



GEORGETOWN UNIVERSITY

*Senior Vice President &
Chief Financial Officer*

December 11, 2009

Ladies and Gentlemen:

We are pleased to provide the annual Financial Statements for the years ending June 30, 2009 and 2008. These statements have been audited by an independent auditing firm in conformity with accounting principles generally accepted in the United States of America.

The financial information presented is designed to aid a wide variety of readers to assess the effectiveness of the University's management of its resources in meeting its primary mission of instruction and research.

The June 30, 2008 financial statements were restated as mentioned in the Independent Auditor's Report; as a result of the University recording adjustments from net asset categories to temporarily restricted net assets. The adjustments had no impact on the University's operational results, total net assets or on the total change in net assets for the years ended June 30, 2009 and 2008.

Refer to notes to the financial statements 19, for further details.

Georgetown University

Financial Statements

**For the years ended June 30, 2009 and 2008 and
Report Thereon**

Report of Independent Auditors

To the Board of Directors
Georgetown University

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Georgetown University (the University) as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 19, the 2008 financial statements have been restated.

In fiscal year 2009, as discussed in Note 10, the University also adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*. As discussed in Note 12, in fiscal year 2009, the University also adopted FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

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December 11, 2009

Georgetown University
Statements of Financial Position
As of June 30, 2009 and 2008

<i>(in thousands)</i>	<u>2009</u>	(restated) <u>2008</u>
Assets		
Cash and cash equivalents	\$ 37,699	\$ 9,939
Accounts receivable, net	54,818	53,769
Prepaid expenses and other assets	67,672	75,475
Contributions receivable, net	126,487	131,069
Loans receivable, net	40,177	39,343
Unexpended bond proceeds	26,488	52,031
Investments	890,934	1,066,618
Land, buildings and equipment, net	872,448	836,363
Total assets	<u>\$ 2,116,723</u>	<u>\$ 2,264,607</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 114,448	\$ 116,179
Pension liability	66,168	26,657
Postretirement benefits liability	46,888	42,204
Refundable deposits on grants	52,938	57,114
Deferred revenue and gains	48,891	48,788
Other liabilities	20,332	18,976
Asset retirement obligation	28,788	27,964
Notes payable and long-term debt	879,426	818,578
Total liabilities	<u>1,257,879</u>	<u>1,156,460</u>
Net assets		
Unrestricted	(113,672)	78,881
Temporarily restricted	307,526	476,753
Permanently restricted	664,990	552,513
Total net assets	<u>858,844</u>	<u>1,108,147</u>
Total liabilities and net assets	<u>\$ 2,116,723</u>	<u>\$ 2,264,607</u>

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

Georgetown University
Statements of Activities
For the year ended June 30, 2009

<i>(in thousands)</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues				
Tuition and fees, net	\$ 439,761	\$ -	\$ -	\$ 439,761
Grants and contracts	229,274	-	-	229,274
Sales and services of auxiliary enterprises	96,537	-	-	96,537
Contributions	34,654	2,379	-	37,033
Other allocations designated for operations	9,401	-	-	9,401
Other investment income	5,099	8	-	5,107
Sales and services of educational departments	13,881	-	-	13,881
Investment return designated for current operations	22,394	39,231	-	61,625
Interest income on unexpended bond proceeds	655	-	-	655
Other sources	31,457	334	-	31,791
Net assets released from restrictions	28,086	(28,086)	-	-
Total operating revenues	<u>911,199</u>	<u>13,866</u>	<u>-</u>	<u>925,065</u>
Operating expenses				
Salaries and fringe benefits	513,173	-	-	513,173
Supplies and services	193,292	-	-	193,292
Depreciation, amortization and accretion	42,036	-	-	42,036
Interest on indebtedness	44,518	-	-	44,518
Rent	32,430	-	-	32,430
Utilities	29,513	-	-	29,513
Insurance	13,352	-	-	13,352
Travel	35,710	-	-	35,710
Repairs and maintenance	8,596	-	-	8,596
Books and periodicals	13,009	-	-	13,009
Other	11,892	-	-	11,892
Total operating expenses	<u>937,521</u>	<u>-</u>	<u>-</u>	<u>937,521</u>
Operating subtotal	<u>(26,322)</u>	<u>13,866</u>	<u>-</u>	<u>(12,456)</u>
Non operating revenues and expenses				
Capital contributions	5,008	27,832	119,906	152,746
Contributions allocated to operations	(9,401)	-	-	(9,401)
Change in value of split interest agreements	(1)	(5,014)	(11,366)	(16,381)
Other net realized losses	(13,683)	(46,354)	-	(60,037)
Spending rate allocated to operations	(13,989)	(44,347)	-	(58,336)
Other net unrealized losses	(84,230)	(75,614)	-	(159,844)
Other net realized/unrealized losses on swaps	(37,575)	-	-	(37,575)
Pension and postretirement liability expense	(38,026)	-	-	(38,026)
Net assets released from restrictions	32,975	(32,975)	-	-
Bond refunding loss	(9,993)	-	-	(9,993)
Other	2,684	(6,621)	3,937	-
Non operating change in net assets	<u>(166,231)</u>	<u>(183,093)</u>	<u>112,477</u>	<u>(236,847)</u>
Change in net assets	<u>(192,553)</u>	<u>(169,227)</u>	<u>112,477</u>	<u>(249,303)</u>
Net assets at beginning of year	78,881	476,753	552,513	1,108,147
Net assets at end of year	<u>\$ (113,672)</u>	<u>\$ 307,526</u>	<u>\$ 664,990</u>	<u>\$ 858,844</u>

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

Georgetown University
Statements of Activities
For the year ended June 30, 2008 (restated)

<i>(in thousands)</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues				
Tuition and fees, net	\$ 405,615	\$ -	\$ -	\$ 405,615
Grants and contracts	217,992	4	-	217,996
Sales and services of auxiliary enterprises	93,593	-	-	93,593
Contributions	34,971	1,083	-	36,054
Other allocations designated for operations	4,848	-	-	4,848
Other investment income	8,219	375	-	8,594
Sales and services of educational departments	15,333	-	-	15,333
Investment return designated for current operations	28,635	33,054	-	61,689
Interest income on unexpended bond proceeds	2,500	-	-	2,500
Other sources	30,040	640	-	30,680
Net assets released from restrictions	26,092	(26,092)	-	-
Total operating revenues	<u>867,838</u>	<u>9,064</u>	<u>-</u>	<u>876,902</u>
Operating expenses				
Salaries and fringe benefits	475,218	-	-	475,218
Supplies and services	185,105	-	-	185,105
Depreciation, amortization and accretion	40,476	-	-	40,476
Interest on indebtedness	40,699	-	-	40,699
Rent	30,414	-	-	30,414
Utilities	31,181	-	-	31,181
Insurance	13,979	-	-	13,979
Travel	30,574	-	-	30,574
Repairs and maintenance	8,357	-	-	8,357
Books and periodicals	12,213	-	-	12,213
Other	21,864	-	-	21,864
Total operating expenses	<u>890,080</u>	<u>-</u>	<u>-</u>	<u>890,080</u>
Operating subtotal	<u>(22,242)</u>	<u>9,064</u>	<u>-</u>	<u>(13,178)</u>
Non operating revenues and expenses				
Capital contributions	4,448	34,998	40,444	79,890
Contributions allocated to operations	(4,848)	-	-	(4,848)
Change in value of split interest agreements	2	(6,104)	470	(5,632)
Other net realized gains	14,639	25,152	-	39,791
Spending rate allocated to operations	(11,202)	(30,479)	-	(41,681)
Other net unrealized losses	(31,340)	(31,249)	-	(62,589)
Unrealized loss on swaps	(35,376)	-	-	(35,376)
Pension and postretirement liability adjustment	(9,079)	-	-	(9,079)
Net assets released from restrictions	7,890	(7,890)	-	-
Bond refunding loss	(3,070)	-	-	(3,070)
Other	395	(1,618)	1,223	-
Non operating change in net assets	<u>(67,541)</u>	<u>(17,190)</u>	<u>42,137</u>	<u>(42,594)</u>
Change in net assets before adoption of new accounting principle	(89,783)	(8,126)	42,137	(55,772)
Adoption of new accounting principle (note 12)	<u>(13,272)</u>	<u>13,272</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(103,055)</u>	<u>5,146</u>	<u>42,137</u>	<u>(55,772)</u>
Net assets at beginning of year	181,936	471,607	510,376	1,163,919
Net assets at end of year	<u>\$ 78,881</u>	<u>\$ 476,753</u>	<u>\$ 552,513</u>	<u>\$ 1,108,147</u>

