net periodic postretirement benefit cost for the years ended April 30, 2018 and 2017 includes the following components (in thousands):

	2018	2017
1 Service cost	\$ 512	\$ 508
2 Interest cost	681	675
3 Amortization of transition obligation over 20 years	-	-
4 Amortization of net loss	-	-
5 Net periodic postretirement benefit cost	\$ 1,193	\$ 1,183

The following table sets forth the postretirement benefit plan's funded status and the amount of accumulated postretirement benefit plan costs for the years ended April 30, 2018 and 2017 using a measurement date of April 30 (in thousands):

	2018	2017
Change in accumulated postretirement benefit obligation		
6 Accumulated postretirement benefit obligation at beginning of year	\$20,042	\$21,064
7 Service cost	512	508
8 Interest cost	681	675
9 Net actuarial (gain)/loss	(1,337)	(869)
10 Plan participants' contributions	698	616
11 Benefits paid	(1,753)	(1,952)
12 Accumulated postretirement benefit obligation at end of year	\$18,843	\$20,042
Change in fair value of plan assets		
13 Fair value of plan assets at beginning of year	\$ -	\$ -
14 Plan participants' contributions	698	616
15 Employer contributions	1,055	1,336
16 Benefits paid	(1,753)	(1,952)
17 Fair value of plan assets at end of year	\$ -	\$ -
Reconciliation of funded status		
18 Funded status	(18,843)	(20,042)
19 Postretirement benefit liability	\$(18,843)	\$(20,042)

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The following table sets forth the amounts not recognized in the net periodic benefit cost for the years ended April 30, 2018 and 2017 (in thousands):

	2018	2017
Amounts not recognized in net periodic benefit cost		
20 Net actuarial gain/(loss)	\$ 1,563	\$ 226
21 Transition obligation	-	-
22 Amounts included in unrestricted net assets	\$ 1,563	\$ 226

Reclassifications to net periodic benefit cost of amounts previously recognized as changes in unrestricted net assets arising from a defined benefit plan but not included in net periodic benefit cost when they arose are as follows (in thousands):

	2018	2017
23 Amortization of net actuarial gain/(loss)	\$ -	\$ -

Amounts that have been recognized as changes in unrestricted net assets arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost are as follows (in thousands):

	2018	2017
24 New actuarial loss/(gain)	\$ (1,337)	\$ (869)
25 New prior service (cost)/credit	\$ -	\$ -

The weighted discount rate used in the actuarial valuation at the April 30, 2018, and April 30, 2017, measurement dates is as follows:

	2018	2017
26 End of year benefit obligation	3.90%	3.50%
27 Net periodic postretirement benefit cost	3.50%	3.30%

A 7% healthcare cost trend rate was assumed for fiscal years 2018 through 2020, with the rates in the following fiscal years assumed to be 6.7%, 6.4% and 6.1% until reaching an ultimate rate of 4.5% in fiscal year 2028, and thereafter. An increase in the assumed healthcare cost trend rate of 1.0% would increase the aggregate of the service and interest cost by approximately \$121,000 and \$131,000 for 2018 and 2017, respectively and the accumulated postretirement benefit obligation at April 30, 2018 and 2017, by approximately \$908,000 and \$950,000, respectively. A decrease in the assumed healthcare cost trend rate of 1.0% would decrease the net periodic postretirement benefit cost by approximately \$102,000 and \$111,000 for 2018 and 2017, respectively, and the accumulated postretirement benefit obligations at April 30, 2018 and 2017 by approximately \$788,000 and \$833,000, respectively.

The expected contributions by the University to the plan are as follows (in thousands):

YEAR ENDING APRIL 30	PAYMENT WITH MEDICARE PART D SUBSIDY	PAYMENT WITHOUT MEDICARE PART D SUBSIDY	MEDICARE PART D SUBSIDY RECEIPTS
28 2019	\$1,076	\$1,170	\$94
29 2020	1,264	1,264	-
30 2021	1,308	1,308	-
31 2022	1,351	1,351	-
32 2023	1,378	1,378	-
33 2024–2028	7,082	7,082	-

12. EXPENSES

For the years ended April 30, 2018 and 2017, the University's program services and supporting services were as follows (in thousands):

	2018	2017
Program services		
1 Instruction	\$ 197,001	\$ 182,002
2 Research	56,031	50,830
3 Public service	28,193	27,726
4 Academic support	62,042	59,629
5 Student services	47,795	44,929
6 Total program services	391,062	365,116
Supporting services		
7 Institutional support	107,001	94,070
8 Auxiliary enterprises	87,392	75,531
9	\$ 585,455	\$ 534,717

For the years ended April 30, 2018 and 2017, the University's fundraising expenses totaled approximately \$19.9 million and \$16.4 million, respectively. The expenses are included in institutional support in the accompanying statements of activities.

