



A DECADE OF
TRANSFORMATION



AMERICAN UNIVERSITY 2015-2016 ANNUAL REPORT

COVER

The renovated McKinley Building is a fitting symbol of American University's decade of transformation. Completed in 2014, it sets a distinctly twenty-first-century tone without losing sight of its storied origins since Theodore Roosevelt laid its cornerstone in 1902. The building's iconic domed roof and marble-columned facade now abuts a modern glass entrance to the School of Communication, which features digital classrooms, a media innovation lab, and sophisticated communications technology. A key feature of the renovation's forward-thinking design is the rigorous standard of sustainability that led to its LEED Gold certification: green roofs, water-efficient landscaping, and numerous energy-saving components throughout its interior. McKinley is one of three AU buildings to receive national certification since 2011. Any newly constructed buildings on campus are also expected to be LEED certified in keeping with the university's green building policy.

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FROM THE CHAIR OF THE BOARD OF TRUSTEES

The pages of the annual report clearly show what we already know: American University is on a trajectory of achievement without parallel in its history.

The last 10 years under the guidance of President Kerwin have brought AU to a new standing among higher education institutions. The documentation of our academic success is plentiful—from the accreditation report of the Middle States Commission on Higher Education to the new Carnegie Classification, which moves AU up to the rank of Doctoral: Higher Research Activity, in company with institutions like Dartmouth College and William and Mary University. Our climb in the Carnegie rankings is the result of strategic decisions made over the past several years to expand the number of doctoral programs and increase the productivity of externally funded research.

These achievements, among many others, were fostered by AU's strategic plan, which enters the final two years of its decade-long span.

The university's new facilities are another indicator of this era of positive growth. Washington College of Law started classes on its new Tenley Campus in 2016, and the East Campus student housing, teaching, and research spaces will open in 2017. These buildings are the result of the 2011 campus plan, which added some 1.5 million square feet of new space.

Through all these changes, our finances have remained solid, as confirmed by AU's excellent bond ratings (A+ by Standard and Poor's and A1 by Moody's). Our profile in the Patriot League continues to shine as we field true scholar-athletes who are known for competitive excellence and academic achievement.

Indeed, this has been a decade of unprecedented transformation, and the proof abounds.

Sincerely,

Jack C. Cassell



FROM THE PRESIDENT

Another year of tremendous success and great pride has passed as American University continues to assume a stronger and more vibrant role in the region, nation, and world.

Guided by our strategic plan, “Leadership for a Changing World: American University and the Next Decade,” and supported by campus facilities planning, AU’s achievements are the combined efforts of our entire community: students, faculty, staff, alumni, trustees, donors, and friends.

AU continues to attract the best and brightest students nationally and internationally, and they are applying in record numbers. With only 26 percent of applicants gaining admission to the fall 2016 freshman class, our selectivity has hit a new threshold. Once enrolled, our students are deeply involved, leading and achieving as never before, as they translate their classroom learning into hands-on experience and continue on after graduation to make their mark as alumni.

A master’s student in journalism was part of a team that won the Pulitzer Prize, and a doctoral student in anthropology was part of an expedition that discovered a new species of human relative. AU was first in the nation among finalists of the prestigious Presidential Management Fellowship for the past two years and a top producer of Fulbright scholars for the past four years.

Productivity and creativity abound throughout the academic community. In fields from cybersecurity to the neurosciences, astronomy to public policy, our faculty are winning awards and gaining acclaim for tackling today’s pressing issues, even as they look to the future and identify our research priorities through the AU 2030 process.

It has been my privilege to lead American University at this truly extraordinary time in its history, and I feel confident that our momentum will remain strong through the coming transition and beyond.

Sincerely,

A handwritten signature in black ink that reads "Cornelius M. Kerwin". The signature is written in a cursive, flowing style.

Cornelius M. Kerwin



The lush greenery and abundant flora of this setting just off the main entrance to campus is another part of AU's remarkable transformation. More than 2,600 trees representing 130 species make up the American University Arboretum and Gardens, which encompasses AU's entire 84-acre campus and contains flowering trees, shrubs, ornamental grasses, and seasonal plantings. It also features 15 rain gardens and bioretention basins and 10 green roofs. The National Wildlife Foundation certified the arboretum as a wildlife habitat in 2010.



A DECADE OF TRANSFORMATION

True transformation does not happen overnight. It requires years of careful planning, smart decisions, dedicated people, and the right resources.

The era of President Neil Kerwin's leadership has been one of remarkable transformation for American University—a period of unprecedented growth, transparency, inclusiveness, pride, and success. The statistics throughout this report reflect the university's momentum across the decade, in each case tracing our growth from the earliest to the most recent dates available.

This momentum has affected our entire community. AU has been one of few private universities to improve its financial position through the recession. Our endowment has doubled, our bond ratings are up, and we have increased campus square footage by half—while dramatically reducing our carbon footprint.

AU has reached a new level of academic and research rigor, reflected in our culture of innovation and the expansion of our undergraduate and graduate programs. We have intensified our impact in Washington, DC, the nation, and around the world, earning greater visibility and recognition through the exceptional work of our faculty, staff, and leadership.

Through the president's initiative on diversity and inclusion, the far-reaching AU 2030 plan, and our innovative Reinventing the Student Experience (RiSE) project, American University is tackling the great issues of our time and preparing leaders for the next generation.

EXPANSION OF THE SCIENCES ENERGIZES AU COMMUNITY

This year marked a milestone for American University. The 2015 Carnegie Classification of Institutions of Higher Education reclassified AU from the lowest tier among research universities to the middle tier, Doctoral: Higher Research Activity.

Our climb in the Carnegie Classification system—a leading framework used by government and other organizations to assess such institutions—reflects years of strategic decisions: recruiting female faculty and students in the science fields, expanding our doctoral offerings, and intensifying our support for research, which led to a historic physics discovery.

Through these efforts the AU community is more vibrant than ever, and our science programs are achieving unprecedented impact on the local, national, and international levels.

WOMEN IN SCIENCE: SURGE IN FACULTY AND STUDENTS

The percentage of women majoring in STEM (Science, Technology, Engineering, and Math) at AU is markedly higher than the national average: 69 percent of undergraduates and 61 percent of graduate students. The university is filling its science departments with award-winning female researchers who are eager to mentor students in their fields, and students are responding.

AU's science departments work hard to recruit women, said Teresa Larkin, associate professor of physics and director of the College of Arts and Sciences dual-degree engineering program with Columbia University. "Half of our physics department faculty are women—and nearly half of the students," she said.

Bei Xiao, assistant professor of computer science, said she was attracted by AU's openness to interdisciplinary and cutting-edge research. "AU has encouraged me to push the boundaries in my field," said Xiao, whose work on multisensory perception is breaking new ground in human and electronic visual processing.

Gender equality and diversity lead to better science, according to the White House Office of Science and Technology Policy, because diverse teams are innovative and find more effective solutions.



Katie DeCicco-Skinner (*above, right*), an associate professor of biology, has garnered more than \$800,000 in grants for skin cancer research from the National Institutes of Health. She is bridging the gap for women in the sciences through her work. "I hope to serve as a role model to the young women in the laboratory. It is important for me to have students leave [AU] well-trained and confident in their scientific prowess."

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

126%

INCREASE

SCIENCE RESEARCH AND DEVELOPMENT SPENDING

2010-2014*

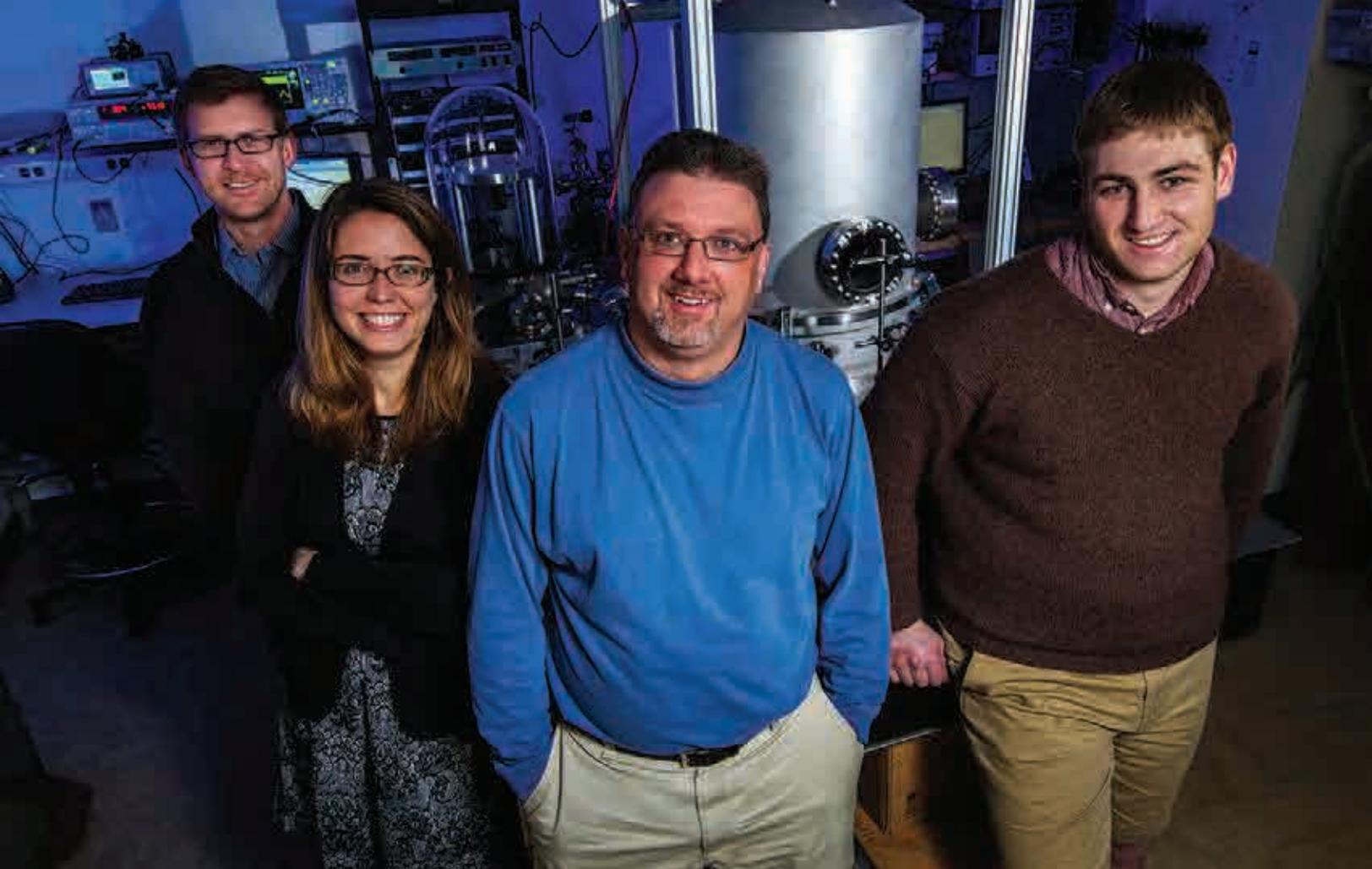
40

NATIONAL SCIENCE FOUNDATION

GRANTS AWARDED

SINCE 2008

*National Science Foundation, NCSES Academic Institution Profiles



AU PHYSICISTS HELP PROVE EINSTEIN'S RELATIVITY THEORY

Several AU researchers are members of the scientific team credited with the first detection of gravitational waves—essentially ripples in the fabric of space-time—caused by the collision of two black holes. These waves have been radiating from the source for billions of years and are just now reaching Earth.

The team, led by physics professor Gregory Harry (*above, center*), helped to fine-tune the Advanced LIGO (Laser Interferometer Gravitational-Wave Observatory), a highly sensitive instrument that first identified these waves in September 2015, a century after Einstein predicted their existence in his General Theory of Relativity. A second signal followed in January 2016, cementing the historic finding.

“The detection of gravitational waves marks the beginning of a new way of observing the universe,” said Harry, whose research team helped to improve the reflective coatings of earlier LIGO detectors, increasing their sensitivity to thermal vibrations in space. Harry and the AU team are currently researching how to reduce noise that interferes with interception of gravitational waves. Already the discovery has spawned a new scientific field, called gravitational-wave astronomy, and new research devoted to prediction of recurrent wave detection.

AU is the only university in the Washington region participating in the LIGO Scientific Collaboration, composed of more than 1,000 scientists from universities in 15 countries. To date, about a dozen undergraduates have assisted the AU LIGO team, which is developing an Optics Olympiad to bring DC public school students to campus and engage them in the project.