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

Georgetown University
Statements of Cash Flows
For the years ended June 30, 2009 and 2008

<i>(in thousands)</i>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (249,303)	\$ (55,772)
Adjustments to reconcile change in net assets to cash used in operating activities		
Depreciation, amortization and accretion	42,036	40,476
Net realized and unrealized loss on investments	221,198	24,116
Change in estimated cost to terminate swap	(15,805)	35,376
Pension and postretirement liability expense	38,026	9,079
Recovery of bad debts	(7,361)	(4,557)
(Gain) loss on disposal of fixed assets	(20)	42
Bond refunding loss	9,993	3,070
Receipt of contributed securities	(4,718)	(16,271)
Increase in accounts receivable	(1,262)	(9,737)
Increase in prepaid expenses and other assets	(2,190)	(10,382)
Decrease (increase) in contributions receivable	12,210	(7,886)
(Decrease) increase in accounts payable and accrued liabilities	(6,958)	1,984
Increase in post retirement liability	6,169	3,412
(Decrease) increase in refundable deposits on federal grants	(4,176)	8,555
Increase in deferred revenue and gains	103	1,847
Increase (decrease) in other liabilities	1,356	(4,917)
Change in asset retirement obligation	(621)	-
Less interest income on revolving student loan funds	(343)	(589)
Less contributions restricted for:		
Investment in endowment	(119,213)	(48,477)
Investment in plant	(12,691)	(10,630)
Net cash used in operating activities	<u>(93,570)</u>	<u>(41,261)</u>
Cash flows from investing activities		
Purchases of land, buildings and equipment	(71,429)	(68,361)
Proceeds from sales of investments	159,746	214,844
Purchases of investments	(200,542)	(233,481)
Securities sold with cash collateral	-	3,855
Net cash used in investing activities	<u>(112,225)</u>	<u>(83,143)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in endowment	119,213	48,477
Investment in plant	12,691	10,630
Cash paid under securities lending agreements, net	-	(4,022)
Payments on notes payable and long-term debt	(44,936)	(48,289)
Proceeds from issuance of notes payable and long-term debt	109,463	61,642
Net change in unexpended bond proceeds	25,543	3,756
Funds received to terminate interest rate swap	12,176	-
Payments on capital lease obligations	(50)	(335)
Disbursements of new student loans receivable	(4,509)	(5,980)
Repayments of student loans receivable	3,772	4,868
Write-off and other administrative costs of loans receivable	(151)	(149)
Interest income on revolving student loan funds	343	589
Net cash provided by financing activities	<u>233,555</u>	<u>71,187</u>
Net increase (decrease) in cash	<u>27,760</u>	<u>(53,217)</u>
Cash and cash equivalents at beginning of year	9,939	63,156
Cash and cash equivalents at end of year	<u>\$ 37,699</u>	<u>\$ 9,939</u>

Continued

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

Georgetown University
Statements of Cash Flows, continued
For the years ended June 30, 2009 and 2008

(in thousands)

2009

2008

Supplemental Data

Noncash investing and financing activities

Contributed securities

\$ 4,718 \$ 16,271

Fixed assets-purchases and payables

5,227 4,991

Interest paid

43,537 35,895

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

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

1. Nature of Operations

Georgetown University (the University), located in Washington, D.C., is the nation's oldest Catholic and Jesuit University. Today the University is a major international research university, which includes four undergraduate schools; a school for summer and continuing education; graduate schools in the arts and sciences, nursing and health studies; business, and foreign service; and professional schools in law and medicine. In addition to providing educational services, the University performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government.

2. Significant Accounting Policies

Accrual Basis

The financial statements of the University have been prepared on the accrual basis of accounting.

Classification of Net Assets

The University's net assets have been classified and reported as follows:

Unrestricted – All net assets which are not subject to donor imposed restrictions.

Temporarily Restricted – Net assets whose use is subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the University pursuant to these donor restrictions.

Permanently Restricted – Net assets that are subject to donor-imposed restrictions, that require the original contribution to be maintained in perpetuity by the University but permits the use of the investment earnings for general or specific purposes.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the asset retirement obligations, carrying value of land, buildings and equipment, non-traditional investments, certain real estate holdings, contingency reserves, retirement benefits, and accounts and contributions receivable. Actual results could differ materially, in the near term, from the amounts reported.

Cash and Cash Equivalents

The University defines cash and cash equivalents as cash on hand, demand deposits and short term investments with maturities of three months or less when purchased. The carrying amount of cash equivalents approximates fair value. The University records in unexpended bond proceeds, on the statement of financial position, cash and cash equivalents held for bond financed land, buildings and equipment.

Investments

Investments in common and preferred stocks and mutual funds, limited partnerships and limited liability companies consist of the University's ownership interest in externally managed investment funds, which invest in market-traded equity and fixed income securities.

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

Investments are reported at fair value. Additional information regarding the University's fair value methodologies for investments is noted in footnote 10, *Fair Value Measurements*. These valuations necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results. The fair value of non-marketable alternative investments may be based on historical cost, obtainable prices for similar assets, or other estimates. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are less liquid than the University's other investments.

The cost of investments sold is determined by use of the average cost method on the trade date. Investment income on endowments and other investments is reported net of management fees, unless otherwise stipulated by the specified donor. The University's investment portfolio includes certain real estate properties owned by the University, carried at their estimated fair value based on the latest available independent appraisal and other relevant information. Any significant change in the estimated fair value, as determined by management, is reflected in the current year.

Receivables and Revenue Recognition

The University reports receivables at their net realizable value.

Prior year unconditional pledges are discounted using a risk-free rate of return effective the last day of the quarter in which the date of gift occurs and net of an allowance for uncollectible accounts.

Unconditional current year pledges are recognized, in the appropriate net asset categories, at their net present value discounted using a rate of return that is in accordance with FAS 157, *Fair Value Measurements*. The adjusted risk-free rate of return applied to current year pledges is commensurate with the market and credit risk involved.

Tuition and fee revenues consist of all tuition and fee revenue earned, net of all student financial aid, University sponsored and donor sponsored. The University recognizes unrestricted revenues from student tuition and fees totally within the fiscal year in which the academic term is predominantly conducted. Deferred tuition and fees are included in deferred revenue and gains in the statement of financial position.

Loans receivable are primarily related to donor-structured loans and federal student financial aid programs. The loans have stated interest rates and repayment terms. Loans receivable are evaluated annually by looking at both unsecured and secured loans. At June 30, 2009 and 2008, the University had outstanding student loans receivable balances in the amount of \$40,177,000 and \$39,343,000, respectively. Management has considered the credit and market risk associated with these outstanding balances and believes the recorded cost of these loans approximate fair market value at June 30, 2009.

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

The major components of other sources of revenue were as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Royalty/advertising income	\$ 5,621	\$ 6,311
Alumni/special events	3,595	1,757
Athletic events	10,018	9,701
Other	12,557	12,911
Total other sources	<u>\$ 31,791</u>	<u>\$ 30,680</u>

Sponsored Programs

The University receives grant and contract revenue from governmental and private sources. In 2009 and 2008, grant and contract revenue earned from governmental sources totalled \$165,991,000 and \$163,613,000, respectively. The University recognizes revenue associated with the direct costs of sponsored programs as the related costs are incurred. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates negotiated with the University's cognizant federal agency, the Department of Health and Human Services. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsor. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or change in net assets of the University.

Classification of Contributions

Contributions are recorded as increases in the appropriate net asset category based on donor restrictions.

Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Contributions with donor stipulated restrictions which are met within the same reporting period are reported as unrestricted.

Absent explicit donor stipulations about the length of time long lived assets must be maintained, the University reports expiration of donor restrictions as unrestricted when donated or acquired long lived assets are placed in service. There are no significant contributed services that are required to be reported. Cash received prior to conditions being met is recorded as deferred revenue and gains on the statement of financial position.

Because of uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are recognized only if and when the specified conditions are met.

