NEXT

AMERICAN UNIVERSITY 2016–2017 ANNUAL REPORT

Cover and right:

NEW HALL OF SCIENCE

Science is the fastest growing area of undergraduate study at AU. The need for strong science touches each school and every discipline across campus in some way, positioning faculty and students to tackle more broadly the complex issues of our day. To this end, the university launched an initiative to raise $40 million to construct a state-of-the-art science building (rendered here). The new Hall of Science will encourage interdisciplinary collaboration and innovation among students and faculty and equip them for success by clustering scholars in functional lab groupings for optimal efficiency and academic interchange. Designed with an eye on the future, this open and modern facility will have the capacity to adapt to advances in and changing requirements of scientific research.

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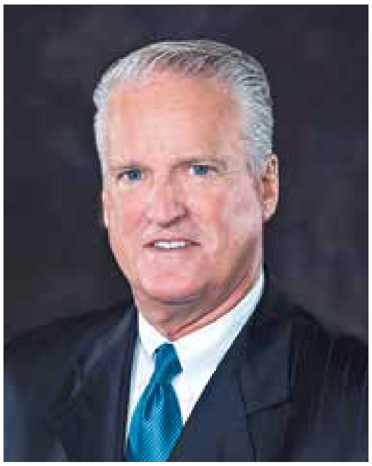
FROM THE CHAIR OF THE BOARD OF TRUSTEES



A new era has begun at American University. You can feel it, and the signs are everywhere.

Building on the tremendous success of Neil Kerwin during his 12 years as president, AU has experienced a rise in academic achievement, student selectivity, university prominence, and an expansion of campus facilities. In summer 2017, we welcomed Sylvia Burwell as AU's 15th—and first woman—president to take American University even higher.

With her impressive credentials, incredible energy, and extensive connections—from her work as former Secretary of the US Department of Health and Human Services, director of the Office of Management and Budget, at the Bill and Melinda Gates Foundation, and elsewhere—she is the right leader, at the right time, to leverage AU's existing strengths into new arenas.

The campus is vibrant, and the university is thriving. We have just opened the new 8.1-acre East Campus, with three new residence halls and the Don Myers Technology and Innovation Building. And Washington College of Law completed its first full year at its new Tenley home.

We draw closer to the new science building becoming a reality. A vital enhancement to our curricular offerings, it will encourage interdisciplinary collaboration and boost AU's profile in the sciences. The stage is set for a new and creative strategic plan, an ambitious capital campaign, and innovative ideas for academic excellence and student achievement. And we have the right president to lead us toward even greater success.

Sincerely,

Jack C. Cassell

FROM THE PRESIDENT

I am honored and excited to lead American University and take our efforts and impact to the next level. Few institutions are so well positioned to inform debate with scholarship and research, engage students in active learning inside and outside the classroom, and help transform our community, nation, and world through our ideas and actions.

The demand for admission into AU today has never been greater; the endowment has grown, and the financial strength is evident. At a time when many universities have retrenched, AU has increased its full-time faculty by nearly half in the past decade, raised its academic profile and research classification, and added more than 1.5 million square feet of space.

In my first few months, I have done a lot of listening while learning what makes AU tick, and my impressions have been confirmed: that American University is a place where faculty creativity and academic innovation thrive and the desire for improvement is ongoing. The pages of this report only touch the surface of what makes AU vibrant, from our laboratories and research to our hands-on student learning.

There is consistency of purpose for and dedication to the task of building on our important work as students, faculty, staff, alumni, trustees, and friends—and to make AU ever more strongly positioned to impact lives and change the world for the better. Our university community has the unparalleled passion and commitment to lead, tackle difficult problems, enhance the student experience, and be a model for inclusion and innovation. We embrace the challenge, and I welcome the opportunity.

Sincerely,

Sylvia M. Burwell

> **"Learning and innovation go hand in hand. The arrogance of success is to think that what you did yesterday will be sufficient for tomorrow."**
>
> **—WILLIAM POLLARD, 19TH-CENTURY QUAKER MINISTER AND TEACHER**

To innovate in a time of global change requires agility, boldness, and imagination. For American University, that means continually adapting our approach to high-quality education, interdisciplinary research, and public service to take advantage of opportunities, meet the needs of students and faculty, and stay aligned with advances in technology, science, and society.

After a decade of transformation, the university begins a new chapter as a leader of academic innovation and sustainability, poised for the future—with a new president, Sylvia M. Burwell, at the helm.

Our campus has expanded physically—and intellectually—with the opening of East Campus, a green hub of soon-to-be LEED certified residential, academic, and meeting spaces. The Don Myers Technology and Innovation Building's state-of-the-art design embodies AU's investment in science and commitment to collaborative research. It will be joined by a new Hall of Science, for which fundraising is underway.

AU marked milestones this year: Washington College of Law celebrated its first year at Tenley Campus. The School of Education is transitioning from a College of Arts and Sciences unit to a discrete school, the university's eighth. Both the law school and Kogod School of Business welcomed new deans who bring new vision and energy.