INCREASE
UNDERGRADUATE ENROLLMENT
FORMAL AND NATURAL SCIENCES
SINCE 2005

28

NATIONAL INSTITUTES OF HEALTH
GRANTS AWARDED
SINCE 2008

GRADUATE STUDENT RESEARCH YIELDS EXTRAORDINARY RESULTS

American University is committed to providing its graduate students with rigorous and empowering research experiences, whether in labs, newsrooms, local communities, or international arenas. Our faculty members welcome their energy and unique perspectives and continually look for new ways to nurture collaboration and innovation. The students entering our graduate programs are more diverse than ever before, reflected in the questions they explore with their research. From an urgent investigation of current injustices to a dig into humanity's origins, graduate student work advances our culture of tackling the great issues of our time.

JOURNALISM STUDENT AWARDED PULITZER FOR POSITIVE CHANGE

As a master's student in the AU journalism program, Derek Hawkins, SOC/MA '16, had the chance to work intensively with *Washington Post* investigative reporters Marc Fisher and Scott Higham on an unprecedented study of police shootings in America. Their series, "Uneven Justice," gave voice to dozens of frustrated, grieving families and won the 2016 Pulitzer Prize for National Reporting.



Hawkins was drawn to the journalism program by the investigative practicum that made this experience possible. The Investigative Reporting Workshop is offered by the School of Communication and directed by John Sullivan, a Pulitzer-winning investigative reporter. Sullivan felt Hawkins was a good fit for the "Uneven Justice" project because he is familiar with the federal court system and passionate about creating positive change on intractable social problems through journalism. It took months of intensive work and expertise from all over the newsroom to produce the final piece. Neither Hawkins nor Sullivan could have imagined this outcome.

"I'm grateful beyond words to work with such an incredibly talented and driven group of people," said Hawkins. "These are some of the best reporters and editors in the game." He went on to say that, even without the excitement of the Pulitzer, the access he has had to expert mentoring at the *Washington Post* and in the Investigative Reporting Workshop have given him a distinct professional advantage as he moves beyond graduate school. Since graduating, Hawkins has continued on at the *Post's* Metro desk, focusing on high-profile court cases involving the police.

"Derek's experience shows what's possible when students come to the *Post* through [AU's] practicum," said John Sullivan, "and that's just about anything."

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION



TRUMAN SCHOLARS
SINCE 2007
(TIED FOR #5 2007-2016)



INCREASE
NATIONAL SCHOLARSHIPS
SINCE 2009

HOMO NALEDI: ONE TINY CAVE GENERATES ONE BIG DISCOVERY

Becca Peixotto, CAS/MA '13, an anthropology doctoral student, was part of the archaeological team that discovered *Homo naledi*, a new species of human relative. Peixotto and her five teammates were handpicked by the expedition's lead investigator, Lee Berger, who had placed a Facebook ad looking for skilled archaeologists with certain qualifications. With a master's from AU in public anthropology and a concentration in historical archaeology, Peixotto fit the bill.

"Studying at American University," Peixotto said, "I received really excellent training in field methods from the Dismal Swamp Field School with professors [Daniel] Sayers, [Richard] Dent, and many other archaeologists

along the East Coast. I felt that I had a good background to be working in this kind of environment."

Peixotto's other key qualification was her size. Everyone on the team had to be small enough to fit through the narrow chute that led to the excavation site, a chamber 30 meters belowground in the Rising Star Cave in Maropeng, South Africa. The result was a team composed entirely of women, known as "underground astronauts," who excavated more than 1,550 fossil specimens in the course of three weeks. It was the largest-ever fossil hominid find in Africa.

The existence of *Homo naledi* is expected to change the way scientists think about human origins. "It was a momentous discovery," said Peter Starr, dean of the College of Arts and Sciences. "And we at AU are very fortunate and proud to have one of our own play such a central role in this enormous effort."



48

FULBRIGHT SCHOLARS
SINCE 2012
(AU IS A TOP PRODUCER)

#1

PRESIDENTIAL MANAGEMENT FELLOWSHIP FINALISTS
2015 AND 2016
(154 SINCE 2012)

FOCUSING ON THE FUTURE: POLICY, NEUROSCIENCE, AND AGRICULTURE

AU 2030 is American University's strategic process to identify groundbreaking areas where we can make productive investments and have tangible impacts on the future. A full third of the university's faculty hires since 2014 have expertise in 10 areas, which include behavioral and cognitive neurosciences, global economic governance, and public health policy on social risks. We have continued to expand opportunities for collaboration in each program, dedicating our resources to remain nimble in these growing fields. As they collaborate and innovate, faculty are making full use of the interdisciplinary research centers we have put in place.



RESEARCH PIONEERS EXPLORE NEW GROUND IN NEUROSCIENCE

The neurosciences are a focus of interdisciplinary research at AU, providing world-class faculty like Catherine Stoodley and Colin Saldanha with the infrastructure they need to advance the study of brain function and shed new light on human development, illness, and injury.

Stoodley, an assistant professor of psychology, is head of the Developmental Neuroscience Lab, where cutting-edge research has

revealed the cerebellum's vital role in our ability to learn and suggests a link between genetics and developmental disorders.

"We're finding that there are different components to this structure that are involved in movement or language or cognitive functions," said Stoodley. Using MRI and other advanced technological tools, her team finds patterns in cerebellar structure for both healthy and clinical subjects that may reveal the root causes of disorders such as autism, ADHD, and dyslexia.

Neurobiology professor Colin Saldanha focuses on hormones and how they help with brain damage. Saldanha's team at AU's Center for Behavioral Neuroscience studies songbirds, such as zebra finches, that, like humans and other animals, produce estrogen

in their brains. Research reveals a rapid rise in estrogen levels after brain injury, which helps to control excessive inflammation, a process crucial to preserving brain function.

"These animals have evolved a mechanism to protect their brains from injury very quickly," said Saldanha. For humans, the natural process is much slower, so the key to making use of these findings is to "figure out how to harness [estrogen's] power without any deleterious side effects."

NIH has funded Saldanha's research for more than a decade because of its potential to treat Alzheimer's, Parkinson's, and a range of other neurodegenerative diseases.

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

60%

INCREASE

OVERALL RESEARCH AND DEVELOPMENT SPENDING

2010-2014*

*National Science Foundation, NCSES Academic Institution Profiles

10

ONLINE MASTER'S DEGREES LAUNCHED

SINCE 2013



SOWING SEEDS OF INNOVATION FOR GLOBAL AGRICULTURE

Garrett Graddy-Lovelace is a professor of global environmental and agricultural policy and politics in the School of International Service (SIS). She specializes in agricultural biodiversity, which she has noted is both an ancient practice and a common goal in developing countries. Her current research centers on seed saving, whereby farmers identify plants with strong growth and replant them in other gardens or farms the following year. Especially for low-income communities, seed saving bolsters nutritional caloric intake and environmental conservation and fosters cultural identity. "I saw the resurgence of interest in seed saving as a way to counter dominant models of development that prioritize industrialized agriculture," she said.

Graddy-Lovelace designed and led an original SIS graduate practicum titled "Domestic and International Impacts of US Agricultural Policy." She has a paper forthcoming on the agricultural ramifications of President Barack Obama's move to normalize relations with Cuba.

RESEARCHING RISKY BEHAVIORS FOR PUBLIC POLICY IMPACT

Erdal Tekin, professor of public administration and policy in the School of Public Affairs, has spent many years studying the causes and consequences of risky behaviors, including smoking, overeating, crime, and illicit drug use. "Many of these behaviors impose costs not only on the people who engage in them but also on society at large," he said. "That brings us to the role of policy."

Current events point directly to Tekin's research on the controversial "Stand Your Ground" gun laws that allow individuals to use lethal force without having to retreat first if they feel a threat is imminent. Supporters claim these laws would increase public safety by deterring crime and providing law-abiding citizens with greater scope for justifiable self-defense. Opponents argue that they could lead to an escalation in violence, as individuals might resort to lethal force even when there is no imminent danger. Tekin's research indicates that the net effect of these laws would be a significant increase in gun-inflicted homicides and injuries.

30+

COURSES INTEGRATE
AU ARBORETUM IN CURRICULA
SINCE 2011

98%

INCREASE
MEDIA PLACEMENTS
SINCE 2008
(52% HIGHLIGHT FACULTY EXPERTISE)

STAYING AHEAD IN THE CYBER WORLD

American University's decision to steer more resources toward cybersecurity and Internet governance research is validated regularly in the news with reports of large-scale data breaches, followed by fierce debate about rights and responsibilities. AU researchers and students are striving to stay ahead of these new questions: How do we govern the world of the Internet while ensuring civil liberties? How can we secure business intelligence in a global economy? Our culture of academic rigor demonstrates our commitment to relevance. We are asking some of today's most pressing questions and addressing issues that will shape our future.

AT THE VANGUARD OF INTERNET GOVERNANCE

The Internet is the epicenter of twenty-first-century political and economic power, and Laura DeNardis, professor and associate dean in the School of Communication, is at the forefront of worldwide research about governance of that power.

Since the Internet relies on the free availability of ideas, it is inherently borderless and global; however, both government and nongovernment organizations seek to control its content. Though online access has spread

rapidly, the general public is not aware of what has been filtered out. DeNardis (*below, right*) is dedicated to identifying the entities, often hidden, that set policies determining our civil liberties and our right to access knowledge via the web.

DeNardis edited her latest book, *The Turn to Infrastructure in Internet Governance*, with School of International Service professors Nanette Levinson and Derrick Cogburn (*below, left and center*) and French scholar Francesca Musiani. This unprecedented investigation of the way public and private entities co-opt Internet infrastructure for political and economic purposes brings together experts from around the world, taking an area once concealed in institutional and technological complexity and repositioning it among other worldwide issues, such as environmental protection and human rights, that have far-reaching global implications.

"We have three billion people connected to the Internet," DeNardis said. "This will soon grow to five billion. We are completely dependent upon the Internet for our social lives, for our economic lives, and for political expression. So it threads throughout everything we do in life."

DeNardis won a prestigious Google Faculty Research Award to examine the changes in Internet control since the revelations of whistleblower Edward Snowden publicized government surveillance practices. The grant supports doctoral student Nathalia Foditsch, a Brazilian attorney who sought DeNardis as a mentor due to their shared belief that technology will lead to a more inclusive society.



AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

#74

BEST NATIONAL UNIVERSITIES
—U.S. NEWS AND WORLD REPORT 2017
(UP FROM #86 IN 2007)



23% INCREASE
GRADUATE CREDIT HOURS



CYBERSECURITY: AU LEADS THE WAY WITH NEW RESEARCH CENTER

Cybersecurity threats present a whole new array of concerns for businesses, and American University has responded with Kogod's new Cybersecurity Governance Center. Its coexecutive director is William DeLone, Kogod eminent professor of information technology, whose 45-year academic career has given him a unique perspective on the risks and benefits of the information age.

Until recently, the emphasis of the business world has been on harnessing technology to increase profitability, but now companies are required to defend themselves against a variety of cyber threats, and large corporations and governments are particularly vulnerable. The center is making it a priority to give business and government leaders the tools they need to be cyber capable to manage and overcome the critical cybersecurity challenges facing corporate entities today. According to Richard Schroth, the center's coexecutive

director and Kogod executive in residence, "The center's main focus will be to curate, convene, and create cybersecurity governance thought leadership."

According to DeLone, "The game has changed dramatically. Three years ago, we worried about individual hackers trying to make a name for themselves. Now we're looking at highly sophisticated, well-funded entities supported by foreign governments, terrorists, or criminal syndicates."

Cybersecurity incidents are inevitable, and today's business and government leaders are in immediate need of shared intelligence, best practices, and managerial guidance to meet this threat to their organizations' viability and credibility.

"In most of the highly publicized breaches, it seems like there's a management team that doesn't know what to do. . . . With all that's been going on, companies still do not have a cybersecurity policy and often do not have a chief information security officer," DeLone said. It is critical, he added, to direct attention beyond protective technology and toward the human response to such threats.



TENURE-LINE FACULTY HIRES
IN AU 2030 RESEARCH AREAS
2014 AND 2015

800%

INCREASE
ONLINE GRADUATE ENROLLMENT
SINCE 2014

BRINGING AU TO THE WORLD

Inspired by a kaleidoscope of exceptional visitors and supported by a range of on-campus programs, AU students look in every corner of the globe for opportunities to make a difference.