Concentration of Credit Risk

Financial instruments that potentially subject the University to significant concentrations of credit risk principally consist of cash and cash equivalents, accounts receivable and investments. The University places its cash and investments in various financial institutions that are federally insured for \$250,000 and for \$500,000 under the Federal Depository Insurance Corporation Act (FDICA) and Securities Investor Protection Corporation (SIPC), respectively. At June 30, 2009 and 2008, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The University has not experienced any losses on its cash and cash equivalents, or investments to date as it related to FDICA and SIPC insurance limits.

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

Inventories

Inventories are valued at cost, principally using the first-in, first-out method, which is not in excess of net realizable value. Inventories are included in prepaid expenses and other assets on the statement of financial position.

Collections

The University has elected not to capitalize the cost or value of its collection of works of art, historical treasures, and similar assets. There were no deaccessions during the year.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost on date of acquisition, or fair value on date of donation, including interest capitalized on related borrowings during the period of construction, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the University's assets are as follows:

Buildings and improvements	20-50 years
Computer software (purchased and internally developed)	5-10 years
Furniture and equipment	5-20 years

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the statement of activities.

The University reviews its property and equipment assets for impairment in value whenever events or circumstances indicate that the carrying value may not be recoverable. In performing the review, if the fair value, less selling costs from the disposition of the asset, is less than its carrying value, an impairment loss is recognized.

Asset Retirement Obligations

FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, was issued in March 2005. This interpretation provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made. At June 30, 2009 and 2008, the University reflected a liability for conditional asset retirement obligations of \$28,788,000 and \$27,964,000, respectively.

Income Taxes

Under provisions of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, the University is exempt from taxes on income other than unrelated business income under code Section 501(c)(3). The University had no material net unrelated business income during the years ended June 30, 2009 and 2008, and therefore no provision for income taxes has been made.

Financial Assistance

The University maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial need is generally fulfilled through a combination

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

of scholarships and fellowships, loans, and employment during the academic year. Tuition and fees have been reduced by certain scholarships and discounts.

Net tuition and fee revenue is calculated as follows for the years ended June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Tuition and fees, gross	\$ 546,554	\$ 501,521
Less discounts: University sponsored	(90,193)	(79,824)
Donor sponsored	(16,600)	(16,082)
Tuition and fees, net	<u>\$ 439,761</u>	<u>\$ 405,615</u>

Measure of Operations

The University uses a spending rate methodology to determine the amount of endowment income and gains that is included in operating income. Realized and unrealized gains (losses), including endowment income in excess of the spending rate and the effect of derivative financial instruments, pension and postretirement liability adjustment, bond refunding loss and all capital contributions, are reported as non-operating.

Spending Rate

The University has adopted an endowment spending policy governing the expenditure of the total return of funds by the pooled endowment fund (see Note 6). The spending policy is designed to stabilize annual spending levels and to preserve the portfolio and is independent of the actual yield and appreciation of investments for the year. To achieve this objective, additions to an endowment fund will receive a distribution in the month following the addition to the endowment. The distribution is based on 6% of a five year moving average of the pooled endowment market value.

3. Accounts Receivable

The major components of accounts receivable, net of applicable allowances for doubtful accounts, were as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Research grants	\$ 41,006	\$ 37,899
Students	6,107	5,909
Due from third party	10,664	10,213
Other	6,971	7,175
	<u>64,748</u>	<u>61,196</u>
Less: allowance for doubtful accounts	(9,930)	(7,427)
Total accounts receivable, net	<u>\$ 54,818</u>	<u>\$ 53,769</u>

The provision for bad debts, net of recoveries, related to accounts receivable for the years ended June 30, 2009 and 2008 was \$213,000 and \$(58,000) respectively, and are included in other operating expenses in the accompanying statements of activities.

Georgetown University
Notes to Financial Statements
June 30, 2009 and 2008

4. Prepaid Expenses and Other Assets

The major components of prepaid expenses and other assets were as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Deferred compensation	\$ 27,944	\$ 31,412
Bond issuance costs	11,311	19,467
Life insurance premium stabilization	5,064	4,803
Tenant improvement allowance	6,739	5,484
Other	16,614	14,309
Total prepaid expenses and other assets	<u>\$ 67,672</u>	<u>\$ 75,475</u>

5. Contributions Receivable and Split-Interest Agreements

Contributions Receivable

Contributions receivable are summarized as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Gross contributions receivable expected to be collected in:		
Less than one year	\$ 27,449	\$ 40,143
One year to five years	63,119	47,724
Over five years	10,744	10,079
	<u>101,312</u>	<u>97,946</u>
Less: Discount to present value	(8,264)	(6,333)
Allowance for doubtful accounts	(30,752)	(38,380)
	<u>\$ 62,296</u>	<u>\$ 53,233</u>

The above amounts do not include split-interest agreements held by outside trustees of \$64,191,000 and \$77,836,000 at June 30, 2009 and 2008, respectively.

Pledges that are new in 2009 are discounted using a rate of return of 5.2% which is in accordance with the framework of FAS 157, *Fair Value Measurements*. Outstanding pledges at June 30, 2009 are discounted using a rate ranging from 2.46% to 8.29%.

The University has received conditional pledges totalling \$5,303,000 of which conditions have been met and approximately \$1,519,000 has been received thus far.

The University records all pledges made to the University, net of allowance and discount, in the non-operating section of the statement of activities. As payments are made on unrestricted pledges, funds are allocated to operations to be used for current operations. At June 30, 2009 and 2008 respectively, the University allocated \$9,401,000 and \$4,848,000 of pledge payments to current operations.

Split-Interest Agreements

The University receives planned gift donations that benefit not only the University, but also another beneficiary designated by the donor. These contributions are termed split-interest agreements which include: perpetual trusts, charitable lead and remainder trusts, a gift annuity fund and a pooled income

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fund. Typically, these gifts are received by the University in future years. The University receives income from certain lead and perpetual trusts. The assets held by the respective trustees for these trusts will not revert to the University at any time and the income received is used according to donor stipulations. The University is also a remainderman to certain charitable remainder trusts. Upon the death of the beneficiaries of these charitable remainder trusts, the assets will revert to the University to be used according to the donors' wishes. The University's share of split-interest agreements is included in either investments or contributions receivable on the statements of financial position. Assets held in trust by and for the University are \$15,407,000 and \$19,360,000 as of June 30, 2009 and 2008, respectively, and are measured at fair-value. The change in value of these assets was an unrealized loss of \$16,381,000 and \$5,632,000 for the years ended June 30, 2009 and 2008, respectively.

Amounts payable to beneficiaries, gift annuities payable, and pooled income fund liabilities of \$8,380,000 and \$9,495,000 are in other liabilities on the statements of financial position as of June 30, 2009 and 2008, respectively.

6. Investments

At June 30, 2009 and 2008 the cost and fair value of investments were (in thousands):

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 129,500	\$ 129,500	\$ 47,248	\$ 47,248
Investments:				
U.S. Gov't/Corp. bonds	110,627	109,018	201,988	202,353
Equity securities	111,178	101,821	78,514	76,478
Notes/other assets	79,918	77,427	61,874	62,784
Alternative investments	523,430	473,168	581,360	677,755
Total	<u>\$ 954,653</u>	<u>\$ 890,934</u>	<u>\$ 970,984</u>	<u>\$ 1,066,618</u>

The use of the cash and cash equivalents reported above is limited and it is, therefore, excluded from cash and cash equivalents on the accompanying statements of financial position. Included in investments at June 30, 2009, are assets of the self-insurance trusts as described in Note 15.

The University no longer engages in securities lending of its endowment pool investments.

In FY08, a portion of the University's investments totalling approximately \$8,500,000 was in the Columbia Strategic Cash Portfolio ("Strategic Fund") money market mutual fund. Management was notified in December 2007 that the Strategic Fund had ceased to be convertible to cash on demand, as the net asset value ("NAV") had fallen below one dollar. Accordingly, the University reclassified the Strategic Fund from cash equivalents to investments on the accompanying 2008 balance sheet. At June 30, 2008 the University reflected this investment at fair value based on the NAV of \$.9712, recognizing an-other-than-temporary impairment at the balance sheet date of \$310,000. Adjustments to fair value are reflected in net unrealized losses on the accompanying 2009 and 2008 statement of activities. Any further redemptions are only through the liquidation of the Strategic Fund. At June 30, 2009, the NAV was \$.8717 and the University's investment stood at approximately \$2,300,000.

Investments considered to be marketable alternative investments amounted to approximately \$113,558,000 and \$213,803,000 as of June 30, 2009 and 2008, respectively.