Recent events on campus and across the country have reinforced AU's efforts to build a more diverse student body and faculty and inclusive campus culture. As the university sets sights on what is next, it holds a steady course as a force for positive change, a center of innovation, a model of sustainability—and a thriving community.

AMERICAN WELCOMES SYLVIA M. BURWELL

Sylvia M. Burwell is AU's 15th president. She is the first woman to hold the highest leadership position at the university. An accomplished senior government official and global foundation executive, Burwell is a leader of immense character and vision. A former Rhodes Scholar, she possesses an intellectual curiosity that she applies to address complex problems.

Burwell arrived at AU after having served as the 22nd secretary of the US Department of Health and Human Services (HHS) from 2014 through the end of President Obama's second term. Before that, she was director of the Office of Management and Budget, also a cabinet position.

"These traits, combined with her experience and commitment to education and research, make her well-suited to lead AU at this moment in our history, as we build on the momentum and progress achieved in recent years," said Jack Cassell, chairman of the Board of Trustees.

Burwell has managed large organizations across the public and private sectors. As president of the Walmart Foundation, she led efforts to fight hunger in America, empower women around the world, and improve local communities. At the Bill and Melinda Gates Foundation, she served first as chief operating officer, then as founding president of the Global Development Program, where she helped advance solutions to some of the world's most pressing public health issues.

She also held leadership positions in the Clinton administration, including as deputy chief of staff to the president. She has served on the boards of the Council on Foreign Relations and MetLife, among others.

Burwell earned an AB in government from Harvard University and a BA in philosophy, politics, and economics from the University of Oxford. She is married and has two children.

"My family and I are honored and excited to become a part of this vibrant AU community," Burwell said. "American University's distinctive mix of academic strengths, its influential scholars, engaged students, successful alumni, and extraordinary location are great assets."

OUR 15TH PRESIDENT

FIVE FACTS ABOUT THE WOMAN FROM HINTON

- **She is from a tiny town in West Virginia, population 2,676.** She speaks often about the impact that has had on her life: "My parents emphasized education and public service. They were first-generation Americans. My grandparents came from Greece, and all four of them were accepted here. They wanted a good life for my parents and their children. My mother taught in everything from a one-room school to a college, and she served on the state board of education. My father was on the local board of education and originally was trained as a teacher before he went to optometry school. So there was always this theme of education and learning in our household. And the sense of community is great when you're in a place that small. You know everyone, you have a sense of people's lives, of both their challenges and their joys. And I think that's contributed to how I think about my time in government—or my time in anything that I've done."
- **She was the valedictorian and president of her high school class of about 165.** She spent summers pursuing opportunities that took her to the statehouse in Charleston, West Virginia, the United Nations in New York, and to Japan for a student exchange program. But it wasn't until her sister Stephanie, a National Merit Scholar semifinalist four years her senior, went off to Harvard that she imagined following suit—which she did.
- **While studying as a Rhodes Scholar in England, she met Susan Rice,** future US ambassador to the United Nations—and now Distinguished Visiting Research Fellow at the School of International Service—who would play an important role, professionally and personally, in her life. In September 2017, both Burwell and Rice were honored with a portrait unveiling at Rhodes House in Oxford on the 40th anniversary of women's inclusion as scholarship awardees.
- **She once interned for Representative Nick Joe Rahall (D-WV) in Washington.** She still remembers her office number: Canon 252.
- **At HHS, Burwell headed an organization with 78,000 employees and a budget of more than $1 trillion.** Apart from undertaking the most comprehensive reform of the nation's health care system in a generation; confronting public health issues, like the opioid crisis; and addressing Zika and Ebola outbreaks—her tenure was rather uneventful.

"My family and I are honored and excited to become a part of this vibrant AU community."

—SYLVIA M. BURWELL

EAST CAMPUS OPEN FOR BUSINESS

Four years after breaking ground, American University has officially opened the doors to East Campus. What was formerly a 900-space parking lot has been transformed into 8.1 acres of striking new structures, state-of-the-art facilities, and accessible green space.

Located across the street from AU's main campus, East Campus consists of three residence halls and two connected academic buildings, as well as parking, retail, and administrative spaces. Supporting AU's ongoing commitment to energy efficiency, all of the buildings are on track to be LEED certified. The grounds also feature 12 new plant species, expanding the university arboretum's inventory.

The Don Myers Technology and Innovation Building houses more than 70 faculty and staff members and the computer science, physics, and mathematics and statistics departments. The 70,000-square foot facility dedicates 14,000 square feet to instructional space, including 10 rooms for seminars and classes of up to 60 students and the AU Game Lab, Center for Innovation, and Collaboration Lab. A makerspace is equipped with implements from laser cutters to 3D printers to sewing machines.

"The [building] represents American University's most recent investment in science," said College of Arts and Sciences dean Peter Starr. "It is a testament to our commitment to research, technology, and collaboration across the sciences."