ADVISING ON EDUCATION IN KENYA

Eleven School of International Service master's students conducted field research in Kenya, providing recommendations to a local NGO for improving Nairobi schoolchildren's access to quality public education. Such real-world experience helps prepare AU students for careers in international development.



INTERNING AT FILM FESTIVAL IN FRANCE

Business and entertainment minor Sarah Liebman, SOC/BA '17, traveled to the Cannes Film Festival as an intern and gained firsthand knowledge of the film industry. A mentor showed her the ropes of acquisition, development, and distribution, and introduced her to entertainment industry leaders.



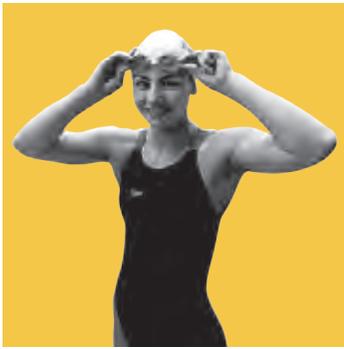
ASSISTING REFUGEES IN MALAYSIA

Alya Shaiful Bahari, SIS/BA '16, raised awareness about thousands of Myanmar refugees who have faced police corruption, worker abuse, or sexual harassment due to the country's immigration policies. As an AU Summer Scholars and Artists fellow, she interviewed more than 60 residents from her home city of Kuala Lumpur.



PAYING IT FORWARD IN TAJIKISTAN

Salman Haji, SIS/MA '16, was the first recipient of the Charles and Eleanor Iversen DC Scottish Rite Scholarship, which fully funded his last semester at AU, enabling him to complete his master's degree. Haji, a first-generation immigrant from Tanzania, exemplifies the school's commitment to global service. Since graduating, he has become a Pickering Fellow with the State Department and taken his first post at the US embassy in Dushanbe, Tajikistan.



COMPETING AT OLYMPICS IN BRAZIL

AU swimmer Caylee Watson, SPA/BA '17, represented her native Virgin Islands at the 2016 Summer Olympic Games in Brazil. Since coming to AU, Watson dropped four seconds on her time in the 100-meter backstroke, the event that earned her a place in Rio. "In high school, I was not nearly as fast as I am today," said Watson. "Being part of [the AU] team really changes things."



GLOBAL CONSULTING IN THE UNITED ARAB EMIRATES

Four JD and MBA students traveled to the United Arab Emirates (UAE) as part of AU's Global Consulting Practicum. They consulted with Opsys, a firm that develops fire prevention technology, and gained insight into the business customs of the region. "To see firsthand what UAE businesses have achieved . . . was truly amazing," said Michelle Emokpae, WCL/JD, KOGOD/MBA '17 (above, second from left).

PEACE BUILDING IN THE MIDDLE EAST

An SIS team traveled to Israel and the West Bank to study wastewater treatment systems being built there by nongovernmental organizations and to assess how water concerns have exacerbated conflict in the Middle East.



BRINGING THE WORLD TO AU

THIS YEAR, LIKE EVERY YEAR, AU WAS HOST TO A RANGE OF NOTABLE VISITORS WHO ENHANCED THE STUDENT EXPERIENCE BY SHARING THEIR STORIES AND THEIR WISDOM.

“We have to understand that diversity ultimately . . . is a source of strength. So I'm excited to see the extraordinary mix here at American University. It's something . . . this generation gets to a greater degree than previous generations, and it's a place we can lead on.”

—JUSTIN TRUDEAU, prime minister of Canada

“When it comes to young people, it's time that politicians start listening to you. You're the most optimistic group of people in this country. I think every one of you should sign up to run in the next election.”

—DONNA BRAZILE, democratic political strategist and 2016 AU Wok of the Year

“I'm not suggesting that you run around school knocking people down. But I *am* suggesting that you set goals in life that are more ambitious than job security, financial security, or the kind of security . . . that comes from following the crowd. To run from risk is to run from life.”

—MADELEINE ALBRIGHT, former secretary of state

“Amsterdam is not Washington. We are not the United States of Europe. The US and the EU view things differently. . . . But our relationship is built on a longstanding foundation of values: freedom, democracy, rule of law, and free market principles . . . that unite Europe and America.”

—MARK RUTTE, prime minister of the Netherlands

“You're living at an extraordinary time. You will have professors and other people you meet here that will change your life forever. . . . Science [is the] best idea we've ever had. Carry on, Eagles!”

—BILL NYE, PBS's "Science Guy"

“If you can make a difference in someone's life, do so. Doing nothing should never be an option. . . . You are an amazing generation, and I want to live to be a hundred so I can experience the world that you are going to build.”

—MARIA ELENA SALINAS, Univision journalist, known as the "voice of Hispanic America"

NEW HOME, NEW LEADERSHIP FOR LAW

The new American University Washington College of Law (WCL) building has history in its design. The energy efficient, technologically advanced edifice encloses some century-old structures. Yet it is anything but old-fashioned; in fact, its architectural team has been honored with a Built by Women award from the Beverly Willis Architecture Foundation, because women played central roles in every stage of planning and implementation of the new campus—as they did in the founding of WCL. All the more fitting, then, that AU welcomed Camille A. Nelson (*below, right*) as the law school's new dean in July 2016. These exciting changes strengthen our community connections and send out a far-reaching signal: we're ready for more.



STRIKING NEW TENLEY CAMPUS

The Washington College of Law has a sparkling new campus on Nebraska Avenue that makes a bold statement for the future while honoring the site's rich, historic legacy. The 132,000-square-foot, LEED-certified facility features 37,000 square feet of teaching space, a law library with 847 seats, and five courtrooms, with the flagship Stephen S. Weinstein Courtroom housed in the chapel erected by the Immaculata Seminary in 1905. The law school supports a student population of 2,000 and a faculty and staff of 500, offering 75 percent more space than the previous law school building. The central quad of the 8.5-acre campus has been retained as open green space.

"Look at what we have built together," said outgoing WCL dean Claudio Grossman on February 12, 2016, when American University welcomed hundreds of alumni, students, city officials, and members of the law school and AU communities to the ribbon-cutting ceremony for the new Tenley Campus. Among the distinguished guests were DC mayor and AU alumna Muriel Bowser, SPA/MPP '00, and Supreme Court Justice Ruth Bader Ginsburg, the keynote speaker.

"These new spaces are literally designed to inspire even higher levels of achievement," said AU president Neil Kerwin, "and to communicate to faculty, students, and staff that these surroundings represent the value we place on their work."

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

75%

MORE SPACE FOR LAW SCHOOL
TENLEY CAMPUS

14

AU BUILDINGS RENOVATED, COMPLETED,
OR UNDER CONSTRUCTION
SINCE 2005



DISTINGUISHED WOMEN OF JUSTICE CELEBRATE NEW WCL

During the Tenley Campus opening ceremonies, **Justice Ruth Bader Ginsburg** (*above*), the second woman appointed to the US Supreme Court, praised WCL’s historic commitment to women’s involvement in the legal field and paid tribute to WCL’s founding mothers, Ellen Spencer Mussey and Emma Gillett.

“Mussey and Gillett, in succession, were the first women in the United States to serve as law school deans. When the Bar Association of the District of Columbia persisted in excluding women, this law school’s first deans didn’t waste time on anger and self-pity. They became charter members of the Women’s Bar Association of DC,” Ginsburg said.

Ginsburg also charged WCL graduates to use their legal education to do good in the world. “The legal profession . . . has among its practitioners legions of men and women devoted to . . . the common good,” Ginsburg said. “It is lawyers of that kind that American University Washington College of Law keeps preparing—lawyers who will use their talents and education to repair flaws in our society and world.”

US Attorney General Loretta Lynch (*right*), the second African American to be appointed to this post, spoke at the first WCL commencement after the opening of the new Tenley campus about making choices that are neither lucrative nor easy. She urged graduates



to choose work that matters, even if risk is involved, and described her choice to conduct a witness tampering investigation in Rwanda after the 1994 genocide—a risk that changed the course of her career.

“These are the choices of those who put others before self,” she said. “These are the choices of champions. And champions for justice and equality are what we need in this world and in this profession right now.”

48%

INCREASE
OVERALL CAMPUS SQUARE FOOTAGE
SINCE 2005

57%

OF TENLEY CAMPUS
IS GREEN SPACE

ENRICHING THE STUDENT EXPERIENCE

Innovative models transcend boundaries and can transform organizations. That's why we have cast a wide net, turning to models in the retail and health care worlds for guidance as we design two university-wide projects to promote student success. Our multiyear RiSE project aims to "reinvent the student experience" by personalizing and integrating services across the entire campus, and the Initiative for Diversity and Inclusion seeks to make AU feel like home for all students. With one building block after another, we're creating a more affordable and more accessible university that can serve as a source of inspiration for every member of our community.



have reviewed service philosophies at other universities, visited successful customer service providers in the health care and retail sectors, and established an innovation lab.

A new model of support and communication is emerging at AU, one that has the potential to fundamentally alter how other universities function. RiSE has generated several pilot projects for the 2016–2017 academic year, including two AU Experience transition courses, a Complex Problems course to build interdisciplinary awareness and appreciation for diverse perspectives, an outreach program for financially needy students and families, and a team-advising pilot. We have envisioned an integrated, holistic student experience that cuts across administrative divisions and creates one seamless, technologically-

connected community with a culture of empathy at its core—a service philosophy we are calling OneAU.

Through RiSE, AU aims to solidify this relationship-centered university culture with a new Office of Student Experience and to seek technological partners who will streamline the flow of information across the student life cycle. Also under consideration: a design lab for ongoing innovation and evaluation and a national advisory board to bring thought leaders from around the country to AU. In May 2017, AU will host "NEXT: Designing a Holistic Student Experience," a summit to further national dialogue about innovations that help students thrive.

RiSE PROJECT DEVELOPS MODEL FOR SUPPORT AND COMMUNICATION

American University is engaging in a major reboot of the twenty-first-century college student experience. Reinventing the Student Experience (RiSE) is AU's response to a generation of students who are tech-savvy, culturally diverse—and more stressed than ever before. The initial phase of RiSE, supported by a \$150,000 grant from the Andrew W. Mellon Foundation, identified AU students' evolving needs by conducting surveys, focus groups, retreats, and town hall meetings for students, faculty, and staff. We

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

21%

DECREASE
AVERAGE STUDENT DEBT
SINCE 2009

(BELOW NATIONAL AVERAGE FOR PRIVATE UNIVERSITIES)



78% INCREASE
FRESHMAN MINORITY ENROLLMENT

DIVERSITY INITIATIVE BOLSTERED BY DISTINGUISHED ALUMNUS VISIT

The President's Council on Diversity and Inclusion is reexamining current policies regarding discrimination and harassment as part of President Neil Kerwin's sweeping initiative to build a more diverse and inclusive university. Pilot courses are being developed across curricula; the Center for Teaching, Research, and Learning and the Office of Campus Life are both offering programs; and the Office of Human Resources has initiated new management training and mentoring opportunities for AU's workforce.

Caleen Sinnette Jennings, performing arts professor and former AU Scholar-Teacher of the Year, will chair the new council. She created *Hands Up*, a powerful performance exploring police shootings of African American teenagers and examining racial progress in America.

The campus visit by Lonnie Bunch, CAS/BA '74, CAS/MA '76, was particularly timely in the context of the president's initiative. An educator, curator, and author who has written extensively about the African American experience, Bunch is the inaugural director of the National Museum of African American History and Culture, which opened in September 2016 with extensive art and photography collections and historical exhibitions featuring such objects as Nat Turner's Bible, Harriet Tubman's shawl, Chuck Berry's red Cadillac, and an airplane flown by Tuskegee airmen. The museum's vision and mission is to "move the presentation of African American culture to a different level" and promote dialogue about diversity throughout the community and the nation.

Bunch credits his own AU professors with challenging him to be the best historian he could be, providing an intellectual rigor and academic curiosity that stayed with him for his entire life. "I would not be in this position if it wasn't for AU," he said. "I was very fortunate to work with . . . people who both challenged and nurtured me."



FINANCIAL AID SHIFTS FROM MERIT TO NEED

100%
 INCREASE
 PELL GRANTS AWARDED
 TO INCOMING FRESHMEN
 SINCE 2007

CREATING LEADERSHIP OPPORTUNITIES

A leader is born out of challenge—problems that must be solved, lives that deserve better—and nurtured through education and experience. American University strives to select students with leadership potential and create opportunities for them to lead through the depth and breadth of our programs.