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The following table summarizes the non-marketable alternative investment types at June 30, 2009 and 2008 (in thousands):

<u>Alternative Investment Type</u>	<u>2009</u>		<u>2008</u>	
	<u>Number of Funds</u>	<u>Fair Value</u>	<u>Number of Funds</u>	<u>Fair Value</u>
Hedge Funds	12	\$ 155,245	13	\$ 224,974
Private Equity	32	154,167	30	183,850
Real Assets	11	50,198	10	55,128
	<u>55</u>	<u>\$ 359,610</u>	<u>53</u>	<u>\$ 463,952</u>

Alternative investments include limited partnerships, limited liability corporations, and off-shore investment funds. Included in investments of the limited partnerships are certain types of financial instruments including, among others, futures and forward contracts and options intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance sheet risk, may result in losses due to changes in the market (market risk).

Investments in non-marketable alternative investments consist of the University's ownership interest in externally managed public equity and fixed income, private equity, venture capital, and hedge funds which are organized as limited partnerships. These investments are generally subject to certain withdrawal restrictions, and are less liquid than the University's other investments.

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Investment Income

Total net investment income for the years ended June 30, 2009 and 2008 consists of the following (in thousands):

	2009			2008	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Other investment income	\$ 5,099	\$ 8	-	\$ 5,107	\$ 8,594
Investment income on endowments	6,450	1,094	-	7,544	25,503
Net realized losses	(13,683)	(46,354)	-	(60,037)	39,791
Unrealized losses	(84,230)	(75,614)	-	(159,844)	(62,589)
Less investment management expenses	(4,258)	-	-	(4,258)	(5,495)
Total income from investments	<u>\$ (90,622)</u>	<u>\$ (120,866)</u>	<u>\$ -</u>	<u>\$ (211,488)</u>	<u>\$ 5,804</u>
Operations:					
Investment returns	\$ 7,291	\$ 1,102	\$ -	8,393	\$ 28,602
Allocated from non-operating revenues	13,989	44,347	-	58,336	41,681
Used for operations	<u>21,280</u>	<u>45,449</u>	<u>-</u>	<u>66,729</u>	<u>70,283</u>
Non-operating:					
Investment returns	(97,913)	(121,968)	-	(219,881)	(22,798)
Allocated to operations	(13,989)	(44,347)	-	(58,336)	(41,681)
Included in non-operating activities	(111,902)	(166,315)	-	(278,217)	(64,479)
Total income from investments	<u>\$ (90,622)</u>	<u>\$ (120,866)</u>	<u>\$ -</u>	<u>\$ (211,488)</u>	<u>\$ 5,804</u>

The University's endowment totalled \$895,107,000 and \$1,059,074,000 at June 30, 2009 and 2008 respectively.

Pooled Endowment Investments

At June 30, 2009 and 2008, respectively, \$811,837,000 and \$959,696,000 of the University's investments are pooled and are carried at fair value. Included in the pooled funds are quasi endowments, which are internally designated and invested as endowed funds. The fair value of these funds as of June 30, 2009 and 2008, respectively, was \$193,342,000 and \$257,932,000. The University recorded pending purchases and pending sales of \$764,000 and \$11,248,000, respectively at June 30, 2009. Excluded from pooled investments are separately invested life income endowments of \$13,260,000 and \$17,286,000 and other separately invested funds of \$70,010,000 and \$81,891,000 at June 30, 2009 and 2008 respectively. Individual pooled endowment funds acquire and dispose of units based on the per unit market value at the beginning of the calendar month within which the transaction occurs.

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	<u>2009</u>	<u>2008</u>
Pooled endowment units	2,711,445	2,314,752
Market value per unit	\$ 299.41	\$ 414.60
Decrease in market value per unit	\$ 115.19	\$ 28.64
Distributions per unit	\$ 21.84	\$ 20.48
Total annual rate of return	-22.2%	-1.3%

Investment earnings are distributed to the individual funds of the pool based on each fund's proportionate share of assets in the pool at a rate of distribution determined by the University. Earnings in excess of the distributions are reinvested into the pool.

Based on the University's spending rate calculation (note 12), funds were allocated to operations annually, at \$58,336,000 and \$41,681,000 for the years ended June 30, 2009 and 2008, respectively.

7. Land, Buildings and Equipment

At June 30, the components of the University's fixed assets were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 1,180,589	\$ 1,078,403
Furniture and equipment	48,655	39,937
Construction in progress	25,340	77,028
Land and improvements	67,531	62,013
Computer software	50,402	39,066
Equipment under capital leases	8,579	8,579
Subtotal	<u>1,381,096</u>	<u>1,305,026</u>
Less: accumulated depreciation and amortization	<u>(508,648)</u>	<u>(468,663)</u>
Total	<u><u>\$ 872,448</u></u>	<u><u>\$ 836,363</u></u>

The net book value of buildings totalling \$732,587,000 and \$663,038,000 at June 30, 2009 and 2008, respectively, includes buildings pledged as collateral of approximately \$61,657,000 and \$64,322,000, respectively.

The University acquired \$719,000 and \$1,723,000 in property through grants for the years ended June 30, 2009 and 2008, respectively.

Amortization of computer software was \$2,889,000 and \$2,227,000 for the years ended June 30, 2009 and 2008, respectively.

The Green Building located at 2001 Wisconsin Avenue and the Harris Building located at 3300 Whitehaven Street were sold by the University on September 15, 2004 for \$73,300,000 and are being leased back for future use. The gain from the sale of \$19,800,000 was deferred and is being recognized over the 15 year lease term beginning in fiscal year 2005. The University recognized \$1,317,000 of gain as non-operating revenue on a straight line basis.

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8. Accounts Payable and Accrued Liabilities

The major components of accounts payable and accrued liabilities were as follows at June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Trade payables	\$ 38,881	\$ 40,667
Deferred compensation	27,945	31,412
Accrued interest	235	1,724
Retiree non-pension benefit cost	1,046	788
Accrued transaction costs (Note 15)	1,476	2,953
Employee costs	38,540	33,606
Other	6,325	5,029
Total accounts payable and accrued liabilities	<u>\$ 114,448</u>	<u>\$ 116,179</u>

9. Notes Payable and Long-Term Debt

Notes payable and long-term debt at June 30 were as follows (in thousands):

Description	<u>2009</u>	<u>2008</u>
Bonds payable to JP Morgan Chase; 3%-4%; annual payments; matures in 2021	\$ 6,583	\$ 7,017
Series A Bonds of 1999 - Taxable; *.633%; annual payments; matures in 2029	63,850	100,000
Series A Bonds of 1999; *1.575%; annual payments; matures in 2021	113,450	121,400
Series B 2001; 4.70%; semi-annual payments; matures in 2018	67,450	67,450
Series C 2001; 5.25%; semi-annual payments; matures in 2034	73,600	73,600
Series D 2001; 5.50%; semi-annual payments; matures in 2036	73,650	73,650
Series A 2007; *5.00%; annual payments, matures in 2042	175,895	175,895
Series B-1 2007; *.25%; semi-annual payments; matures 2041	28,950	57,875
Series B-2 2007; *.25%; semi-annual payments; matures 2041	28,925	-
Series C-1 2007; *.25%; semi-annual payments; matures 2041	28,725	57,450
Series C-2 2007; *.27%; semi-annual payments; matures 2041	28,725	-
Series B 2008; 7.22%; semi-annual payments; matures 2019	44,490	-
Bonds payable to the U.S. Government; 3%-5%; semi-annual payments; matures in 2022	2,808	3,053
Mortgage loans payable to the U.S. Public Health Service - DCMF; 2.50%; annual payments; matures in 2020	7,633	7,632
Capitalized lease obligations, with monthly payments of principal and interest of \$12 and \$8, respectively; matures in 2009	-	50
Payable PNC Bank, 0.81% matures in 2019	18,000	18,000
Payable PNC Bank, 1.56% matures in 2014	10,000	-
Payable Wachovia Bank, 0.65% matures in 2009	41,204	-
Payable Bank of New York, 0.93% matures in 2009	7,976	-
Various mortgages and notes payable; various %; annual payments; maturing at various dates through 2019	13,005	7,212
Subtotal	<u>834,919</u>	<u>770,284</u>
Estimated cost to terminate swaps	34,933	38,562
Series A 2007 premium	9,574	9,732
Total	<u>\$ 879,426</u>	<u>\$ 818,578</u>

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* Represents the variable rates as of June 30, 2009

The fair value of the University's debt obligations was approximately \$803,333,000 and \$751,352,000 at June 30, 2009 and 2008, respectively. The fair value of the University's debt was determined by discounting the future stream of payments using interest rates commensurate with the University's credit standing, market risk, and non-performance risk.