The three residence halls—Congressional, Constitution, and Federal—take their names from buildings that stood on AU's Tenley Campus, where Washington College of Law is now located. They provide a total of 590 beds, plus a student fitness center, event spaces, administrative offices, and 3,000 square feet of retail space. Students moved into Congressional and Federal in January 2017 and into Constitution in August. The new residence halls encourage collaboration outside the classroom, with such amenities as a communal lounge and kitchenette on each floor.

East Campus also expands the university's meeting and event venues. With more than 3,200 square feet, the first floor of Constitution Hall offers theater-style seating for 300 people, while Congressional's four conference rooms can each accommodate 18.

BUILDING A BETTER AMERICAN

AIRLIE CENTER GIFTED TO AU

A rural estate once heralded as an "island of thought" by *Life* magazine is now part of American University. An hour's drive from DC, the Airlie Center in Warrenton, Virginia, sits on 300 pastoral acres and contains historic Airlie House, a village of guest rooms, meeting facilities, an organic garden, and a lake.

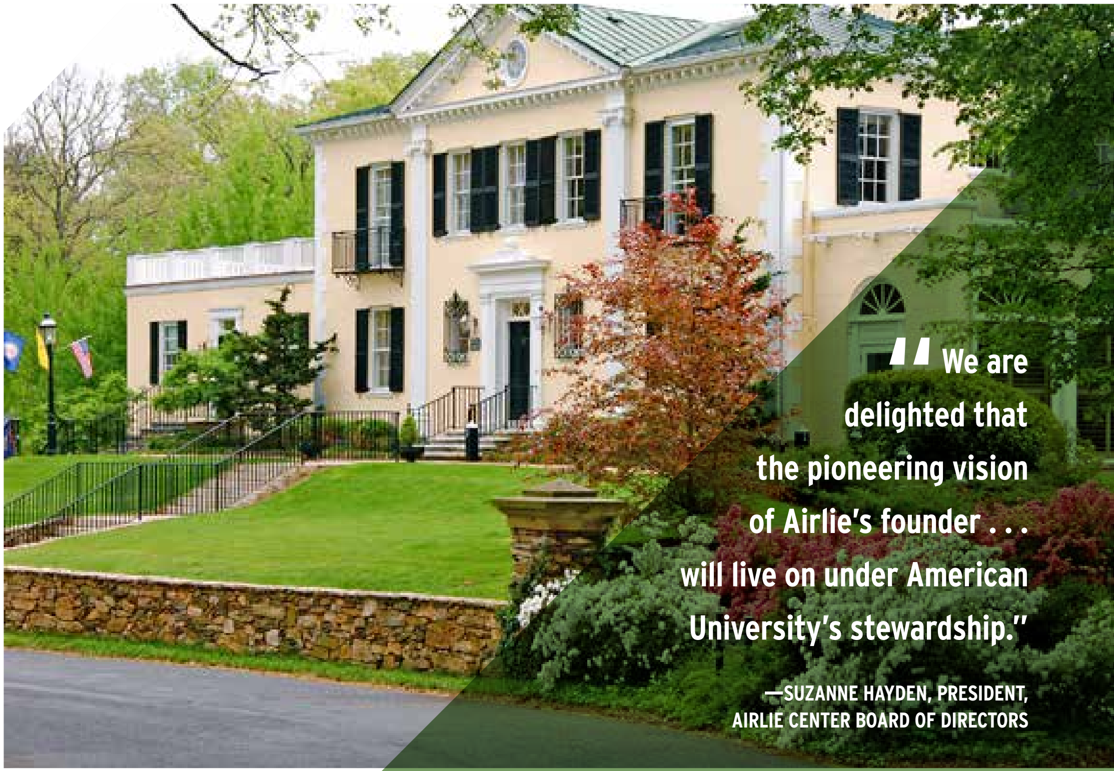
Airlie's Board of Directors gifted the property to AU in September 2016. Since then the university has made some capital improvements: Airlie House has an updated kitchen and serving area, a new pub is under construction, and new HVAC systems have been installed. Most of the guest rooms will be modernized and renovated by fall 2019. Among other additions are a recycling center and a self-sufficient storage barn that requires no electrical hookups, expanded retail meeting facilities, and new generators.

One of the first conference facilities of its kind in the country, Airlie was considered a model of innovation when founder Murdock Head opened the doors in 1960. Since then it has been welcoming international leaders, policy makers, and diplomats for significant meetings and programs dedicated to social progress, education, environmental research, and public health—some of which have shaped social movements and institutions.

Early conversations during the Civil Rights Movement established Airlie as a venue for dialogue. It hosted the NAACP Legal Defense Fund's first conference and peace talks around Northern Ireland and the former Republic of Yugoslavia. It is the conceptual home of Earth Day. Airlie also has hosted groundbreaking, ultralight-led migration studies with trumpeter swans and Canada geese, resulting in restoration programs for endangered whooping cranes and other species.