The Washington, DC, community is our mentor, our collaborator, and our partner in this leadership enterprise. Through community engagement, AU students learn and analyze and ultimately act, advancing change in areas from literacy and bigotry to human rights and civil liberties.



STUDENTS RECOGNIZED FOR COMMUNITY ENGAGEMENT

Second-year student **Asha Smith**, SPA/BA '18 (*left, rear center*), won a 2016 Newman Civic Fellowship, an award honoring college student leaders who have demonstrated an investment in finding solutions for challenges facing communities throughout the country. For the past two years, Smith has worked closely with DC Reads, a tutoring, mentoring, and advocacy program committed to providing literacy resources to underserved youth in Washington, DC. She cofounded two new clubs: the NAACP Club, which provides students with opportunities to be actively involved in the fight for civil rights, and the Park Tudor School Anti-Human Trafficking Club, which educates students about the issue of modern slavery and gives them opportunities to make meaningful contributions to end it.

Tatiana Laing, SPA/BA '16 (*left*), is the winner of the 2016 President's Award, AU's highest undergraduate honor. Laing, the daughter of Jamaican immigrants, first became involved at AU with Caribbean Circle, which led her to a large number of other campus organizations, including Alternative Breaks, a training program for social justice leaders, and the Summer Transition Enrichment Program (STEP), where she helped first-generation college students get acclimated to university life. She was a receptionist and assistant in the Office of the Vice President of Campus Life; held a fellowship with the AU-run Bleak House Publishing, which sheds light on the experiences of incarcerated individuals; and worked with the Darkening group, where she became a leading voice for refuting bigotry and promoting inclusivity on campus. After graduation, Laing became a fellow with Change Corps, a group that trains community organizers.



AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

89%

UNDERGRADUATE INTERNSHIPS IN 2015
(UP 13% SINCE 2005)

#2

PEACE CORPS VOLUNTEERS
AMONG MEDIUM-SIZED COLLEGES IN 2015
(UP FROM #12 IN 2005)



CONFERENCES HIGHLIGHT UNDERGRADUATE RESEARCH

Research opportunities are a high priority for AU students, and annual on-campus research conferences provide a forum for them to present their original scholarly and creative works for the first time. Subsequently, they often form the basis for a fellowship application, a publication, or an external presentation.

The College of Arts and Sciences Student Research Conference, funded in part by AU trustee Robyn Rafferty Mathias, allowed 186 students to present research conducted in laboratories, on stages, and in cyberspace. Eighteen prizes were awarded, with the professional presentation prize for graduate students covering the cost of attendance in a professional setting. This year's conference was particularly poignant because Mathias died days before it took place. "Robyn never missed this research conference, and she sat in on each session and spoke with each student who presented a poster," said CAS dean Peter Starr.

At the School of International Service Research Symposium, more than 30 students participated in panels or poster sessions on topics including humanitarian issues, questions of identity, and global security. Among them was Kellianne McClain, SIS/BA-MA '17, who presented her findings from a collaboration with Professor Dylan Craig on strategic approaches to Russian border policy. She was later invited to copresent

with him at the International Studies Association's ISSS-ISAC Joint Annual Conference, where it was clear, she said, that "the same techniques for methodical inquiry and passion for international affairs taught in the SIS classroom exist at the professional level as well."

At the School of Public Affairs Research Symposium, 39 undergraduates presented on topics ranging from the effect of minimum wages on unemployment to attitudes about the anti-vaccination movement and LGBT homeless youth.

"I was pleased to see that students did not shy away from complex social issues," said Jessica Waters, associate dean of undergraduate education. "The hard work and passion [they] brought to their research was inspiring to see."



ROBYN RAFFERTY MATHIAS received her bachelor of arts and her law degree from American University and dedicated her life to education. She worked for the Montgomery County Public Schools for 30 years and generously supported AU scholarship at every level. Her donations helped fund the CAS Student Research Conference, which was subsequently named after her.

2005

88,125

2015

132,656



51% INCREASE
ANNUAL STUDENT VOLUNTEER SERVICE HOURS

23

ACADEMIC ALL-AMERICAN ATHLETES
SINCE 2005

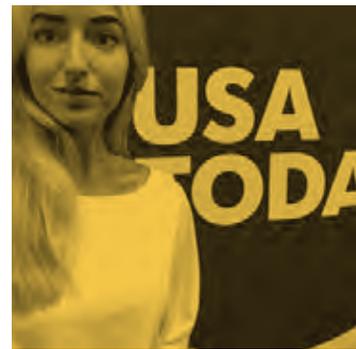
DC IS A LAB FOR LEARNING

AU students take full advantage of all that Washington, DC, has to offer and learn how to give back as much as they get.



ATTENDING THE STATE OF THE UNION

Sierra Schmitz, SIS/BA '18, was invited to President Obama's final State of the Union address by her home state senator, Mazie Hirono (D-HI), for whom she had interned. The SIS sophomore, a Honolulu native like Obama, said of her time at AU, "It is the college experience I was looking for."



FUNDING

HYGIENE FOR THE HOMELESS

Miranda Lang, CAS/BA '16, has put her research on modern health challenges and her service with homeless people to good use. After learning of the difficulties homeless women have affording basic feminine hygiene products, she started an innovative GoFundMe campaign, raising several thousand dollars in just a few weeks.



INTERNING

AT USA TODAY

As an AU dean's intern for *USA Today Entertainment*, Alexandra Korba, SOC/BA '16, published articles about literary figures, reviewed films and books, and interviewed celebrities. "I have a whole page of bylines already, and my portfolio is thanking me," said Korba.

LOBBYING ON CAPITOL HILL

Through the Lobbying Day Project at AU's Washington Semester program, Tyler Lattimore met with a representative of his congressman, Ted Yoho (R-FL), about support for the Sentencing Reform Act. The experience ignited Lattimore's commitment to active citizenship. "I believe it is our duty to meet with our congressmen and senators every chance we get," he said.



ASSISTING WITH COMMUNITY TAX AID

Kogod's Washington Initiative connected Rachel McKelvey, Kogod/BS '17, with Community Tax Aid, a nonprofit that provides free tax preparation to low-income individuals. After her training, McKelvey volunteered at the Martin Luther King Jr. Memorial Library's tax clinic, "an opportunity to interact with people in need," she said.



HOSTING HISPANIC BAR ASSOCIATION

As the DC-area law school with the most Latino graduates, AU's Washington College of Law again cohosted the annual PASOS celebration, where DC's Hispanic Bar Association Foundation recognized the accomplishments of the region's Latina law students and announced the Claudio Grossman Public Interest Fellowship in honor of WCL's former dean.



REPORTING FROM NEW HAMPSHIRE PRIMARY

The School of Communication and School of Public Affairs joined forces to take students to the 2016 New Hampshire primary as part of a semester-long course. Participants met with campaign strategists, reporters, producers, and party officials for what one student called "an amazing opportunity that students can really only get at a school like AU."



AU AT THE WHITE HOUSE

AU'S COMMITMENT TO USING DC AS A LAB FOR LEARNING IS MANIFEST IN NUMEROUS OPPORTUNITIES FOR OUR STUDENTS TO GO TO THE WHITE HOUSE—WHETHER FOR A DAY, AN INTERNSHIP, OR A FULL-TIME JOB.

RAISING AWARENESS AT WORLD AIDS DAY

CAS health studies instructor Martinique Free and Jennifer Thelus, CAS/BS '16, represented AU at the White House World AIDS Day, intended to raise awareness about the many people across the world who still lack access to lifesaving and life enhancing services. "It is not just about . . . honoring people we have lost to HIV/AIDS," said Free. "It is also about the world recommitting to its efforts in ending the spread of the disease."

INTERNSHIPS AND BEYOND: ENGAGING STUDENT LEADERS

AU Leadership student Eesha Bhawe, SPA/BA '16, was granted a semester internship with the White House Initiative on Asian American and Pacific Islanders, where she spent 40 hours a week focused on policy issues, such as civil rights, language access, and youth engagement that affect those populations. Every year a growing number of AU Leadership students are offered the opportunity to intern at the White House and are asked to return after graduation for the debut of initiatives, legislative signings, and even to introduce the president himself.

MAKING THE MOST OF A WASHINGTON SEMESTER

Kelsey Donohue was quick to translate what she learned in the Washington Semester Program at the School of Professional and Extended Studies into a job at the White House. Less than two years after her term at AU, she landed a job writing press releases and social media content for First Lady Michelle Obama. "The Washington Semester Program taught me all about DC and how to navigate it," she said. "It was an education that can't be found in a classroom."

GROWING A COMMUNITY OF ACADEMIC EXCELLENCE

American University's faculty has grown in numbers, increasing full-time positions by nearly half over the past decade. We have grown in reputation, with national and international prizes in areas ranging from literature to science. And we have grown in impact, with studies, reports, and centers that promote change—from new business methods to policy.

We have also grown stronger in our commitments—to the timeliness of our academic research, to a collaborative environment for our faculty, and to new leadership with fresh perspectives. Our academic community is more vibrant than ever, and we are positioned to produce research successes that make news and fuel future breakthroughs.

HISTORIAN WINS LARGEST PRIZE IN JEWISH LETTERS

History professor Lisa Leff is the winner of the 2016 Sami Rohr Prize for Jewish Literature for her nonfiction work, *The Archive Thief: The Man Who Salvaged French Jewish History in the Wake of the Holocaust* (Oxford University Press). The Sami Rohr Prize, the largest award in the world of Jewish letters, honors emerging writers who explore the Jewish experience.

The Archive Thief tells the story of Zosa Szajkowski, a Jewish historian who salvaged the only remaining comprehensive record of the French Jewish community in the aftermath of the Holocaust. He gathered thousands of documents from Nazi buildings in Berlin and from synagogues and public archives in France, then smuggled them to New York. After finally being arrested for theft in 1978, he took his own life, but his actions provided new insight into Jewish emancipation, economic and social modernization, and the rise of modern anti-Semitism. International debate continues over the disposition of the papers he removed. Leff has indicated that she was deliberate in evoking ambivalence about whether Szajkowski was a thief or a hero—or both.

In telling this story, Leff also questioned the idea that archives are monuments to state power. On the contrary, archives are often assembled by individuals in an act of salvage or a desperate bid for preservation. "Had Szajkowski not done what he did, where would we be today?" Leff said. "It's entirely possible that scholars would not have been able to reconstruct French Jewish history without access to the sources he brought to light."



AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

26%

ADMIT RATE IN 2016

(ALL-TIME LOW, DOWN FROM 51% IN 2005)



16% INCREASE
GRADUATION RATE

PANAMA PAPERS: CENTER FOR PUBLIC INTEGRITY PROMPTS HISTORIC COLLABORATION

Long before the explosive publication of the so-called Panama Papers, School of Communication professor Chuck Lewis, a former CBS News producer for *60 Minutes*, understood the need for journalists to collaborate on in-depth investigative stories across national borders. In 1997 he launched the International Consortium of Investigative Journalists (ICIJ), the first functional network of its kind, composed of 100 reporters in 50 countries.

Last year the ICIJ received more than 11.5 million secret bank records from offshore Panama banks and distributed them to investigative journalists the world over. It was the biggest journalistic collaboration in history. To date 300 reporters and 100 participating news media organizations have reported on the once secret Panama Papers.

The ICIJ is a project of the Center for Public Integrity, which Lewis also founded. Backed by the center and its computer-assisted reporting specialists, public records experts, fact-checkers, and lawyers, ICIJ reporters and editors provide real-time resources to journalists. Every year AU offers fellowships to investigative journalism master's students interested in conducting domestic and cross-border investigations on a wide range of topics, including the environment, health policy, national security, juvenile justice, government accountability, federal and state lobbying, and financial regulatory reform.

The Panama Papers exposed illegal tax shelters around the world, including 214,000 offshore entities created in 21 jurisdictions from Nevada to Hong Kong to the British Virgin Islands. They have already implicated the leaders of 12 countries and are credited with prompting the European Commission to tighten money laundering rules and increase financial transparency requirements.



NEW DEANS LEAD EDUCATION, LAW, BUSINESS

American University welcomed three new deans in 2016. **Cheryl Holcomb-McCoy** took the helm of the new School of Education, coming to AU from Johns Hopkins University, where she was vice provost for faculty affairs and an advisor to the Obama administration at the forefront of efforts to increase diversity and inclusion in higher education. **Camille Nelson**, the new dean of the Washington College of Law, is an expert on the intersection of critical race theory and cultural studies in criminal and health law, and the former dean of Suffolk University's law school. **John T. Delaney** joined Kogod School of Business after serving as dean at the University of Pittsburgh's Joseph M. Katz Graduate School of Business and College of Business Administration, where he was noted for his research on negotiation, dispute resolution, and labor management relations.