Maturities of debt obligations for the years ending June 30 (in thousands) are as follows:

2010	\$ 63,093
2011	10,046
2012	28,854
2013	49,208
2014	59,246
Thereafter	624,472
Total	<u>\$ 834,919</u>

On November 18, 2008, the Series 2007B Bonds and the Series 2007C Bonds, totalling \$115,325,000 in aggregate principal amount, were converted to weekly variable rate demand bonds. In the event that any of the Series 2007B Bonds or Series 2007C Bonds are tendered for purchase and are not remarketed (in cases where remarketing is permitted), the purchase price of the tendered Bonds is to be paid by a draw on a letter of credit issued by JPMorgan Chase Bank, N.A. (the "Bank"). The Letter of Credit serves as a credit and liquidity facility for the Series 2007B Bonds and the Series 2007C Bonds (the "Credit"). If any of the tendered Series 2007B Bonds or Series 2007C Bonds are not remarketed prior to the Stated Termination Date of the Letter of Credit (November 18, 2011), and if certain conditions are satisfied, the Credit extended by the Bank will convert to a three year term loan, amortizing in twelve quarterly instalments falling in fiscal years 2012 – 2015. These amounts that are earlier than the maturity of the agreements are reflected as such in the debt maturity schedule above.

During 2009, the University obtained four unsecured lines of credit at financial institutions totalling \$165,000,000 with interest payable on the outstanding balance calculated daily based on LIBOR plus a range from 35 to 200 basis points. There is an outstanding balance of \$49,179,662 at June 30, 2009.

On September 19, 2008, the University issued \$44,490,000 Series 2008B Taxable bonds. The Series 2008B bonds were utilized to refund \$36,150,000 of the University's \$100,000,000 1999 Series A Taxable Bonds, dated February 23, 1999, to pay costs of issuance, and to pay costs related to the restructuring of other University debt. The refunded portion of the Series 1999A Taxable bonds was redeemed on October 27, 2008.

On September 23, 2008, the University converted \$67,450,000 Series 2001B bonds, dated April 6, 2001, maturing on April 1, 2021 through April 1, 2031, from the Select Auction Variable Rate "SAVR" mode to a term rate mode ending on the mandatory purchase date of April 1, 2018. On September 25, 2008, the University converted \$73,600,000 Series 2001C bonds, dated April 6, 2001, maturing on April 1, 2031 through April 1, 2034, from SAVR mode to a term rate mode ending on the mandatory purchase date of April 1, 2023. On September 29, 2008, the University converted \$73,650,000 Series 2001D bonds, dated April 6, 2001, maturing on April 1, 2034 through April 1, 2036, from SAVR mode to fixed rate mode. These conversions were all done in accordance with the Series 2001 Bond indenture. As of each respective conversion date, the insurance policy issued by

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MBIA Insurance Corporation, which insured the payment of principal and interest on the 2001B, C, and D bonds, was cancelled.

On November 18, 2008, the University converted \$57,875,000 Series 2007B bonds, dated April 11, 2007, maturing on April 1, 2020 through April 1, 2041, from the Auction rate mode to the Weekly mode, in accordance with the Series 2007B Bond Indenture, and converted \$57,450,000 Series 2007C bonds, dated July 10, 2007, maturing on April 1, 2020 through April 1, 2041, from the Auction rate mode to the Weekly mode, in accordance with the Series 2007C Bond Indenture. The insurance policy issued by AMBAC Assurance Corporation, which insured the payment of principal and interest on the 2007B and C bonds, was also cancelled. On November 18, 2008, the University entered into a reimbursement agreement with JPMorgan Chase Bank, NA, to provide direct pay letters of credit to secure payments on the 2007B and C bonds. These letters of credit will expire on November 18, 2011.

On June 26, 2009, the University entered into loan agreement with PNC Bank, NA for \$10,000,000. Proceeds from this loan were utilized to fund various University capital projects. The loan will mature on June, 26, 2014.

On August 28, 2008, the University entered into a forward basis swap agreement with Morgan Stanley Capital Services, Inc. The initial notional amount of the swap is \$214,700,000. The effective date of the swap was January 2, 2009, and the termination date will be April 1, 2036. Payments are made quarterly, both to and from the University, based on a floating rate of 68% of 3 month LIBOR plus 42.35 bps to the University, and a floating rate of SIFMA from the University.

On May 12, 2009, the University terminated all of its various swap agreements with Lehman Brothers Special Financing Inc. ("LBSF"). The University valued the cost to terminate these swaps on May 11, 2009 at \$53,481,000, and sent final payment, which included this termination payment, to LBSF on May 12, 2009.

On May 13, 2009, the University entered into a swap agreement with Deutsche Bank, AG, New York Branch relating to the 2009B and C Refunding Bonds. The initial notional amount of the swap was \$60,700,000. The termination date of the swap will be April 1, 2042. Payments are made quarterly, both to and from the University, based on a floating rate of 70% of 3 month LIBOR to the University, and a fixed rate of 4.185% from the University.

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The following schedule presents the notional principal amounts of the University's interest rate swaps at June 30:

<u>Remaining</u> <u>Notional Amount</u> <u>at June 30, 2009</u>	<u>Expiration</u> <u>Date</u>	<u>Estimated</u> <u>Cost to</u> <u>Terminate-swap</u> <u>at June 30,</u> <u>2009</u>	<u>Estimated</u> <u>Cost to</u> <u>Terminate-swap</u> <u>at June 30,</u> <u>2008</u>
\$ -	April 9, 2018	\$ -	\$ (1,291,000)
-	April 13, 2020	-	(3,601,000)
-	May 3, 2021	-	(8,937,000)
-	May 3, 2024	-	(6,375,000)
-	March 28, 2031	-	(3,580,000)
214,700,000	April 1, 2036	(9,798,000)	(3,737,000)
60,700,000	April 1, 2042	(10,802,000)	(3,837,000)
65,550,000	April 1, 2041	(10,814,000)	(5,684,000)
25,100,000	April 1, 2040	(3,519,000)	(1,520,000)
<u>\$ 366,050,000</u>		<u>\$ (34,933,000)</u>	<u>\$ (38,562,000)</u>

These financial instruments necessarily involve counter-party credit exposure. The counterparties for these swap transactions are major financial institutions that meet the University's criteria for financial stability and credit-worthiness. The fair value of the interest rate swaps was computed by a third-party evaluator using the net present value of fixed and floating future cash flows, with floating future cash flows determined by projecting forward rates.

10. Fair Value Measurements

Effective July 1, 2008, the University adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement data.

The provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159) were effective July 1, 2008. SFAS 159 gives entities the option, at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The University did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

SFAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available.

Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or 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 other 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 that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the statement of financial position by the SFAS 157 valuation hierarchy defined above (in thousands):

<u>Assets</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Fair Value</u>
Cash equivalents	\$ 36,608	\$ 7,270	\$ -	\$ 43,878
Split interest agreements-trust held by others	\$ -	\$ -	\$ 64,191	\$ 64,191
Unexpended bond proceeds	\$ 26,488	\$ -	\$ -	\$ 26,488
Investments:				
Cash equivalents	\$ 128,828	\$ 672	\$ -	\$ 129,500
Certificates of Deposit	-	425	-	425
U.S. Treasury Notes	20,129	29,473	-	49,602
Mutual funds	2,139	9,854	-	11,993
Fixed income - asset-backed securities	-	2,376	-	2,376
Fixed income - corporate debt securities	-	81,879	2,436	84,315
Equity - global securities	-	141,048	-	141,048
Equity - domestic securities	344	73,987	-	74,331
Equity - domestic convertible bonds	-	22,327	-	22,327
Equity - strategic (private)	-	-	154,167	154,167
Equity - absolute return	-	40,801	114,444	155,245
Equity - real assets	-	14,387	35,811	50,198
Split interest agreements-as trustee	15,407	-	-	15,407
Total investments	166,847	417,229	306,858	890,934
Total assets at fair value	\$ 229,943	\$ 424,499	\$ 371,049	\$ 1,025,491
<u>Liabilities</u>				
Interest rate swaps	\$ -	\$ 34,933	\$ -	\$ 34,933
Total liabilities at fair value	\$ -	\$ 34,933	\$ -	\$ 34,933

Following is a description of the University's valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

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Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The University's Cash and Cash Equivalents consist of money market funds and short term investments that are actively traded. As quoted prices in active markets and/or quoted prices for similar instruments in active markets are available for these assets, they are generally classified as Level 1 or Level 2 within the fair value hierarchy.