"We are delighted that the pioneering vision of Airlie's founder . . . will live on under American University's stewardship," said Suzanne Hayden, president of Airlie's Board of Directors.

It is fitting that an institution committed to active citizenship and global leadership would continue Airlie's mission. "The university is honored to have been selected for this wonderful gift. It is our intent to carry on the very impressive and important legacy of Airlie, while leveraging this marvelous facility for American University's academic initiatives," said AU president emeritus Neil Kerwin.



"We are delighted that the pioneering vision of Airlie's founder . . . will live on under American University's stewardship."

—SUZANNE HAYDEN, PRESIDENT, AIRLIE CENTER BOARD OF DIRECTORS

SCIENTIFIC INNOVATION

INCUBATING IDEAS FOR START-UPS

After witnessing significant storm-wreaked damage to the beaches of his native Cape Cod, Matt Mullin, CAS/BS '18, founded Sand Scan. The company improves the accuracy and efficiency of coastal erosion data collection through the use of drones equipped with high-resolution cameras and Light Detection and Ranging (LIDAR) sensors.

"My hometown [Sandwich, MA] has spent millions of dollars on replenishing our coastline and on the direct costs of observing the damages of erosion," said Mullin, an environmental science major with an applied physics minor. "The traditional methods can cost coastal communities hundreds of thousands of dollars, and the process of acquiring data can take weeks."

Mullin developed his business model through the American University Center for Innovation (AUCI) in Kogod School of Business. He placed first in the center's campus-wide competition, using the award to purchase equipment and begin his research. With the help of executives in residence William Bellows and Tommy White, he refined his model and pitched it to investors.

He subsequently won third place in the American Association for the Advancement of Science Lab to Launch, a DC-based science and technology entrepreneurship competition. He is using that seed money for additional research while working as a fellow in the MIT Sea Grant and NASA's Massachusetts Space Grant programs.

Said Bellows, "His accomplishment at Lab to Launch shows the caliber of our students and the potential of our science and technology programs to stand toe-to-toe with other schools."

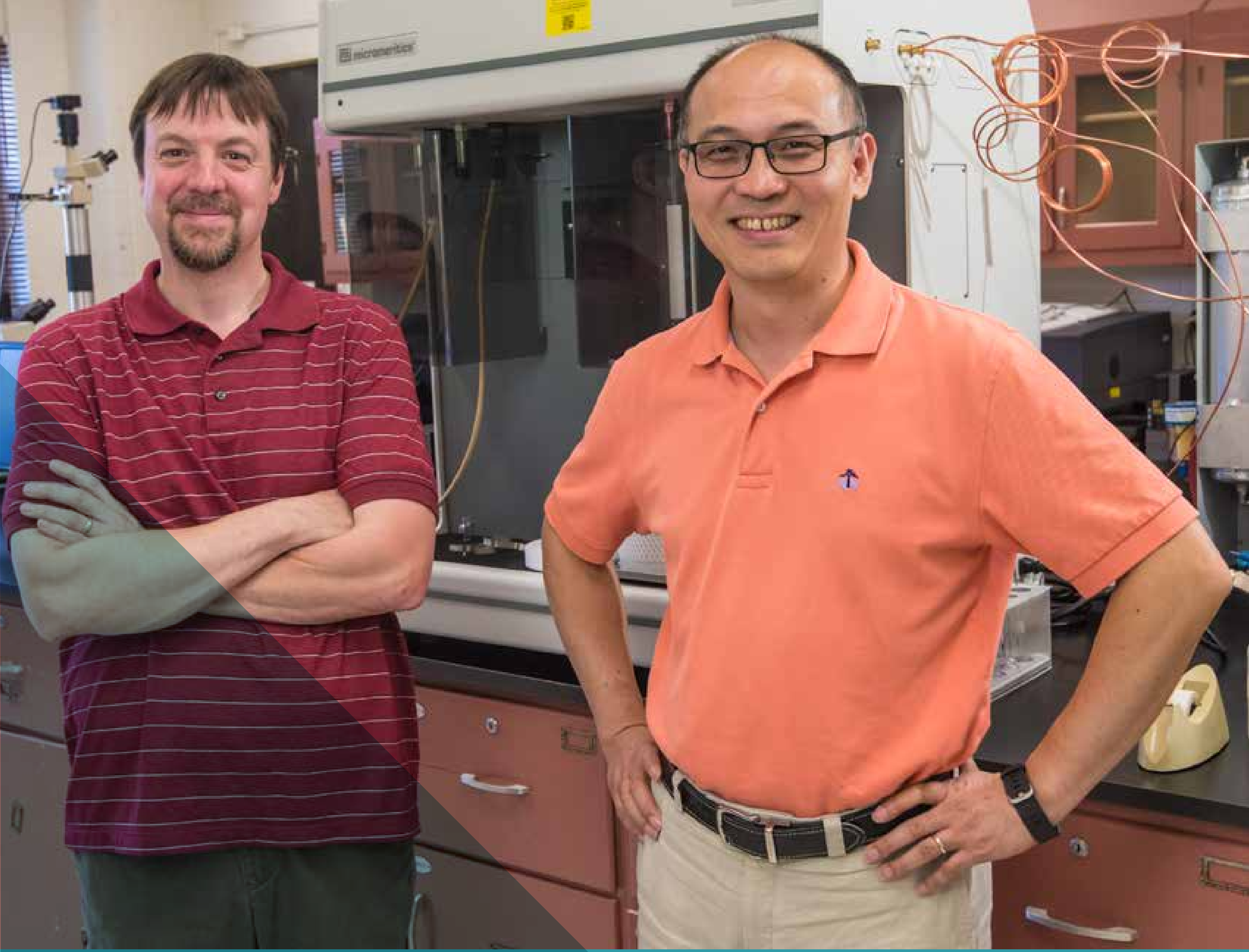
Another AUCI venture, AudioUnity, founded by alumnus Matt Fagan, CAS/MA '16, made prime time with placement of its innovative LightSignature application in Apple's App Store.