35%

YIELD RATE IN 2016

(ALL-TIME HIGH, UP FROM 18% IN 2005)

2005

600

2015

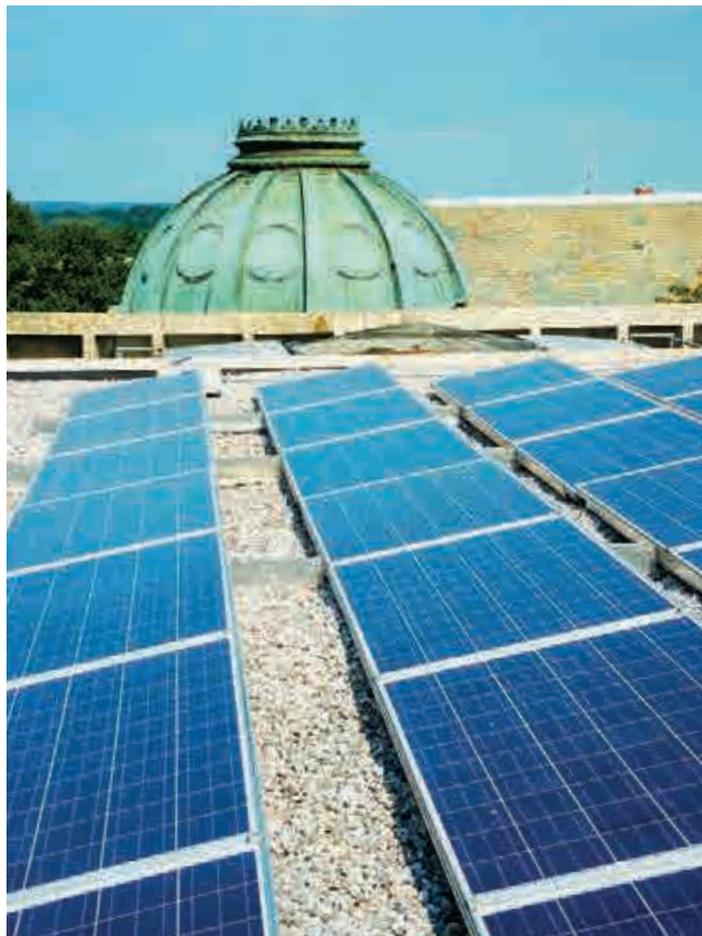
862

44% INCREASE
FULL-TIME FACULTY

BUILDING THE UNIVERSITY'S FUTURE ONE SQUARE FOOT AT A TIME

American University's transformation is obvious to anyone passing by our campus and our DC neighborhood. It's an outward manifestation of our confidence in the strength of the school and our caring for the future of the planet.

Public green spaces. Innovative energy savings. Better accommodations. Striking new structures. Well-designed streetscapes, landscaping, and parking. With every step, we are signaling our commitment to be a force for positive change, not only in the lives of our students, faculty, and staff but in our neighborhood and our unique city.



REACHING THE SOLAR ENERGY TIPPING POINT

American University has reached a tipping point in its commitment to renewable energy. More than 50 percent of the university's power is now sourced from the sun.

AU is a partner in the innovative Capital Partners Solar Project initiative with George Washington University and George Washington University Hospital. Together, the partners will purchase 123 million kilowatt hours of solar power over a 20-year period, generated from 243,000 solar panels located on three sites in North Carolina. It is the largest solar power project east of the Mississippi.

"We are delighted to deliver on our commitment to viable sustainability initiatives by investing in renewable energy," said Douglas Kudravetz, AU's chief financial officer, vice president and treasurer. "This new power source provides AU with clean energy and helps our overall efforts to become carbon neutral. It is also beneficial to our bottom line."

AU's campus-wide focus on sustainability is reflected in its academic centers, programs, degrees, and courses. The university is committed to becoming carbon neutral by 2020, now a mere three-and-a-half years away, so research is being conducted on and off campus among faculty and students. Areas of investigation include the effectiveness of green roofs on pollution control, the zero-waste basketball game, and the organic garden. All new buildings on campus are LEED certified to reflect this commitment to energy efficiency. Our sustainability and renewable energy programs continue to gain recognition in the fight against climate change.

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

A1 MOODY'S BOND RATING IN 2015
(UP FROM A2 IN 2005)

A+ S&P BOND RATING IN 2015
(UP FROM A IN 2005)

52%

REDUCTION
GREENHOUSE GAS EMISSIONS
SINCE 2005



THE CHANGING LANDSCAPE OF AMERICAN UNIVERSITY

American University's campus has gained 1.5 million square feet over the past five years. Our massive construction and renovation project has taken its cues from the 2011 campus plan, a 10-year road map that details proposals and objectives to enhance and build upon campus facilities. The plan reflects AU's intent to strengthen its academic prestige, maintain its standing as an asset to Washington, DC, and honor its commitment to be a good neighbor in the surrounding community.

In 2016 AU is reaching its goals. The new Washington College of Law opened its doors on the Tenley Campus (see page 18). Student residences at Nebraska Hall were updated and expanded to encompass 750 new beds. An addition to the Mary Graydon Center expanded dining and activity space.

And Cassell Hall (formerly North Hall) was completed, with all new housing for undergraduates, thanks to a gift from trustee Jack Cassell, SOC/BA '77. Historic McKinley Hall underwent a \$24 million renovation that preserved its classic architecture while adding a sleek, modern expansion. This became the new home for the School of Communication.

Construction of East Campus continues, with four new buildings for student housing, parking, and retail, academic, and administrative space, all expected to open by spring 2017. DC's flagship public radio station, WAMU, relocated to a renovated building at 4401 Connecticut Avenue NW, along with the divisions of University Communications and Marketing, and Development and Alumni Relations.

Finally, the university is deep in the planning stages of an ambitious project to raise \$40 million for a new life sciences building on the main campus.

#4

MOST BEAUTIFUL URBAN COLLEGE CAMPUSES
—BEST CHOICE SCHOOLS 2015

123 MILLION

KILOWATT HOURS
TO BE PURCHASED VIA
CAPITAL PARTNERS SOLAR PROJECT
2015-2035

DONORS: PAYING IT FORWARD

The efforts of donors and alumni are intricately woven into the past, present, and future of American University. Through their generosity, the university's endowment has doubled in the last three years. But it is their commitment to AU and their vision for its future that drive improvements in every sector of the school—health, technology, policy, business, arts and sciences—enabling this period of historic growth.

Beyond the visible marks donors leave, their effect stretches indefinitely ahead through the students who go on to become leaders for the next generation.

KOGOD GIFT FUELS BUSINESS INNOVATION

Doing business in the capital, where all industries and all sectors meet, is unlike doing business anywhere else in the world. Kogod School of Business is uniquely positioned to take advantage of this wealth of global resources—a fact Arlene and Robert Kogod recognized when they made a further \$5 million investment to create AU's Center for Innovation in the Capital.

The mission of the new center is to support DC-area entrepreneurship and inventiveness through training, research, and application, while involving AU students in every step of the process. The result? Students receive hands-on experience, and the business community sees its future leaders in action. The center's first investment—made through its Eagle Entrepreneurs' Fund, a seed fund for accepted students and alumni—was in a company called Cartified, a former AU Incubator business designed to improve the process of buying and selling used cars. Cartified project leader Vladimir Kartashov, Kogod/MBA '16, said, "I am thrilled to be part of such a vibrant innovation ecosystem at AU and proud to be the first recipient of a fund investment."

Kogod has seen a groundswell of other recent innovations, including the Cybersecurity Governance Center (see page 14) and Kogod's Greater



Washington Index: Millennials, a report that delves into the young workforce's current and future investment in the greater DC region. The index represents the habits and interests of 300 DC-area Millennials who were surveyed about factors influencing their decisions regarding where they work and live, including questions about jobs, amenities, affordability, and career options. Recognizing the importance of this research to area business leaders, the Greater Washington Board of Trade is partnering with Kogod to share its findings with the business community.

AMERICAN UNIVERSITY'S DECADE OF TRANSFORMATION

178%
INCREASE
ALUMNI PARTICIPATION
SINCE 2011





COMMUNITY-BASED RESEARCH: FRAMEWORK FOR SOCIAL ACTION

AU trustee Jeff Sine, SIS/BA '76, has long recognized AU as a leader in turning service into action. His \$1 million gift is funding the university's Community-Based Research Scholars (CBRS), a program for students who are passionate about social justice and wish to receive practical, real-world guidance from faculty mentors and community partners.

While it began as a residential community for participants, CBRS has expanded to include a certificate program for nonresidents who also see its benefit. Students receive training in research methods, ethics, and project-specific subjects; conduct research to help identify avenues for social change; and commit to a senior capstone project that produces a significant service outcome. By allowing students to design their projects in collaboration with community partners, the

program helps students bridge the gap between classroom-based research and real-world experience, and it also provides a measurable benefit to the community.

"The program is very localized because DC is our classroom. But the issues that affect people living in DC are global," said CBRS director Jane Palmer.

Justin Morgan, SPA/BA '16, and Maxine Davis, SIS/BA '16, are the inaugural recipients of the Community-Based Research Scholars certificate. Morgan's senior capstone at Green Door Behavioral Health impacted individuals struggling with substance abuse and mental illness. "I think the attraction to public health is about impact and having the greatest amount of impact on the greatest number of people," he said. Davis, a DC native, said, "My mom and grandmother were always involved in helping the community in some aspect. I feel like it's been ingrained in me." Her public health capstone addressed the needs of senior citizens in a local home.

\$300 MILLION

GIFTS SINCE 2005

(ONE-THIRD OF FUNDS RAISED SINCE 2013)

WAMU 88.5FM

81%
INCREASE

DONORS

150%
INCREASE

MEMBERSHIPS

SINCE 2005

ALUMNI IMPACT ON CAMPUS AND IN THE NEWS

There are more than 120,000 AU alumni worldwide, many of whom become donors or find other meaningful ways to stay connected to their alma mater as they go out and make their mark. Now several new initiatives, including virtual engagement and webinars, are connecting alumni with prospective and incoming students as well.



MAKING TRANSGENDER HISTORY AT THE DNC

Sarah McBride, SPA/BA '13, is the first openly transgender person to speak at a major political party's convention. "Will we be a nation where there's only one way to love, only one way to look, and only one way to live?" asked McBride at the DNC. "Or will we be a nation where everyone has the freedom to live openly and equally?" McBride is national press secretary for the Human Rights Campaign and a former AU Student Government president. *Photo by AP Photo/J. Scott Applewhite*

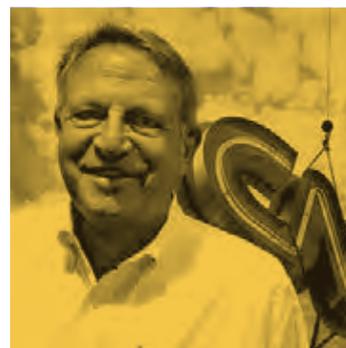


WINNING PRIZES FOR RADIO JOURNALISM

Patrick Madden, SOC/MA '06, of WAMU 88.5, NPR's member station at American University, won this year's Daniel Schorr Journalism Prize for his story *Assault on Justice*. Madden collaborated with AU's Investigative Reporting Workshop and *Reveal News* to report on law enforcement's frequent use of the charge "assaulting a police officer" to make arrests, particularly of minority men, in the District of Columbia.

JOURNALISTS SUPPORTING JOURNALISM

Veteran CNN journalist Rick Davis, SPA/BA '74, established the Nick Charles Scholarship at the School of Communication to honor his friendship with the legendary sportscaster. Davis aims to increase diversity in the newsroom by supporting students of color who are pursuing a journalism career. Mawal Sidi, SOC/BA '18 (*opposite top, right*) is the inaugural recipient.



CELEBRATING AU SCHOLARSHIPS

AU's annual Celebration of Scholarships honors the investment that donors have made in our students' future. This year faculty member Fanta Aw, Kogod/BSBA '90, SPA/MA '94, CAS/PhD '11, was recognized for her commitment to scholarship support for students.



EARNING OPRAH'S STAMP OF APPROVAL



Jasmine Stringer, Kogod/BSBA '01, has made a career out of seizing the day. Her 2016 book, *Seize Your Life: How to Carpe Diem Every Day* was profiled by Oprah Winfrey in *O, the Oprah Magazine*. Stringer said she learned valuable skills at AU that helped her turn her mantra into a personal brand.