13. NET ASSETS

Temporarily restricted net assets consist of the following at April 30, 2018 and 2017 (in thousands):

	2018	2017
1 Unspent contributions and related investment income for instruction and faculty support	\$ 113,751	\$ 100,743
2 Gifts received for construction of facilities	5,666	3,441
3	\$ 119,417	\$ 104,184

Permanently restricted net assets were held, the income of which will benefit the following at April 30, 2018 and 2017 (in thousands):

	2018	2017
4 Permanent endowment funds, for scholarships and related academic activity	\$ 93,545	\$ 90,593
5 Interest in trust assets	18,960	17,935
6 Student loans	6,316	6,969
7	\$ 118,821	\$ 115,497

14. OPERATING LEASE

The University leases office space and buildings used for student housing with terms ranging from one to ten years. One of the leases for office space expired in 2017 and the remainder expired in 2018. The leases for student housing do not expire until 2020. Additionally, the University leases radio station space that does not expire until 2020. Minimum lease payments under these agreements are as follows (in thousands):

Year ending April 30		
1	2019	\$1,361
2	2020	377
3	2021	300
4	2022	302
5	2023	214
6	Thereafter	184
7		<u>\$2,738</u>

Rent expense in 2018 and 2017 was approximately \$2.0 million and \$1.9 million, respectively.

15. INCOME TAXES

The Airlie Foundation, a subsidiary acquired by the University in September 2016, is a taxable non-stock corporation. The University accounts for income taxes based on the liability method, and deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in results of operations in the period that includes the enactment date. Valuation allowances are recorded against deferred tax assets when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in evaluating whether it is more likely than not that deferred tax assets will be realized.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which allows entities to classify deferred tax assets or liabilities as non-current rather than allocating the balance between a current and non-current balance. This new guidance is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted. The University decided to early adopt this new guidance in 2017.

The University recognizes the financial statement benefit of an income tax position only after determining the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The University has analyzed its filing positions related to Airlie in each jurisdiction where required to file income tax returns and believes that its income tax filing positions will be sustained on audit. To date, Airlie has not been audited by the IRS or any state jurisdictions and remains subject to examination by U.S. federal and various state authorities for the years 2014 forward. Additionally, Airlie has not been assessed interest or penalties by taxing jurisdictions. In the event Airlie is assessed interest and/or penalties, those costs will be classified in the consolidated statements of activities as income tax expense.

Airlie has U.S. federal and state Net Operating Loss carryforwards of approximately \$15 million, which will begin expiring in 2030. The timing and manner in which Airlie will utilize the NOL carryforwards in any year, or in total, may be limited in the future as changes in Airlie's ownership and any limitations imposed by the states in which Airlie operates.

On December 22, 2017, the United States enacted comprehensive tax reform legislation, commonly known as the Tax Cuts and Jobs Act (the "Act"), resulting in significant modifications to existing tax law. A significant change, among other

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

provisions, reduced the U.S. corporate income tax rate from 34% to 21%, effective for tax years beginning after December 31, 2017. Staff Accounting Bulletin 118 was also issued on December 22, 2017, to provide additional clarification regarding the application of FASB ASC Topic 740, Income Taxes in situations where a company may not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act for the reporting period in which the Act was enacted. Accounting for the income tax effect of the Act that impacts the Airlie's tax provision has been completed as of the current year and included in the University's consolidated financial statements as of April 30, 2018. As a result of Airlie's full valuation allowance, there is no net income statement impact to Airlie's financial statements as a result of the Act.

Airlie's net loss before income taxes for the year ended April 30, 2018, and the post-acquisition period ended April 30, 2017, are \$2,802,797 and \$1,230,072 respectively.