Featuring an innovative piano keyboard interface, it allows the user to select a key signature and mode and then automatically play the correct notes. Useful for musicians at any level, the app can be used as a stand-alone instrument, a MIDI controller, or a music theory reference device. It is the first phase of a two-pronged strategy for the company.

Fagan received a full US patent for a series of electronic hardware musical instruments that eventually will expand his product line. The patent marks the first for an AUCI project.

"Traditional methods can cost coastal communities hundreds of thousands of dollars, and the process . . . can take weeks."

—MATT MULLIN, CAS/BS '18



NANO-LEVEL RESEARCH YIELDING BIG RESULTS

Chemistry professors Shouzhong Zou and Douglas M. Fox harness nanocrystals—infinitesimal crystalline particles with a range of applications, from energy uses to medical imaging to memory chips. Basically they make things lighter, stronger, faster, and more active.

The two chemists are particularly interested in environmental and energy utility. Zou and his team stimulate molecular-level catalytic activity to develop high-performance nanocrystals for fuel-cell applications, gas-sensing materials, and carbon-dioxide conversion to organic fuels. This research could lead to development of cheaper high-power hydrogen fuel cells for cars and more economically viable and sensitive sensors for natural gas pipelines. It also could have an impact on climate change.

"The fossil fuel industry is not going away soon. Burning fossil fuels releases a lot of CO_2. If we can convert this CO_2 back to organic fuels, such as methanol or formic acid, then we can mitigate this CO_2 greenhouse effect," Zou explained.

Fox and his collaborators use cellulose nanocrystals—the molecular matter of all plant life—to lighten heavy objects, replace synthetic materials, and create organic scaffolding to grow bone. Cellulose nanocrystals are strong as steel, tough as glass, lightweight—and green. Industry can use them as filler, blending them with plastics and other synthetics to lessen material weight and reduce energy for manufacturing. He has submitted a patent for his method of altering the chemistry of these particles to improve their performance.

Fox supplies cellulose nanocrystals to a colleague, who uses the biomaterial as a new clinical technique to regrow patients' bone to support teeth or dental implants. He also assesses the health and safety of cellulose nanocrystals and nanofibers and researches the benefits of replacing glass-reinforced plastic for airplanes, cars, and wind turbines with cellulose nanocrystals.

"As we continue to show that these nanomaterials are safe and make it easier to disperse them into a variety of materials," said Fox, "we get closer to utilizing nature's chemically resistant, strong, and most abundant polymer in everyday products."

TAX SCHOLAR FINDS BILLION DOLLAR BLIND SPOT

As Congress prepares for the biggest rewrite of the nation's tax code in more than three decades, Caroline Bruckner, managing director of the Kogod Tax Policy Center, is calling on policy makers to fill a gaping hole in the national discussion of how tax policy helps—or harms—women business owners.

The center has issued Bruckner's *Billion Dollar Blind Spot: How the U.S. Tax Code's Small Business Expenditures Impact Women Business Owners*. The report estimates American taxpayers will shoulder the cost of more than $255 billion in small business tax incentives by 2020.

Among the groundbreaking report's most staggering findings: exhaustive research of Senate hearing transcripts, going back to the 1980s, found no record of discussions of the tax code's impact on women-owned businesses.

"Policymakers have a billion dollar blind spot when it comes to understanding how effective small business tax expenditures are with respect to women-owned firms," said Bruckner. "Changing policies that affect this specific group of small business taxpayers could be a key to unlocking growth for parts of the economy that we've never considered."

The report indicates that while women entrepreneurs have been launching startups at a faster rate of growth than men for the past decade, the tax code gives them less access to capital than their male counterparts. The reason: most women-owned startups are in service industries, a sector considered less scalable despite America's ongoing tectonic shift from manufacturing to services.

Billion Dollar Blind Spot incorporates survey data conducted by Women Impacting Public Policy (WIPP), a national nonpartisan organization advocating for women entrepreneurs.