BROADCASTING SCIENCE WITH THE PRESIDENT

Trace Dominguez, SOC/MA '10, cohosted his Discovery Digital Network series, *D-News*, with President Obama at the White House Science Fair. Dominguez produces, hosts, and writes the show, which turns complex science into straightforward and thought provoking stories. It has more than a million subscribers.



EIGHT FACTS ABOUT THE KATZEN ARTS CENTER

- 1 AU's Katzen Arts Center just celebrated 10 years of interdisciplinary visual and performing arts collaboration throughout the university.
- 2 The Katzen contains 130,000 square feet of state-of-the-art instructional, exhibition, and performance space. It houses the AU Welcome Center, Abramson Family Recital Hall, the departments of art and performing arts, and the American University Museum.
- 3 The AU Museum's collection contains more than 6,000 local and international works, with an emphasis on human rights, social justice, and political engagement.
- 4 The Abramson Family Recital Hall seats 213. It features state-of-the-art lighting and an audiovisual system that supports dozens of concerts, lectures, and theatrical productions every year.
- 5 The Alper Initiative for Washington Art was established with a major gift from art advocate Carolyn Alper, CAS/BA '68, to promote understanding and appreciation of the art and artists of the DC metropolitan area.
- 6 AU is receiving a large influx of art following the closing of DC's Corcoran Gallery of Art—a one-time opportunity to grow the university's existing collections.
- 7 An exhibit marking the 70th anniversary of the nuclear bombings of Hiroshima and Nagasaki during World War II, and another showcasing the popular art of northeast Brazil timed to coincide with the 2016 Summer Olympic Games in Rio de Janeiro, are just two of the international shows mounted at the Katzen this year.
- 8 AU is launching a multimillion-dollar initiative to expand the museum's facilities, programming, and staff in response to the influx of new art and the recent increase in local and national visibility.

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Kim Cape	Betsy A. Mangone*
Gary D. Cohn*	Alan L. Meltzer*
Pamela M. Deese*	Arthur J. Rothkopf
LaTrelle Easterling	Peter L. Scher*
Hani M.S. Farsi*	Jeffrey A. Sine*
Thomas A. Gottschalk	David Trone
Gisela B. Huberman*	

* alumna or alumnus of American University

FINANCIAL STATEMENTS

2015-2016



The iconic statue of American University's mascot rises above star magnolias, among the thousands of plant varieties in our campus-wide arboretum. The bronze eagle stands outside Bender Arena, where new students file by to touch its talon for good luck before opening convocation and new graduates visit in caps and gowns for photos.



From the CFO, Vice President and Treasurer

Flourishing institutions strive for continual transformation. During the last 10 years, American University has epitomized this vitality in the unprecedented growth of our campus facilities, through our commitment to academic excellence, and with the achievements of our students, faculty, and staff.

Our tradition of sound financial management, disciplined investment, and thoughtful planning is integral to American University's decade-long success. These bedrock principles have allowed us to be one of the few private universities whose financial position not only endured but improved in each of the last 10 years, even during periods of recession and volatility. The university's total assets now stand at \$1.72 billion, with net assets at \$1.05 billion. Standard and Poor's and Moody's once again reaffirmed the university's A+ and A1 credit ratings, respectively. Total endowment stands at \$580 million.

One of the most visible indicators of the university's evolution is our newly opened Washington College of Law campus, projecting a forward-looking identity for the law school while honoring its rich legacy. We anticipate that the new East Campus Congressional, Constitution, and Federal residence halls will be ready for occupancy in January 2017, with the Don Myers Technology and Innovation Building to follow soon after. Additionally, the proposed Life Sciences Building is now in the planning and design stages, facilitated by partial funding from the recent sale of three commercial properties owned by the university.

We achieved a significant milestone this year in our commitment to sustainability and investment in renewable energy. As a result of the university's innovative Capital Partners Solar Project, now for the first time more than 50 percent of American University's power is sourced from solar energy. This project, the largest of its kind east of the Mississippi River, will provide 123 million kilowatt hours of solar power over a 20-year period to American University and its partners.

American University also became the first school in the Washington, DC, area to offer the University Pass (U-Pass) to its students. The result of a partnership with the Washington Metropolitan Area Transit Authority, U-Pass furthers our goal to reduce the university's carbon footprint by providing students with unlimited rides on Metrorail and Metrobus throughout the academic year. The program is also a reflection of AU's utilization of DC as a learning laboratory for our students.

As we look forward to the next decade and beyond, I am confident that our longstanding traditions, secure finances, diverse community, and indomitable spirit will embrace further transformation, and American University will thrive as a result.

Sincerely,

A handwritten signature in black ink that reads "Douglas Kudravec". The signature is written in a cursive, flowing style.

Douglas Kudravec



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, 2016 and April 30, 2015, and the related consolidated statements of activities and of cash flows for the years then ended.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American University and its subsidiaries as of April 30, 2016 and April 30, 2015 and the changes in its net assets and its 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".

September 7, 2016

PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102
T: (703) 918-3000, F: (703) 918 3100, www.pwc.com/us

CONSOLIDATED BALANCE SHEETS APRIL 30, 2016 AND 2015

(IN THOUSANDS)

	2016	2015
ASSETS		
1 Cash and cash equivalents	\$ 47,232	\$ 76,536
2 Accounts and University loans receivable, net	35,643	35,968
3 Contributions receivable, net	12,018	10,917
4 Prepaid expenses and inventory	2,093	2,036
5 Investments	842,261	876,401
6 Deposits with trustees/others	3,917	2,817
7 Deposits for collateralized swaps	41,934	34,816
8 Property, plant, and equipment, net	719,970	653,461
9 Deferred financing costs	2,730	2,870
10 Interest in perpetual trust	16,958	18,285
11 Total assets	\$1,724,756	\$1,714,107
LIABILITIES AND NET ASSETS		
Liabilities:		
12 Accounts payable and accrued liabilities	\$ 76,196	\$ 72,423
13 Deferred revenue and deposits	15,312	15,359
14 Notes payable and long-term debt	481,620	481,905
15 Swap agreements	85,645	76,181
16 Assets retirement obligations	1,781	2,217
17 Refundable advances from the US government	9,425	9,102
18 Total liabilities	669,979	657,187
Net assets:		
19 Unrestricted	853,760	843,576
20 Temporarily restricted	92,138	107,986
21 Permanently restricted	108,879	105,358
22 Total net assets	1,054,777	1,056,920
23 Total liabilities and net assets	\$1,724,756	\$1,714,107

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED APRIL 30, 2016

<i>(IN THOUSANDS)</i>	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL
Operating revenues and support				
1 Tuition and fees	\$507,583	\$ -	\$ -	\$ 507,583
2 Less scholarship allowances	(119,606)	-	-	(119,606)
3 Net tuition and fees	387,977	-	-	387,977
4 Federal grants and contracts	19,879	-	-	19,879
5 Private grants and contracts	16,943	-	-	16,943
6 Indirect cost recovery	2,593	-	-	2,593
7 Contributions	18,531	3,803	4,794	27,128
8 Endowment income	10,524	6,033	163	16,720
9 Investment income	7,199	706	-	7,905
10 Auxiliary enterprises	73,310	-	-	73,310
11 Other sources	3,367	-	-	3,367
12 Net asset release	11,111	(11,111)	-	-
13 Total operating revenues and support	551,434	(569)	4,957	555,822
Operating expenses				
14 Instruction	171,884	-	-	171,884
15 Research	51,881	-	-	51,881
16 Public service	24,908	-	-	24,908
17 Academic support	60,320	-	-	60,320
18 Student services	44,765	-	-	44,765
19 Institutional support	93,510	-	-	93,510
20 Auxiliary enterprises	58,313	-	-	58,313
21 Total operating expenses	505,581	-	-	505,581
22 Total operating activities	45,853	(569)	4,957	50,241
Nonoperating items				
23 Other nonoperating sources	(2,306)	(725)	147	(2,884)
24 Realized and unrealized net capital gains	(33,363)	(14,554)	(1,583)	(49,500)
25 Total nonoperating activities	(35,669)	(15,279)	(1,436)	(52,384)
26 Change in net assets	10,184	(15,848)	3,521	(2,143)
27 Net assets at beginning of year	843,576	107,986	105,358	1,056,920
28 Net assets at end of year	\$853,760	\$92,138	\$108,879	\$1,054,777

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED APRIL 30, 2015

<i>(IN THOUSANDS)</i>	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	PERMANENTLY RESTRICTED NET ASSETS	TOTAL
Operating revenues and support				
1 Tuition and fees	\$487,570	\$ -	\$ -	\$ 487,570
2 Less scholarship allowances	(113,087)	-	-	(113,087)
3 Net tuition and fees	374,483	-	-	374,483
4 Federal grants and contracts	20,457	-	-	20,457
5 Private grants and contracts	17,733	-	-	17,733
6 Indirect cost recovery	2,222	-	-	2,222
7 Contributions	18,915	3,762	4,796	27,473
8 Endowment income	9,871	5,662	130	15,663
9 Investment income	8,080	754	-	8,834
10 Auxiliary enterprises	72,475	-	-	72,475
11 Other sources	1,998	-	-	1,998
12 Net asset release	10,410	(10,410)	-	-
13 Total operating revenues and support	536,644	(232)	4,926	541,338
Operating expenses				
14 Instruction	163,494	-	-	163,494
15 Research	52,479	-	-	52,479
16 Public service	25,499	-	-	25,499
17 Academic support	56,258	-	-	56,258
18 Student services	43,604	-	-	43,604
19 Institutional support	90,220	-	-	90,220
20 Auxiliary enterprises	59,809	-	-	59,809
21 Total operating expenses	491,363	-	-	491,363
22 Total operating activities	45,281	(232)	4,926	49,975
Nonoperating items				
23 Other nonoperating sources	(2,501)	(246)	377	(2,370)
24 Realized and unrealized net capital gains	1,522	5,408	848	7,778
25 Total nonoperating activities	(979)	5,162	1,225	5,408
26 Change in net assets	44,302	4,930	6,151	55,383
27 Net assets at beginning of year	799,274	103,056	99,207	1,001,537
28 Net assets at end of year	\$843,576	\$107,986	\$105,358	\$1,056,920

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED APRIL 30, 2016 AND 2015

<i>(IN THOUSANDS)</i>	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
1 (Decrease) increase in net assets	\$ (2,143)	\$ 55,383
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
2 Contributed art and property	(7,462)	(7,502)
3 Net realized and unrealized capital losses and gains	44,412	(43,721)
4 Net gain on the disposal of fixed assets	(14,107)	-
5 Depreciation, amortization, and accretion	(521)	(1,121)
6 Change in fair value of interest rate swaps	9,464	25,745
7 Depreciation, amortization, and accretion	35,148	32,454
8 Changes in assets and liabilities		
9 Decrease (increase) in accounts and university loans receivable, net	161	(3,480)
10 (Increase) decrease in contributions receivable, net	(1,101)	918
11 (Increase) decrease in prepaid expenses	(57)	280
12 (Decrease) increase in accounts payable and accrued liabilities	(10,691)	10,877
13 Increase in deferred revenue, deposits, and other refundable advance	276	3,229
14 Receipt of contributed securities	(787)	(864)
15 Contributions collected and revenues restricted for long-term investment	(3,436)	(6,980)
16 Sale of contributed securities	787	864
17 Net cash provided by operating activities	49,943	66,082
CASH FLOWS FROM INVESTING ACTIVITIES		
18 Purchases of investments	(173,617)	(235,175)
19 Proceeds from sales and maturities of investments	164,672	266,894
20 Proceeds from sale of property, plant, and equipment	45,204	-
21 Purchases of property, plant, and equipment	(105,403)	(87,320)
22 Capitalized interest	(5,340)	(2,401)
23 Increase in deposits with trustees/other, net	(8,218)	(22,359)
24 Net cash used in investing activities	(82,702)	(80,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
25 Student loans issued	(1,236)	(1,684)
26 Student loans repaid	1,400	1,329
27 Issuance of debt	30,000	163,500
28 Repayment of debt	(30,145)	(100,915)
29 Proceeds from contributions restricted for investment in plant	1,348	1,856
30 Investment in endowment	2,088	5,124
31 Net cash provided by financing activities	3,455	69,210
32 Net (decrease) increase in cash and cash equivalents	(29,304)	54,931
33 Cash and cash equivalents at beginning of year	76,536	21,605
34 Cash and cash equivalents at end of year	\$ 47,232	\$ 76,536
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
35 Cash paid during year for interest	\$ 19,795	\$ 15,283
36 Contributed securities	787	864
37 Contributed art and property	7,462	7,502
38 Accrued payment for property, plant, and equipment	14,464	8,674

1. AMERICAN UNIVERSITY

American University (the University) is an independent, coeducational university located on an 85-acre campus in northwest Washington, DC. 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 of its policies.