Assets received under split-interest agreements from donors where the University serves as trustee are categorized as Level 1 as quoted prices in active markets are available for these assets at the measurement date. For arrangements where the University is a beneficiary of a trust held by a third party, the asset represents the University's beneficial interest in future cash flows and is valued using a discounted cash flow analysis based on the assumed timing and duration of those cash flows. Because this involves significant judgment and estimation, the valuations of these beneficial interests are included in Level 3 within the fair value hierarchy.

Similar to Cash and Cash Equivalents, Unexpended Bond Proceeds consist of money market funds that are actively traded. Since quoted prices in active markets are available for these assets, they are classified as Level 1 within the fair value hierarchy.

The University's investments primarily consist of Cash Equivalents, US Treasury Notes, Fixed Income Securities, and Equity Securities. Quoted prices in active markets and/or quoted prices for similar instruments in active markets are generally available for these investments at the measurement date and they are therefore classified as Level 1 and Level 2 within the fair market value hierarchy. Investments included in Level 3 primarily consist of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the University's ownership interest in the net asset value (NAV) of the respective partnership. The fair value of 15% of the funds invested in private equity and real assets is measured through observable inputs, while the fair value of 85% of the funds invested in private equity and real assets is measured through unobservable inputs. The fair values of the underlying investments in the limited partnerships are determined by the general partner, when there are no other observable inputs available. These fair values are based on third-party appraisals, discounted cash flow models, and publicly traded comparable companies among other things. The University has performed significant due diligence around the valuation of these investments to ensure that NAV is an appropriate measure of fair value as of June 30, 2009.

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 non-performance risk, and correlations of such inputs. Certain of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified as Level 2 within the fair value hierarchy.

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

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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.

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above (in thousands):

	Fixed income - corporate debt securities	Equity - strategic (private)	Equity - absolute return	Real assets	Split Interest- trusts held by others	Total Investments
Fair Value level 3 assets at July 1, 2008	\$ 7,000	\$ 183,795	\$ 153,798	\$ 31,001	\$ 77,836	\$ 453,430
Net realized/unrealized gains (losses)	(6,856)	(45,668)	(27,307)	(879)	(13,645)	(94,355)
Net purchases, sales, settlements	2,292	16,040	(12,047)	5,689	-	11,974
Fair Value level 3 assets at June 30, 2009	<u>\$ 2,436</u>	<u>\$ 154,167</u>	<u>\$ 114,444</u>	<u>\$ 35,811</u>	<u>\$ 64,191</u>	<u>\$ 371,049</u>
Total gains (losses) including earnings attributable to the change in unrealized gains for assets still held at June 30, 2009	<u>\$ (6,787)</u>	<u>\$ (45,560)</u>	<u>\$ (26,886)</u>	<u>\$ (3,246)</u>	<u>\$ (13,645)</u>	<u>\$ (96,124)</u>

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2009.

11. Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes (in thousands)

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 65,250	\$ 67,793
Time and other restrictions	190,211	362,751
Financial aid	33,530	30,137
Term endowments	3,133	3,046
Instruction and research	15,402	13,026
Total	<u>\$ 307,526</u>	<u>\$ 476,753</u>

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Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support (in thousands):

	<u>2009</u>	<u>2008</u>
General operations	\$ 239,769	\$ 222,710
Instruction and research	245,800	161,440
Financial aid	170,152	159,094
Other restrictions	9,269	9,269
Total	<u>\$ 664,990</u>	<u>\$ 552,513</u>

Net Assets Released From Restrictions

Donor restrictions met were as follows for the years ended June 30 (in thousands):

	<u>2009</u>	<u>2008</u>
Financial aid	\$ 12,249	\$ 11,364
Instruction and research	8,366	7,568
Time and other restrictions	17,520	14,676
Term endowments	37	111
Buildings and equipment	22,889	263
Total	<u>\$ 61,061</u>	<u>\$ 33,982</u>

12. FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations*

Interpretation of Relevant Law

The Board interprets the District of Columbia UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (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 was added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriate for expenditure by 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: (a) the duration and preservation of the fund; (b) the purposes of the University and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the University; (g) the investment policies of the University; and, (h) specific provisions of the gift agreement.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of

donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the policy benchmark approved by the Board.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation with exposure to equities, fixed income and real assets.

Spending Policy and how the Investment Objectives Relate to Spending Policy

The University's primary investment objective for the Endowment Fund is to achieve the highest long-term total investment return on investment assets that is compatible with the University's risk tolerance and time horizons and consistent with prudent investment practices. Superior investment performance should, over the long term, maintain or enhance the purchasing power of the Endowment Fund so that its income distribution will provide at least as much support for the annual University budget in the future as it does at present.

The objectives of the University's endowment portfolios contemplate a reasonable and disciplined investment approach. Accordingly, consistent with their specific objectives, each endowment portfolio should be appropriately diversified in order to provide reasonable assurance that no single security or class of securities has a disproportionate impact on the portfolio.

The University has adopted an endowment spending policy governing the expenditure of the total return of funds by the pooled endowment fund (see Note 6). The spending policy is designed to stabilize annual spending levels and to preserve the portfolio and is independent of the actual yield and appreciation of investments for the year. To achieve this objective, additions to an endowment fund will receive a distribution in the month following the addition to the endowment. The distribution is based on 6% of a five year moving average of the pooled endowment market value.

The University's endowment consists of approximately 221 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Funds with Deficiencies

Annually, management determines whether a deficiency has occurred in its pooled funds. A deficiency occurs when the market value of an individual donor-restricted pooled fund is less than the cost of the investment. Deficiencies of \$53,454,000 and \$10,853,000 for donor-restricted pooled endowment funds have been recorded in unrestricted net assets at June 30, 2009 and 2008, respectively. Deficiencies of \$3,581,000 and \$2,402,000 for donor-restricted separately invested endowment funds have been recorded in unrestricted net assets at June 30, 2009 and 2008, respectively. These deficiencies are the result of declines in market values.

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Endowment Net Asset Composition by Type of Fund as of June 30, 2009 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (57,035)	\$ 95,141	\$ 659,388	\$ 697,494
Board designated endowment funds	197,613	-	-	197,613
Total funds	<u>\$ 140,578</u>	<u>\$ 95,141</u>	<u>\$ 659,388</u>	<u>\$ 895,107</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 249,164	\$ 260,509	\$ 549,401	\$ 1,059,074
Investment return:				
Investment income	6,409	1,134	-	7,543
Investment expenses	(10,957)	(648)	-	(11,605)
Net depreciation (realized and unrealized)	(95,654)	(127,296)	(11,051)	(234,001)
Total investment return	(100,202)	(126,810)	(11,051)	(238,063)
Contributions	-	45	121,038	121,083
Appropriation of endowment assets for expenditure	(15,729)	(38,603)	-	(54,332)
Other changes:				
Transfers to create board designated endowment funds	7,345	-	-	7,345
Endowment net assets, end of year	<u>\$ 140,578</u>	<u>\$ 95,141</u>	<u>\$ 659,388</u>	<u>\$ 895,107</u>

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Endowment Net Asset Composition by Type of Fund as of June 30, 2008 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (13,255)	\$ 260,509	\$ 549,401	\$ 796,655
Board designated endowment funds	262,419	-	-	262,419
Total funds	<u><u>\$ 249,164</u></u>	<u><u>\$ 260,509</u></u>	<u><u>\$ 549,401</u></u>	<u><u>\$ 1,059,074</u></u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 269,889	\$ 288,535	\$ 508,436	\$ 1,066,860
Net asset reclassification based on change in law	(13,272)	13,272	-	-
Investment return:				
Investment income	15,743	1,325	-	17,068
Investment expenses	(13,634)	(968)	-	(14,602)
Net depreciation (realized and unrealized)	(19,108)	(12,852)	1,121	(30,839)
Total investment return	(16,999)	(12,495)	1,121	(28,373)
Contributions	-	3,635	39,844	43,479
Appropriation of endowment assets for expenditure	(12,996)	(32,438)	-	(45,434)
Other changes:				
Transfers to remove board designated endowment funds	(92,272)	-	-	(92,272)
Transfers to create board designated endowment funds	114,814	-	-	114,814
Endowment net assets, end of year	<u><u>\$ 249,164</u></u>	<u><u>\$ 260,509</u></u>	<u><u>\$ 549,401</u></u>	<u><u>\$ 1,059,074</u></u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