In 1986, the last time Congress wrote a major overhaul of the tax code, the number of women business owners stood at 4.1 million. That number has grown to more than 10 million, said WIPP president Jane Campbell.

"It is high time for key stakeholders, Congress, and the US Senate Committee on Small Business and Entrepreneurship (SBC) to undertake the nation's first full look at the tax code's impact on women-owned businesses," said Bruckner, who served as chief counsel at SBC. "Congress must be informed when making these decisions, or women business owners could continue to lose out," she said.

FACULTY CHANGE MAKERS

DIGITAL REVOLUTION IN DISABILITY ADVOCACY

A new generation of disability rights advocates gained visibility with the publication of a book by Filippo Trevisan of the School of Communication. Trevisan, assistant professor of public communication and deputy director of the Institute on Disability and Public Policy, examines the implications of digitalization for the disability movement in *Disability Rights Advocacy Online: Voice, Empowerment and Global Connectivity*.

In the UK prior to joining AU, Trevisan observed how new technologies transformed advocacy practices by disability rights organizations and grassroots groups. "Social media brought advocates together for rights that took many of them off a traditional track," he said. "Crisis brings forward community, and new media technologies facilitate and accelerate this process."

Trevisan writes that Facebook and other platforms changed both the image and the methods of emerging disability advocacy groups, positing that a younger generation of tech-savvy self-advocates embraced social media to reach policy makers and influence decisions in ways that traditional advocacy could not. Digitalization of disability rights advocacy, he maintains, makes political participation a more inclusive experience for media users with disabilities and enhances their influence on policy decisions.

Of Trevisan's book, School of International Service professor Derrick Cogburn said that it is an "important contribution to how we understand the contemporary disability rights movement" and that it "illuminates the role of social media in formulating and advancing a right-based policy agenda and how the Internet can be used to combat the stigma sometimes still surrounding persons with disabilities."

The international journal *Information, Communication and Society* called it "an especially timely study" and "essential reading for anyone interested in online mobilization for progressive social change."

"Crisis brings forward community, and new media technologies facilitate and accelerate this process."

—FILIPPO TREVISAN, SCHOOL OF COMMUNICATION

IMPACT

Baby Boxes for Safer Sleep

When she learned that unsafe sleep caused 15 percent of infant deaths in her hometown of Milwaukee, Wisconsin, Meena Nutbeam, CAS/BA '19, decided to launch Stork and Company to provide free baby boxes as a safe alternative to mothers without cribs. Nutbeam was in high school at the time; now she's studying public health in the School of Education and running her company out of DC.

Unlocking Health Benefits of Gaming

Students are finding new ways to address cognitive issues and chronic diseases through interactive health and educational games. Led by Robert Hone, assistant professor in the School of Communication and manager of AU's Game Studio, they are learning to design programs as therapy for anxiety and pain management, diabetes, heart disease, and Parkinson's.

Putting Women on the Path to Public Office

Clare Bresnahan, SPA/BA '08, turned her passion for public affairs into a new type of advocacy: inspiring young women to aspire to elected leadership positions in the future. As executive director of She Should Run, a nonpartisan organization dedicated to expanding the pool of women leaders and changing the culture, Bresnahan promotes programs and initiatives to help women "own that ambition."

Marketing the Peace Corps

AU is top-ranked among medium-size schools for producing Peace Corps volunteers. Lesley Siu, SOC/BA '13, is sustaining the connection through her job as a marketing specialist for Peace Corps Response at the agency's DC headquarters. Drawing on her academic experience in film and media arts, she's helping to build the Peace Corps brand and connect professionals with service opportunities.

Where Education Policy Meets Leadership

"We need educators who can connect policy to practice, collaborate with stakeholders, and learn from what's working," said Jason Snyder, a senior lecturer in the School of Education and director of the Education Policy and Leadership Program. The revamped program aims to develop policy leaders who can promote the public purpose of schools, while thinking differently about how to improve them.

Kogod Undergrad Balances Business and Books

Istanbul native Esra Ozturk, Kogod/BS '19, witnessed early on how the political climate affected economic conditions of working Turkish women. This motivated her to launch Arzo (meaning "hope), a social enterprise that helps women in regions of conflict sell their handmade products online, tell their stories, and afford emergency costs. With support from resources offered by the American University Center for Innovation, Ozturk has managed to juggle the dual demands of business and academia.

Alumna Fights Human Trafficking with Analytical Models

Forbes recently named Davina Durgana, SIS/PhD '15, to its influential "30 Under 30" list for her data-driven approach to combating human trafficking.

In a field that relies predominantly on anecdotal evidence, Durgana uses analytical models to understand vulnerability, risk, and prevalence, as they relate to domestic and international human trafficking.

She credits AU's professors and institutions for preparing her to deploy her passion for international relations and statistics and to focus on issues of human trafficking and modern slavery.

Durgana is an assistant professor at the SIT Graduate Institute in Washington, DC. She also is a report author and statistician for the Global Slavery Index, which estimates prevalence of modern slavery around the world. The index is produced by the Walk Free Foundation, a nonprofit dedicated to eradicating modern slavery.