American University offers a wide range of graduate and undergraduate degree programs, as well as nondegree study. There are approximately 862 full-time faculty members in seven academic divisions, and approximately 13,200 students, of which 8,100 are undergraduate students and 5,100 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.

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.

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

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

CASH AND CASH EQUIVALENTS

All highly liquid cash investments with maturities at date of purchase of three months or less are considered to be cash equivalents. Cash equivalents consist primarily of money market funds.

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

Equity securities with readily determinable fair values and all debt securities are recorded at fair value in the balance sheet. See Note 6 for an explanation as to methodology for determining fair value. Endowment income included in operating revenues consists of annual amounts allocated for spending of endowment funds in accordance with the University's spending policy. All realized and unrealized gains and losses from investments of endowment funds are reported as non-operating revenues. Investment income included in operating revenues consists primarily of interest and dividends from investments of working capital funds and unexpended plant funds.

The University has interests in alternative investments consisting of limited partnerships. The alternative investments are carried at estimated fair value. See Note 6 for an explanation as to methodology for determining fair value. Alternative investments are less liquid than the University's other investments. Furthermore, the investments in these limited partnerships, as well as certain mutual funds classified as equity securities, may include derivatives and certain private investments which do not trade on public markets and therefore may be subject to greater liquidity risk.

Investment income 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 \$5,000 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 42% and 43% of net tuition and fees revenue for the years ended April 30, 2016 and 2015, 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. This standard requires the fair value of the liability for the asset retirement obligations (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, 2016 and 2015, the accretion expenses were \$85,000 and \$42,000, respectively. The remediation for the current year ending April 30, 2016 was \$521,000. Obligations of \$1.9 million were settled during the fiscal year ended April 30, 2015; no obligations were settled in April 30, 2016.

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 2016 and 2015.

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 is 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 May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (“ASU 2015- 07”). The amendments in ASU 2015-07 remove the requirement to categorize, within the fair value hierarchy, all investments for which fair value is measured using the net asset value per share practical expedient (the “NAV practical expedient”), and also removes the requirements to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. A reporting entity must still disclose the amount of investments measured using the NAV practical expedient in order to permit reconciliation of the fair value of investments in the hierarchy to the corresponding line items in the balance sheet. The new guidance is effective for the University’s fiscal periods beginning after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The guidance shall be applied retrospectively for all periods presented. The University early adopted ASU No. ASU 2015-07 and the adoption did not affect the University’s financial condition, results of operations, or cash flows.

In May 2014, the FASB issued a standard on 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, 2018. The University is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2020.

3. ACCOUNTS AND UNIVERSITY LOANS RECEIVABLE, NET

Accounts and loans receivable, net, at April 30, 2016 and 2015, are as follows (in thousands):

	2016	2015
Accounts receivable		
1 Student	\$13,737	\$12,005
2 Grants, contracts, and other	9,290	11,369
3 Accrued interest	590	544
4 Student loans	14,591	14,400
5	38,208	38,318
6 Less allowance for uncollectible accounts and loans	(2,565)	(2,350)
7	<u>\$35,643</u>	<u>\$35,968</u>

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

At April 30, 2016 and 2015, the University had an outstanding student loans receivable balance in the amount of \$14.6 million and \$14.4 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 US 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, 2016 and 2015.

4. CONTRIBUTIONS RECEIVABLE, NET

As of April 30, 2016 and 2015, unconditional promises to give were as follows (in thousands):

	2016	2015
Amounts due in:		
1 Less than one year	\$11,450	\$11,284
2 One year to five years	6,548	4,508
3 Over five years	1,126	1,262
4	19,124	17,054
5 Less unamortized discount	(914)	(824)
6 Less allowance for doubtful accounts	(6,192)	(5,313)
7	\$12,018	\$10,917

Contributions receivable over more than one year are discounted at rates ranging from 3.0% to 6.5%. New contributions received during fiscal years 2016 and 2015 were assigned a discount rate which is commensurate with the market and credit risk involved.

As of April 30, 2016 and 2015, the University had also received bequest intentions and conditional promises to give of \$35.2 million and \$31.7 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.

5. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment and related accumulated depreciation and amortization at April 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
8 Land and improvements	\$ 47,587	\$ 57,153
9 Buildings	822,783	710,177
10 Equipment	132,674	122,914
11 Construction in progress	74,736	99,195
12 Library and art collections	121,780	114,318
13	1,199,560	1,103,757
14 Less accumulated depreciation and amortization	(479,590)	(450,296)
15	\$ 719,970	\$ 653,461

Construction in progress at April 30, 2016 and 2015 relates to building improvements and renovations.

Capitalized interest for the years ended April 30, 2016 and 2015 was \$5.3 million and \$2.4 million, respectively.

For the years ended April 30, 2016 and 2015, depreciation expense was approximately \$35.1 million and \$32.4 million, respectively.

6. 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.

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, 2016 (in thousands):

	QUOTED PRICES IN ACTIVE MARKETS FOR (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 2016
Assets					
Investments					
1	Cash and cash equivalents	\$ 17,794	\$ -	\$ -	\$ 17,794
2	Equity—corporate stocks	78,345	-	-	78,345
3	Equity—domestic funds	83,690	-	-	109,365
4	Equity—international funds	90,403	-	-	86,863
5	Equity—hedge funds	-	-	-	102,436
6	Equity—real asset funds	10,376	-	-	1,648
7	Equity—private equity funds	-	-	-	35,850
8	Fixed income—corporate bonds	-	20,919	-	-
9	Fixed income—government agency bonds	-	8,698	-	-
10	Fixed income—international bonds	-	80	-	-
11	Fixed income—US Treasury securities	21,809	-	-	21,809
12	Fixed income—domestic bond funds	173,415	115	-	455
13	Deposits with trustees	3,917	-	-	-
14	Interest in perpetual trust	-	-	16,958	-
15	Total assets at fair value	\$479,749	\$ 29,812	\$16,958	\$336,617
Liabilities					
16	Swap agreements	\$ -	\$ 85,239	\$ -	\$ -
17		\$ -	\$ 85,239	\$ -	\$ 85,239

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

The following table displays the carrying value and estimated fair value of the University's financial instruments as of April 30, 2015 (in thousands):

	QUOTED PRICES IN ACTIVE MARKETS FOR (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 2015
Assets					
Investments					
1	Cash and cash equivalents	\$ 11,590	\$ -	\$ -	\$ 11,590
2	Equity—corporate stocks	91,974	-	-	91,974
3	Equity—domestic funds	82,638	-	-	113,028
4	Equity—international funds	98,890	-	-	97,344
5	Equity—hedge funds	-	-	-	103,361
6	Equity—real asset funds	23,723	-	-	4,893
7	Equity—private equity funds	-	-	-	26,926
8	Fixed income—corporate bonds	-	22,369	-	-
9	Fixed income—government agency bonds	-	9,644	-	-
10	Fixed income—international bonds	-	82	-	-
11	Fixed income—US Treasury securities	18,886	-	-	-
12	Fixed income—domestic bond funds	170,408	118	-	527
13	Deposits with trustees	2,817	-	-	-
14	Interest in perpetual trust	-	-	18,285	-
15	Total assets at fair value	\$500,926	\$32,213	\$18,285	\$346,079
Liabilities					
16	Swap agreements	\$ -	\$76,181	\$ -	\$ -
17		\$ -	\$76,181	\$ -	\$ 76,181

The University determines a valuation estimate based on techniques and processes which 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 which 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.
 - o Privately held funds—These investments consist of domestic, international, hedge, real asset, and private equity funds which 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 funds are commingled funds and limited partnerships and shares may not be readily redeemable. For these privately held funds, net asset value (NAV) as the practical expedient is used as fair value for investments which (a) have the attributes of an investment company or (b) the entity prepares its financial statements consistent with the measurement principles of an investment company. Fair value of each investment valued using NAV as the practical

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

expedient is determined based on a review of the audited financial statements of the underlying funds, when available, and other information from independent third parties including information provided by the fund managers. 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, US Treasury issues, US 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 price for similar securities or using pricing model 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.
- **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 which 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, 2016 and 2015 (in thousands):

	INTEREST IN PERPETUAL TRUST	
	2016	2015
1 Beginning balance at May 1, 2015	\$18,285	\$17,826
2 Total gains or losses (realized/unrealized) included in earnings	(1,327)	459
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, 2016	<u>\$16,958</u>	<u>\$18,285</u>
10 Total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end	<u>\$(1,327)</u>	<u>\$ 459</u>

Transfers into and out of Level 3 are typically the result of a change in the availability and the ability to observe market data which 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, 2016.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

INVESTMENTS THAT CALCULATE NET ASSET VALUE

Investments in certain entities that calculate net asset values at April 30, 2016 and 2015 are as follows (in thousands):

APRIL 30, 2016					
	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD	
8 Domestic equity funds	\$109,365	\$ -	daily	same day	
9 International equity funds	86,863	-	daily, bi-weekly	same day-5 days	
10 Domestic bond funds	455	-	daily	same day	
11 Real asset funds	1,648	18,080	n/a	n/a	
12 Hedge funds	102,436	1,447	monthly, annually	30-90 days	
13 Private equity funds	35,850	39,896	n/a	n/a	
14 Total	\$336,617	\$59,423			
APRIL 30, 2015					
	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD	
15 Domestic equity funds	\$113,028	\$ -	daily	same day	
16 International equity funds	97,344	-	daily, biweekly	same day-5 days	
17 Domestic bond funds	527	-	daily	same day	
18 Real asset funds	4,893	-	daily, monthly	1-10 days	
19 Hedge funds	103,361	5,039	monthly, annually	30-90 days	
20 Private equity funds	26,926	38,187	n/a	n/a	
21 Total	\$346,079	\$43,226			

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

For the years ended April 30, 2016 and 2015, the University's investment management fees were approximately \$1.5 million and \$1.4 million, respectively.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

INVESTMENT INCOME

Total net investment income for the years ended April 30, 2016 and 2015 consist of the following (in thousands):

		2016			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1	Endowment income	\$ 10,524	\$ 6,033	\$ 163	\$ 16,720
2	Investment income	7,199	706	-	7,905
3	Realized and unrealized net capital gains	(32,957)	(14,554)	(1,583)	(49,094)
4	Total	\$(15,234)	\$(7,815)	\$(1,420)	\$(24,469)
Operating					
5	Investment income	\$ 7,199	\$ 706	\$ -	\$ 7,905
6	Endowment income	2,670	856	6	3,532
7	Allocated from non-operating	7,854	5,177	157	13,188
Non-operating					
8	Realized and unrealized net capital losses	(25,103)	(9,377)	(1,426)	(35,906)
9	Allocation to operations	(7,854)	(5,177)	(157)	(13,188)
10	Total	\$(15,234)	\$(7,815)	\$(1,420)	\$(24,469)
		2015			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
11	Endowment income	\$ 9,871	\$ 5,662	\$ 130	\$ 15,663
12	Investment income	8,080	754	-	8,834
13	Realized and unrealized net capital gains	1,522	5,408	848	7,778
14	Total	\$19,473	\$11,824	\$ 978	\$ 32,275
Operating					
15	Investment income	\$ 8,080	\$ 754	\$ -	\$ 8,834
16	Endowment income	3,293	1,066	7	4,366
17	Allocated from non-operating	6,578	4,596	124	11,298
Non-operating					
18	Realized and unrealized net capital gains	8,100	10,004	971	19,075
19	Allocation to operations	(6,578)	(4,596)	(124)	(11,298)
20	Total	\$ 19,473	\$11,824	\$ 978	\$ 32,275

7. 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, 2016 and 2015 consists of the following (in thousands):

	2016	2015
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
American University Taxable Bonds		
5 Issue Series 2015 maturing in fiscal year 2045	128,500	128,500
6 Term loan maturing in fiscal year 2022	75,000	75,000
7 Taxable commercial paper note program	-	-
8 Total core debt	422,375	422,375
Special-purpose debt		
9 Note payable due in full in fiscal year 2022	22,000	22,000
10 Note payable due in full in fiscal year 2020	15,000	15,000
11 Mortgage payable due in full in fiscal year 2018	22,245	22,530
12 Total special-purpose debt	59,245	59,530
13 Total indebtedness	\$481,620	\$481,905

The principal balance of notes payable and long-term debt outstanding as of April 30, 2016 is due as follows (in thousands):

Year ending April 30:		
14	2017	\$ 308
15	2018	21,937
16	2019	-
17	2020	15,000
18	2021	-
19	Thereafter	444,375
20		\$481,620

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 a letter of credit agreement with a financial institution to support the 2006 series variable rate demand obligations, totaling \$99.975 million. The letter of credit agreement expires in fiscal year 2018.