Permanently Restricted Net Assets

2009

2008

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 659,388	\$ 549,401
<u>\$ 659,388</u>	<u>\$ 549,401</u>

Total endowment funds classified as permanently restricted net assets

Temporarily Restricted Net Assets

Term endowment funds

\$ 3,133	\$ 3,046
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The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

With purpose restrictions

92,008	257,463
<u>\$ 95,141</u>	<u>\$ 260,509</u>

Total endowment funds classified as temporarily restricted net assets

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13. Operating Expenses by Function

Expenses were incurred for the following functions for the years ended June 30, 2009 and 2008 (in thousands):

	<u>2009</u>	<u>2008</u>
Program:		
Instruction	\$ 360,057	\$ 329,082
Research	166,533	154,180
Scholarships and fellowships	13,001	12,710
Auxiliary enterprises - direct	56,705	53,075
Public service	27,481	31,282
Other	10,431	19,314
Support:		
Institutional support	136,685	134,988
Academic support	166,628	155,449
Total	<u>\$ 937,521</u>	<u>\$ 890,080</u>

Operation and maintenance of plant, depreciation and interest expense are allocated to functional classifications based the relative dollars in the base categories.

Fundraising expenses totalling \$4,850,000 and \$4,783,000 are included in the travel expense line on the statement of activities for the years ended June 30, 2009 and 2008, respectively.

14. Pension and Other Postretirement Benefit Costs

The University provides certain pension, health care and life insurance benefits to retired employees who meet plan eligibility requirements.

Defined Benefit Retirement Plan

The Georgetown University Retirement Plan "the Plan", originally effective January 1, 1954, and thereafter amended, covers eligible faculty members, staff employees, and certain employees of the University. Benefits under the Plan are based on years of service and the participants' highest compensation for a specified period of employment. The University's policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as determined to be appropriate.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.12% and 6.46% at June 30, 2009 and 2008, respectively. The rate of increase in future compensation levels was based on an age-graded salary scale averaging 4.0% at June 30, 2009 and 2008. The expected long-term rate of return on plan assets used in determining net pension expense was 8.0% at June 30, 2009 and 2008.

Defined Contribution Retirement Plan

Faculty members and certain staff not participating in the Plan are eligible to join the Defined Contribution Retirement Plan. The University's policy is to contribute a percentage of the employee's salary. The University's contribution is 12% for employees hired prior to January 1, 1996 and 10% for employees hired on or after that date. The expense recorded under the Defined Contribution Retirement Plan was \$27,633,000 and \$22,024,000 for the years ended June 30, 2009

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and 2008, respectively.

Health and Life Insurance Plans

The purpose of the Georgetown University Health and Life Insurance Plans portfolio the “Portfolio” is to provide current funding to pay the benefits and expense obligations of Georgetown University’s postretirement benefit plans when due. Prior to fiscal year 2001, it was the University’s funding policy to contribute to the related trusts an amount equal to the actuarially determined expense.

The assumed rates of increase in the per capita cost of covered health care benefits for plan participants are assumed to decrease from 8.5% in 2009 to 5.0% over the next seven years and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation by \$1,213,000 and \$686,000 at June 30, 2009 and 2008, respectively. The aggregate of the service and interest cost components of net periodic postretirement benefit expense would increase by \$93,000 and \$48,000 for the years ended June 30, 2009 and 2008, respectively. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation by \$1,077,000 and \$618,000 at June 30, 2009 and 2008, respectively. The aggregate of the service and interest cost components of the net periodic postretirement benefit expense would decrease by \$84,000 and \$43,000 for the years ended June 30, 2009 and 2008, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 6.07% and 6.39% at June 30, 2009 and 2008, respectively. The expected long-term rate of return on plan assets used in determining net postretirement benefit expense was 8.0% at June 30, 2009 and 2008.

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The following information summarizes activity in the pension and postretirement benefit plans (in thousands):

	<u>2009</u>		<u>2008</u>	
	<u>Pension</u> <u>Benefits</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>	<u>Pension</u> <u>Benefits</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>
Change in benefit obligation:				
Benefit obligation,				
beginning of year	\$ 147,576	\$ 44,335	\$ 155,850	\$ 44,913
Service cost	3,042	1,126	4,034	1,225
Interest cost	9,068	2,756	9,399	2,775
Plan participants' contributions	-	2,750	-	818
Actuarial (gain) loss	12,648	723	(11,025)	(689)
Gross benefits paid	(8,506)	(5,293)	(11,436)	(5,192)
less: federal subsidy on benefits paid	N/A	496	N/A	485
Plan amendments	-	-	754	-
Curtailments	(3,367)	-	-	-
Benefit obligation, end of year	<u>\$ 160,461</u>	<u>\$ 46,893</u>	<u>\$ 147,576</u>	<u>\$ 44,335</u>
Change in plan assets:				
Fair value of plan assets,				
beginning of year	\$ 120,920	\$ 2,131	\$ 132,270	\$ 5,628
Actual return on plan assets	\$ (22,121)	\$ (401)	(11,202)	(462)
Employer contributions	4,000	818	11,287	1,339
Plan participants' contributions	-	2,750	-	818
Benefits paid	(8,506)	(5,293)	(11,436)	(5,192)
Fair value of plan assets, end of year	<u>\$ 94,293</u>	<u>\$ 5</u>	<u>\$ 120,919</u>	<u>\$ 2,131</u>
Funded status, end of year	<u>\$ (66,168)</u>	<u>\$ (46,888)</u>	<u>\$ (26,657)</u>	<u>\$ (42,204)</u>

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	<u>2009</u>		<u>2008</u>	
	<u>Pension</u> <u>Benefits</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>	<u>Pension</u> <u>Benefits</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>
Amounts recognized in the statements of financial position:				
Liabilities	<u>\$ (66,168)</u>	<u>\$ (46,888)</u>	<u>\$ (26,657)</u>	<u>\$ (42,204)</u>
Amount not yet recognized in net periodic benefit cost and included in unrestricted net assets:				
Net actuarial loss	\$ 83,606	\$ 15,483	\$ 45,740	\$ 14,956
Prior service cost/(credit)	189	(1,101)	754	(1,261)
	<u>\$ 83,795</u>	<u>\$ 14,382</u>	<u>\$ 46,494</u>	<u>\$ 13,695</u>
Components of net periodic benefit cost:				
Service cost	\$ 3,042	\$ 1,127	\$ 4,034	\$ 1,225
Interest cost	9,068	2,756	9,399	2,775
Expected return on assets	(9,145)	(61)	(10,647)	(335)
Amortization:				
Actuarial loss	2,681	657	1,931	759
Prior service (credit)/cost	29	(160)	76	(160)
Curtailment (gain)/loss	536	-		
Net periodic benefit cost	<u>\$ 6,211</u>	<u>\$ 4,319</u>	<u>\$ 4,793</u>	<u>\$ 4,264</u>
Additional Information:				
Accumulated benefit obligation	\$ 152,231	N/A	\$ 138,200	N/A
Expected contributions in fiscal year ending June 30, 2010	\$ 1,700	\$ 2,977	\$ -	\$ -

The estimated net actuarial loss and prior service cost for the pension and postretirement plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$6,575,000 and \$579,000, respectively.

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The asset allocation for the University's pension plans and postretirement benefit plans at the end of fiscal year 2009 and fiscal year 2008, and the target allocation for June 30, 2009, by asset category, were as follows:

Pension Plan

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Percentage of Pension Plan Assets</u>	
	<u>for June 30, 2009</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
U.S. public equity securities	45%	30%	43%
Non-U.S. public equity	20%	30%	22%
Debt securities	25%	27%	25%
Real assets	10%	9%	9%
Cash	0%	4%	1%
Total	100%	100%	100%

The purpose of the Georgetown University Retirement Plan portfolio is to provide funding to pay the benefits and expense obligations of the Plan when due. In keeping with this purpose, the portfolio strives to achieve the following objectives:

1. To maintain fully funded status with regard to the Accumulated Benefit Obligation (ABO);
2. To maintain flexibility in determining the future level of contributions; and
3. To maximize total return within reasonable and prudent levels of risk in order to minimize contributions and maintain sufficient liquidity to meet disbursement needs.