"I feel at home with the global work that I'm doing," she said. "I feel like it's really impactful."

RESEARCH: WORLD

IMMIGRANTS, CHILDREN, AND THE AMERICAN DIET

Sociologist Molly Dondero is studying the obesity and diet patterns of children of Mexican immigrants. And she's finding a surprising disconnect: Mexican immigrant adults tend to be healthy, and they bring positive dietary practices with them to the United States. Their children, however, are eating a much less healthy diet.

With support from the National Institutes of Health, Dondero is working with researchers from Pennsylvania State University on the project. They've already published research on this subject and eventually plan to incorporate their work into a book.

"Children of Mexican immigrants are among the fastest growing segments of the youth population in the US, so their health matters for the long-term vitality of our country," said Dondero, an assistant sociology professor in the College of Arts and Sciences. "And this really has implications for the US population in general. It can start to unpack what it is about the US food environment, or the US health environment, that can affect people's health in negative ways."

Dondero is trying to uncover why good eating habits are not passed on to the next generation. The first thought might be that, like other American children, they live in communities inundated with fast food and sugary beverages. But she's discovering a phenomenon that's a bit more complex, as children of immigrants adopt eating habits in a variety of venues and settings.

"They're in their homes, they're in their schools with peers, they're in neighborhoods. They're getting exposed to different types of food environments and different social norms surrounding food," she explained.

Assimilation, or a desire to assert American identity, might have an impact on food intake. Dondero said that when Mexican immigrants' children live in neighborhoods that have higher concentrations of fellow immigrants, they're more likely to eat as healthfully as their mothers do.

"Children tend to eat the most Americanized and least healthy meals in places outside the home," she said. "That, again, points to maybe a pressure to fit in socially."

"Children of Mexican immigrants are among the fastest growing segments . . . so their health matters for the long-term vitality of our country."

—MOLLY DONDERO, COLLEGE OF ARTS AND SCIENCES

ON THE HORIZON FOR INTERNATIONAL HEALTH

From Africa to Mississippi and around the globe, professors Rachel Sullivan Robinson and Jeremy Shiffman are gaining major research ground on better ways to save lives claimed by HIV/AIDS and improve early childhood health worldwide.

School of International Service (SIS) professor Robinson's new book, *Intimate Interventions in Global Health: Family Planning and HIV Prevention in Sub-Saharan Africa*, reveals her findings that African countries with strong family planning programs experienced greater declines in HIV prevalence.

She and her co-principal investigator, School of Public Affairs (SPA) professor Shiffman, released a research project funded by the John D. and Catherine T. MacArthur Foundation. Among their key findings: the best weapon against AIDS—sexuality education—is somewhat hindered by conservative societal attitudes in Nigeria and Mississippi.

"Sexuality education is a controversial topic," Robinson said. "We have discovered strategies that can be effective in socially conservative contexts. It's our hope that other places facing similar concerns can adapt these ideas to find ways to better serve populations."

Robinson found that family planning programs—those already in place well before the deadly epidemic engulfed millions—were critical to how some African countries responded to HIV/AIDS.

Her book includes case studies of three sub-Saharan African countries: Malawi, Nigeria, and Senegal. Robinson visited these places and interviewed roughly 140 officials with local and international NGOs, donor organizations, governments and health ministries, and universities.

Shiffman organized two symposia, both hosted by AU, for social scientists working on issues related to global health policy. The first event drew researchers from AU, Georgetown, Johns Hopkins, and other universities in the DC-Baltimore region.

"We realized that there were many social scientists working at nearby universities doing excellent work on global health, but many haven't met one another," Shiffman said.

The second event included academics from Harvard, Columbia, and universities in Canada and the United Kingdom. A third symposium is in the planning stages.

Scholarship in global health is concentrated in several hubs across campus: the Center on Health, Risk, and Society in the College of Arts and Sciences, the Global Health Faculty Cluster in SIS, and the Department of Public Administration and Policy in SPA.

Photo by Michael S. Williamson, *Washington Post* via Getty Images

METROPOLITAN POLICY CENTER PILOTS AREA SURVEY

A cross-disciplinary team of 12 scholars from across campus completed the first DC Area Survey and a subsequent report, "Diversity in the DC Area: Findings from the 2016 DC Area Survey." The pilot survey was produced under the auspices of the School of Public Affairs (SPA) Metropolitan Policy Center. Concentrating their research in DC's most racially diverse neighborhoods, team members sought the views of residents, in some 1,200 households, on policing, crime, health, ethnic relations, trust in local government and business, and neighborhood perceptions.

One area where the survey revealed significant differences among the sampling of residents was the degree to which fear of police impacted people's daily lives. "Residents of all races are satisfied living in diverse neighborhoods and generally agree about many aspects of life. But the fear of questioning or arrest by the police affects the lives of blacks and Latinos far more than it does the lives of whites or Asians," said Michael Bader, principal survey investigator and assistant professor of sociology in the College of Arts and Sciences.