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income from continuing operations before income taxes for the period ended April 30, 2018 and 2017 follows:

	APRIL 30, 2018		APRIL 30, 2017	
	EFFECTIVE INCOME TAX RATE	INCOME TAX	EFFECTIVE INCOME TAX RATE	INCOME TAX
	1	29.67%	\$ (831,497)	34.00%
2	4.22%	(118,278)	3.96%	(48,711)
3	-38.82%	1,088,055	-	-
4	56.41%	(1,581,020)	-35.26%	433,733
5	-0.55%	15,361	-0.19%	190
6	50.93%	\$(1,427,379)	2.51%	\$ (33,012)

Significant components of deferred tax assets and liabilities are shown in the following table as of April 30, 2018 and 2017:

	APRIL 30, 2018	APRIL 30, 2017
Deferred tax assets		
7	\$ 3,924,651	\$ 4,143,850
8	54,096	76,764
9	11,303	11,303
10	3,990,050	4,231,917
Deferred tax liabilities		
11	(1,449,193)	(1,537,418)
12	(1,449,193)	(1,537,418)
13	(2,540,857)	(4,121,878)
14	\$ -	\$ (1,427,379)

A valuation allowance is recorded to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The utilization of NOL carryforwards and other deferred tax assets is subject to Airlie's ability to generate future taxable income. As Airlie has historically generated operating losses and, therefore, has no earnings history, a full valuation allowance has been applied against the US net deferred tax assets. Certain tax attributes are subject to an annual limitation as a result of the acquisition by American University, which constitutes a change of ownership as defined under Internal Revenue Code Section 382.

The Airlie Foundation paid \$0 for income taxes for the years ending April 30, 2018, and April 30, 2017.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2018 AND 2017

The components of income tax expense for the period from May 1, 2017 through April 30, 2018, and January 1, 2017 through April 30, 2017:

		2018	2017
Current			
1	Federal	\$ -	\$ -
2	State	-	-
3		\$ -	\$ -
Deferred			
4	Federal	(1,296,975)	\$ (29,568)
5	State	(130,404)	(3,444)
6		\$(1,427,379)	\$ (33,012)

16. COMMITMENTS AND CONTINGENCIES

At April 30, 2018 and 2017, commitments of the University under contracts for construction of plant facilities amounted to approximately \$48.1 million and \$19.2 million, respectively.

Amounts received and expended by the University under various federal programs are subject to audit by governmental agencies. In the opinion of the University's administration, audit adjustments, if any, will not have a significant effect on the financial position, changes in net assets, or cash flows of the University.

The University is a party to various litigations, arising out of the normal conduct of its operations. In the opinion of the University's administration, the ultimate resolution of these matters will not have a materially adverse effect on the University's consolidated financial position, changes in net assets or cash flows.

17. RELATED PARTIES

Members of the University's Board of Trustees and their related entities contributed approximately \$8.0 million and \$2.0 million during the years ended April 30, 2018 and 2017, respectively, which is included in contribution revenue in the accompanying statements of activities. Also, for the years ended April 30, 2018 and 2017, approximately \$10.7 million and \$3.1 million, respectively, were included in contribution receivable in the accompanying balance sheets.

On October 1, 2015, the University, Shorelight Education, LLC, and Shorelight-Capitol, LLC signed an agreement to establish the International Accelerator Program at the University to increase the international student population. Shorelight-Capitol LLC is a wholly owned subsidiary of Shorelight Education, LLC, with shared governance and shared economic upside participation by the University. Shorelight-Capitol LLC is governed by the Steering Committee, which is composed of six members: three from American University and three from Shorelight Education, LLC. As of April 30, 2018 and 2017, the University had outstanding receivable balances of \$1.7 million and \$1.6 million, respectively, from Shorelight-Capitol LLC.

18. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through August 30, 2018, which is the date the financial statements were issued. Nothing was noted that affects the financial statements as of April 30, 2018.

NONDISCRIMINATION AND EQUAL OPPORTUNITY

American University is an equal opportunity, affirmative action institution that operates in compliance with applicable laws and regulations. The university does not discriminate on the basis of race, color, national origin, religion, sex, pregnancy or parenting, age, sexual orientation, disability, marital status, personal appearance, gender identity and expression, family responsibilities, political affiliation, source of income, veteran status, an individual's genetic information, or any other bases under applicable federal and local laws and regulations (collectively "protected bases") in its programs and activities. The university expressly prohibits any form of discriminatory harassment, including sexual harassment, dating and domestic violence, rape, sexual assault, sexual exploitation, and stalking. For information, contact the dean of students (dos@american.edu), assistant vice president of human resources (employeerelations@american.edu), or dean of academic affairs (academicaffairs@american.edu); or American University, 4400 Massachusetts Avenue NW, Washington, DC 20016; 202-885-1000.

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