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Under the agreement, the financial institution has agreed to purchase the bonds if the bonds are unable to be remarketed. Should that occur, payment would be accelerated and ultimately differ from the dates stated above. In accordance with the terms of the agreement, \$99.975 million would convert to a term loan with principal and interest payable over two years. The University has entered into three direct purchase agreements with two financial institutions for its 1999, 2003, 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 2018 (1999 and 2003 series) and 2020 (2008 series).

The estimated fair value of the University's notes payable and long-term debt at April 30, 2016 and 2015 was \$486.9 million and \$486.3 million, respectively. Taxable Commercial Paper, the District of Columbia revenue bonds, and the American University taxable bonds were valued using fair market prices. The Term Loan and Special Purpose debt were valued using the discounted cash flow method.

As of April 30, 2016, 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, 2016 was 0.30%.

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, 2016 was 0.41%.

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, 2016 was 0.41%.

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, 2016 was 0.42%.

On December 23, 2014, the University replaced the existing letter of credit for the 2006 bonds with a new letter of credit from Royal Bank of Canada, expiring in fiscal year 2018. Additionally, on February 2, 2015, the existing letters of credit for the 1999 and 2003 Bonds were replaced with direct purchase agreements from Wells Fargo Bank, N.A. and the existing letter of credit for the 2008 Bond was replaced with a direct purchase agreement from U.S. Bank, N.A., expiring in fiscal years 2018 and 2020, respectively.

AMERICAN UNIVERSITY BONDS PAYABLE

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. During the current year, the University borrowed and repaid \$30 million of commercial paper. As of April 30, 2016, there were no borrowings under the commercial paper note program.

NOTES PAYABLE

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

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, 2016 was 0.884%.

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, 2016 was 0.884%.

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, which is payable in full in August 2017. The interest rate on April 30, 2016 was 6.37%.

8. 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, 2016, 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, 2016 is \$85.6 million, for which the University has posted collateral of \$41.9 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2016, the University would be required to post an additional \$43.7 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, 2016 and 2015 are as follows (in thousands):

		LIABILITY DERIVATIVES			
		2016		2015	
		BALANCE SHEET LOCATION	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE
Derivatives not designated as hedging instruments:					
1	Interest rate contracts	Swap agreements	\$85,645	Swap agreements	\$76,181
		LOCATION OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES		AMOUNT OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES	
				2016	2015
Derivatives not designated as hedging instruments:					
2	Interest rate contracts	Realized and unrealized net capital gains		\$(9,464)	\$(25,745)

9. 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, 2016 is as follows (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1 Donor-restricted endowment funds	\$ -	\$76,300	\$97,452	\$173,752
2 Board-designated endowment funds	384,337	-	-	384,337
3 Total endowment funds	\$384,337	\$76,300	\$97,452	\$558,089

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

The endowment net assets composition by type of fund at April 30, 2016 is as follows (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1 Endowment net assets, May 1, 2015	\$402,930	\$90,854	\$96,102	\$589,886
Investment return:				
2 Net depreciation on investments	(25,395)	(9,377)	(1,292)	(36,064)
3 Interest, dividends, and capital distributions	2,671	1,588	-	4,259
4 Total investment return	(22,724)	(7,789)	(1,292)	(31,805)
5 Contributions to endowment	160	-	2,642	2,802
6 Appropriation of endowment assets for expenditure	(10,525)	(6,765)	-	(17,290)
Other changes:				
7 Transfers to create board-designated endowment funds	14,496	-	-	14,496
8 Endowment net assets, April 30, 2016	\$384,337	\$76,300	\$97,452	\$558,089

The endowment net assets composition by type of fund at April 30, 2015 is as follows (in thousands):

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
9 Donor-restricted endowment funds	\$ -	\$90,854	\$96,102	\$186,956
10 Board-designated endowment funds	402,930	-	-	402,930
11 Total endowment funds	\$402,930	\$90,854	\$96,102	\$589,886

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
12 Endowment net assets, May 1, 2014	\$370,606	\$85,446	\$90,078	\$546,130
Investment return:				
13 Net appreciation on investments	25,901	10,003	723	36,627
14 Interest, dividends, and capital distributions	3,288	1,846	-	5,134
15 Total investment return	29,189	11,849	723	41,761
16 Contributions to endowment	323	-	5,301	5,624
17 Appropriation of endowment assets for expenditure	(9,846)	(6,441)	-	(16,287)
Other changes:				
18 Transfers to create board-designated endowment funds	12,658	-	-	12,658
19 Transfers to remove board-designated endowment funds	-	-	-	-
20 Endowment net assets, April 30, 2015	\$402,930	\$90,854	\$96,102	\$589,886

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 \$353,000 at April 30, 2016. 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. There were no deficient funds as of April 30, 2015.

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.

10. 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 \$16.2 million for the years ended April 30, 2016 and 2015. The University expects to contribute approximately \$16.7 million to the plans in fiscal year 2017.

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, 2016 and April 30, 2015, respectively.

Net periodic postretirement benefit cost for the years ended April 30, 2016 and 2015 includes the following components (in thousands):

	2016	2015
1 Service cost	\$ 498	\$ 977
2 Interest cost	726	979
3 Amortization of transition obligation over 20 years	-	-
4 Amortization of net loss	-	206
5 Net periodic postretirement benefit cost	\$ 1,224	\$ 2,162

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

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, 2016 and 2015 using a measurement date of April 30 (in thousands):

	2016	2015
Change in accumulated postretirement benefit obligation:		
1 Accumulated postretirement benefit obligation at beginning of year	\$21,348	\$ 25,104
2 Service cost	498	977
3 Interest cost	726	979
4 Net actuarial (gain)/loss	(436)	(4,360)
5 Plan participants' contributions	699	597
6 Benefits paid	(1,771)	(1,949)
7 Accumulated postretirement benefit obligation at end of year	<u>\$21,064</u>	<u>\$ 21,348</u>
Change in fair value of plan assets:		
8 Fair value of plan assets at beginning of year	\$ -	\$ -
9 Plan participants' contributions	699	597
10 Employer contributions	1,072	1,352
11 Benefits paid	(1,771)	(1,949)
12 Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status:		
13 Funded status	(21,064)	(21,348)
14 Postretirement benefit liability	<u>\$(21,064)</u>	<u>\$(21,348)</u>

The following table sets forth the amounts not recognized in the net periodic benefit cost for the years ended April 30, 2016 and 2015 (in thousands):

	2016	2015
Amounts not recognized in net periodic benefit cost:		
15 Net actuarial loss	\$ 643	\$ 1,079
16 Transition obligation	-	-
17 Amounts included in unrestricted net assets	<u>\$ 643</u>	<u>\$ 1,079</u>

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):

	2016	2015
18 Amortization of net actuarial gain/(loss)	\$ -	\$ (206)

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):

	2016	2015
19 New actuarial loss/(gain)	\$ (436)	\$ (4,360)
20 New prior service (cost)/credit	\$ -	\$ -

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS APRIL 30, 2016 AND 2015

The weighted discount rate used in the actuarial valuation at the April 30, 2016 and April 30, 2015 measurement dates is as follows:

	2016	2015
1 End-of-year benefit obligation	3.30%	3.50%
2 Net periodic postretirement benefit cost	3.50%	4.00%

A 7% healthcare cost trend rate was assumed for fiscal year 2016, with the rates in the following fiscal years assumed to be 6.5%, 6.0%, 5.5%, 5.2% and 5.1% until reaching an ultimate rate of 5% in fiscal year 2022, and thereafter. An increase in the assumed healthcare cost trend rate of 1% would increase the aggregate of the service and interest cost by approximately \$122,000 and \$236,000 for 2016 and 2015, respectively and the accumulated postretirement benefit obligation at April 30, 2016 and 2015 by approximately \$998,000 and \$992,000, respectively. A decrease in the assumed healthcare cost trend rate of 1% would decrease the net periodic postretirement benefit cost by approximately \$101,000 and \$197,000 for 2016 and 2015, respectively, and the accumulated postretirement benefit obligations at April 30, 2016 and 2015 by approximately \$867,000 and \$864,000, respectively.

The expected contributions by the University to the plan are as follows:

YEAR ENDING APRIL 30	PAYMENT WITH MEDICARE PART D SUBSIDY	PAYMENT WITHOUT MEDICARE PART D SUBSIDY	MEDICARE PART D SUBSIDY RECEIPTS
3 2017	\$1,208,257	\$1,306,325	\$98,068
4 2018	1,252,748	1,360,813	108,065
5 2019	1,267,130	1,380,096	112,966
6 2020	1,409,670	1,409,670	-
7 2021	1,414,200	1,414,200	-
8 2022–2026	7,146,816	7,146,816	-

SPECIAL TERMINATION BENEFITS

During fiscal year 2015, the University offered a one-time voluntary retirement incentive opportunity for faculty members who met certain criteria. The cost of providing the one-time voluntary retirement incentive program was \$2.3 million and \$2.5 million, respectively, for the fiscal year ended April 30, 2016 and 2015.

11. EXPENSES

For the years ended April 30, 2016 and 2015, the University's program services and supporting services were as follows (in thousands):

	2016	2015
Program services		
9 Instruction	\$ 171,884	\$ 163,494
10 Research	51,881	52,479
11 Public service	24,908	25,499
12 Academic support	60,320	56,258
13 Student services	44,765	43,604
14 Total program services	353,758	341,334
Supporting services		
15 Institutional support	93,510	90,220
16 Auxiliary enterprises	58,313	59,809
17	\$ 505,581	\$ 491,363

For the years ended April 30, 2016 and 2015, the University's fundraising expenses totaled approximately \$19.2 million. The expenses are included in institutional support in the accompanying statements of activities.

12. NET ASSETS

Temporarily restricted net assets consist of the following at April 30, 2016 and 2015 (in thousands):

	2016	2015
1 Unspent contributions and related investment income for instruction and faculty support	\$ 87,422	\$102,891
2 Gifts received for construction of facilities	4,716	5,095
3	<u>\$ 92,138</u>	<u>\$107,986</u>

Permanently restricted net assets were held, the income of which will benefit the following at April 30, 2016 and 2015 (in thousands):

	2016	2015
4 Permanent endowment funds, for scholarships and related academic activity	\$ 85,270	\$ 80,238
5 Interest in trust assets	16,958	18,285
6 Student loans	6,651	6,835
7	<u>\$108,879</u>	<u>\$105,358</u>

13. OPERATING LEASES

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 expires in 2017 and the remainder in 2018. The leases for student housing do not expire until 2018. Additionally, the University leases radio station space which does not expire until 2020. Minimum lease payments under these agreements are as follows (in thousands):

YEAR ENDING APRIL 30:		
8	2017	\$1,290
9	2018	378
10	2019	87
11	2020	84
12	2021	83
13	Thereafter	357
14		<u>\$2,279</u>

Rent expense in 2016 and 2015 was approximately \$2.2 million and \$3.3 million, respectively.

14. COMMITMENTS AND CONTINGENCIES

At April 30, 2016 and 2015, commitments of the University under contracts for construction of plant facilities amounted to approximately \$63.1 million and \$129.3 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 financial position, changes in net assets, or cash flows.

15. RELATED PARTIES

Members of the University's Board of Trustees and their related entities contributed approximately \$722,000 and \$742,000 during the years ended April 30, 2016 and 2015, respectively, which is included in contribution revenue in the accompanying statements of operations. Also for the years ended April 30, 2016 and 2015, approximately \$3.4 million and \$4.4 million, respectively, were included in contribution receivables 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. Capitol 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, 2016, the University had an outstanding receivable balance of \$45,000 from Shorelight-Capitol, LLC.

16. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 7, 2016 which is the date the financial statements were issued. Subsequent to April 30, 2016, the University entered into commitments with various investment fund managers totaling \$13.1 million. Nothing was noted which affects the financial statements as of April 30, 2016.

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