The performance of individual investment managers and the incremental return achieved from active management will generally be evaluated over three year periods or over a full market cycle against a relevant peer universe and against standard market benchmarks.

Postretirement Benefit Plans

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Percentage of Postretirement Benefit Plan Assets</u>	
	<u>for June 30, 2009</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
U.S. public equity securities	60%	60%	60%
Fixed income securities	40%	40%	40%
Other	0%	0%	0%
Total	100%	100%	100%

The purpose of the portfolios for the postretirement benefit plans is to provide current funding to pay the benefits and expense obligations of the Georgetown University's postretirement benefit plans when due. Prior to the 2001 fiscal year, it was the University's funding policy to contribute an amount equal to the FAS 106 cost. Between 2001 and 2007, the University made no contributions, however, in 2009 and 2008, the University contributed \$818,000 and \$1,339,000, respectively. In keeping with this purpose, the portfolio strives to maximize total return within reasonable and prudent levels of risk and maintain sufficient liquidity to meet disbursement needs.

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The performance of individual investment managers and the incremental return achieved from active management will generally be evaluated over three year periods or a full market cycle against a relevant peer universe and against standard market benchmarks.

In September 2006, the FASB issued Statement No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106 and 132R. Statement No. 158 requires an employer to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets of a not-for-profit organization. Statement No. 158 also requires an employer to measure the plans funded status as of the same date as the employer's fiscal end.

Projected benefit payments to be made from the Pension and Postretirement plans for the next ten years subsequent to the fiscal year ended June 30, 2009 are as follows (in thousands):

	<u>Postretirement Benefits</u>		
	<u>Pension Benefits</u>	<u>Employer Payments</u>	<u>Medicare Subsidy</u>
2010	\$ 19,442	\$ 3,478	\$ 496
2011	12,134	3,790	607
2012	13,299	4,051	700
2013	13,425	4,228	804
2014	13,119	4,430	904
2015-2019	69,383	25,086	6,268
Total	<u>\$ 140,802</u>	<u>\$ 45,063</u>	<u>\$ 9,779</u>

15. Commitments and Contingent Liabilities

The University receives a substantial amount of its revenues from U.S. Government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. Government. Recovery of indirect costs is based on predetermined rates negotiated with the government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

The University may enter into service agreements with service providers in which it agrees to indemnify the service provider against certain losses and liabilities arising from the service provider's performance under the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct, or acts in bad faith. The indemnifications serve to place the University in a liability position no different than if it had performed the services for itself. The University was not aware of any liability under such service agreements for the years ended June 30, 2009 or 2008.

The University has capital call commitments with thirty-two private equity managers, ten real estate investment managers, one public equity manager and one high yield manager. Remaining capital call commitments as of June 30, 2009 and 2008 totalled \$158,180,000 and \$218,300,000, respectively.

The University carries insurance policies on insurable risks, which it believes to be appropriate. The

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University generally has self-insured retention limits and has obtained fully insured layers of coverage in excess of self-insured retention limits. Accruals for self-insurance losses are made based on the University's claims experience and actuarial assumptions. The University has certain liabilities with respect to existing or potential claims, lawsuits, and other proceedings. The University accrues for these liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated.

The University self insures for hospital professional and comprehensive general liability. At June 30, 2009 and 2008, liabilities for future claims were \$2,792,000 and \$3,990,000, respectively. These amounts are included in other liabilities in the accompanying statements of financial position.

The University self insures for worker's compensation liability. At June 30, 2009 and 2008, the University had recorded reserves in the amount of \$5,259,000 and \$5,633,000, respectively.

The University is a defendant in a number of malpractice lawsuits, all of which are pending in trial or appellate courts of the District of Columbia. According to legal counsel, each of the cases is being defended pursuant to the coverage afforded by the respective malpractice insurance policies. Such coverage is subject to the terms and provisions of those policies, including limitations of liability and any applicable exceptions or exclusions. The University considers its liability, if any, to be adequately covered by insurance from its commercial carriers and/or the University's working capital.

The University is involved in various other claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the University's financial position, change in net assets or cash flows.

Contractual commitments authorized by the Board of Directors were approximately \$18,799,000 and \$32,541,000 at June 30, 2009 and 2008, respectively. The commitments pertain to construction and major maintenance projects. Bonds, loans, federal grants and other University revenues are expected to provide the necessary funding for these commitments.

Effective February 17, 2000, the University adopted a plan to transfer the Georgetown University Hospital, the Community Practice Network and the Faculty Practice Group (the transferred business), to Medstar Health Inc. Accrued estimates of \$72,931,000 were recorded to recognize expenses related to the transaction. At June 30, 2009 and 2008, the remaining estimated liabilities for transactions costs were \$1,476,000 and \$2,953,000, respectively.

On May 17, 2005, the University entered into a 10 year agreement with an unrelated Foundation to establish a degree granting branch campus as part of the School of Foreign Service. The Foundation owns the facility and is responsible for construction and maintenance. The University will be reimbursed for all allowable costs and expenses incurred by the Foundation. An irrevocable standby letter of credit has been established by the Foundation. A management fee is paid to the University on an annual basis.

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16. Leases

The University's leases consist of both operating and capital leases for facilities, office equipment, and vehicles. The lease terms generally range from one month to ten years with options to renew at varying times (in thousands):

	<u>2009</u>	<u>2008</u>
Rent expense under operating leases		
Facilities	\$ 34,950	\$ 31,866
Equipment	4,251	3,885
Vehicles	1,539	1,594
Total	<u>\$ 40,740</u>	<u>\$ 37,345</u>
Assets recorded under capital lease		
Equipment	8,579	8,579
Less accumulated depreciation	(8,092)	(8,051)
	<u>\$ 487</u>	<u>\$ 528</u>

Minimum annual rentals for the five years subsequent to fiscal year ended June 30, 2009 and in the aggregate are (in thousands):

	<u>Capital Leases</u>	<u>Operating Leases</u>
2010	\$ -	\$ 17,259
2011	-	17,284
2012	-	16,657
2013	-	16,765
2014	-	14,640
Thereafter	-	73,144
Total	<u>\$ -</u>	<u>\$ 155,749</u>

17. Tax Losses

At June 30, 2009 and 2008, the University had cumulative unrelated business income net operating loss carryovers of approximately \$5,600,000 and \$5,000,000, respectively. Based upon the year incurred these losses can be carried over for 15 to 20 years.

18. Related Parties

Members of the University's Board of Directors and their related entities contributed approximately \$17,412,000 and \$11,007,000 during the years June 30, 2009 and 2008, respectively, which is included in contribution revenue in the accompanying statements of activities. Of this amount, approximately \$14,360,000 and \$9,386,000 were included in contributions receivable at June 30, 2009 and 2008, respectively, in the accompanying statements of financial position.

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June 30, 2009 and 2008

19. Restatement

The University recorded an adjustment decreasing unrestricted net assets and increasing temporarily restricted net assets by \$16,414,000 to reflect pledges for unrestricted purposes where payments are due in future periods. This change is reflected in the net assets for the fiscal year June 30, 2008. Historically, these contributions receivable for unrestricted purposes were recorded as unrestricted net assets.

Other net asset adjustments included restoring negative temporarily restricted balances, adjusting donor restricted gains and losses and adjusting donor purpose restricted contributions. These additional adjustments decreased unrestricted net assets by \$7,641,000, increased temporarily restricted net assets by \$10,540,000, and decreased permanently restricted net assets by \$2,899,000.

These adjustments had no impact on the University's total net assets or on the total change in net assets for the years ended June 30, 2009 and 2008.

20. Subsequent Events

On August 6, 2009, the University issued \$57,240,000 Series 2009A and \$60,700,000 Series 2009B-C Bonds. These bonds were used to refund Series 1999A Tax-Exempt bonds.

The University has performed an evaluation of subsequent events through December 11, 2009, which is the date the financial statements were available to be issued, noting no additional events which affect the financial statements as of June 30, 2009.