"This survey is the first of its kind in the DC area, and it provides a detailed snapshot of the social realities and inequalities that exist within the region's most diverse communities," said Derek Hyra, the center's director and associate professor in SPA's Department of Public Administration and Policy. "We hope this information helps to stimulate policy efforts aimed at creating more equitable neighborhood environments that better meet the needs of all residents."

To this end, the survey included policy recommendations for lawmakers and community groups, as well as suggestions for improving policing strategies.

Support for the project came from SPA, the Office of the Provost, Center for Latin American and Latino Studies, Kogod School of Business, the Department of Sociology, and the Center on Health, Risk, and Society. Plans are underway for a second DC Area Survey, likely in spring 2018, and the Metropolitan Policy Center is seeking sponsors to conduct an annual survey thereafter.

RESEARCH: WASHINGTON, DC

HIDDEN COSTS OF GENTRIFICATION

Derek Hyra, an associate professor in the School of Public Affairs and director of the Metropolitan Policy Center, was named to lead a research team to explore efforts to reduce health disparities in two communities undergoing gentrification: DC's Shaw neighborhood and the city of Orange, New Jersey. The three-year project is funded by the Robert Wood Johnson Foundation's Interdisciplinary Research Leaders program, which selected just 15 teams across the country to examine innovations related to early childhood, housing, community development, and health.

"There has been little research aimed at understanding the ways in which gentrification influences health outcomes," said Hyra. "This effort will investigate and explain various types of stressors experienced by vulnerable populations who remain in communities as they transform economically."

Hyra's partners on the project are Mindy Fullilove, a professor at the New School in New York City, and Dominic Moulden, resource organizer for ONE DC. The team is looking at how people from different socioeconomic backgrounds in transitioning communities interact—and how those relationships affect the health of long-term, low-income residents.

In his new book, *Race, Class, and Politics in the Cappuccino City*, Hyra looks at DC's changing economic landscape through the prism of revitalization of the historic Shaw-U Street neighborhood.

"A cappuccino has essentially the same ingredients as a cup of coffee with milk but is considered upscale and is double the price," said Hyra. "It's essentially what is happening to urban neighborhoods across the country." To reduce inequalities associated with gentrification, policy actions are required to prevent political and cultural displacement.

Another book on the subject, *The Politics of Staying Put: Condo Conversion and Tenant Right-to-Buy in Washington, DC*, by associate professor Carolyn Gallaher in the School of International Service, examines the current process for property purchase by tenants and exclusionary displacement of low-income residents, with a broader look at the cultural impact of gentrification in the nation's capital.

"A cappuccino has essentially the same ingredients as a cup of coffee with milk but is considered upscale and is double the price."

—DEREK HYRA, SCHOOL OF PUBLIC AFFAIRS

LEADERSHIP

NEW DEANS FOR LAW AND BUSINESS SCHOOLS

American University continues to attract outstanding leadership, welcoming two new deans: Camille Nelson to Washington College of Law (WCL) and John Delaney to Kogod School of Business.

Nelson's thoughtful approach ushered in a year of reflection and assessment at WCL. Her vision includes enhancing the school's core strengths, experiential learning and expert faculty, and introducing new initiatives. Since assuming her tenure, Nelson has overseen WCL's reinvestment in its Health Law and Policy and its Law and Government programs, along with creation of the Office of Academic Excellence to help students prepare for bar exams. A 20-percent increase in fundraising gives momentum to her plan to invest in students through financial aid.

The former dean of Suffolk University Law School, Nelson is an expert on the intersection of critical race theory and cultural studies, with an emphasis on criminal law and procedure, health law, and comparative law. She guided the school's successful fundraising and the development of programs and partnerships.

Delaney, in his first year, has increased efficiency, energized the Kogod community, and boosted the school's reputation. Kogod already has seen a 20-percent increase in on-campus graduate enrollment and expansion of online programs, including the MBA.

"He understands what it means to be a dean—what it means to influence the culture of a business school and help [it] grow and become more prominent in the marketplace," said Wendy Boland, associate dean for programs and learning at Kogod.

Delaney served previously as dean of the University of Pittsburgh's Joseph M. Katz Graduate School of Business and College of Business Administration, where he was nationally recognized for his research on negotiation, dispute resolution, and labor management relations. Under his watch, the university's enrollment grew by more than 20 percent, student satisfaction scores improved, and diversity increased.

SCHOOL OF EDUCATION COMES INTO ITS OWN

As it continues its transition from a College of Arts and Sciences unit to a discrete school—AU's eighth—the School of Education (SOE) has introduced new programs and funding initiatives, strengthened relationships with local partners, and welcomed a new dean, Cheryl Holcomb-McCoy.

Under her leadership, SOE launched three online master's degrees that offer student educators, in virtually any location, access to world-class training. These programs are expected to boost enrollment by at least 15 percent in the first year, drawing 100 new students and doubling SOE's total graduate enrollment. Holcomb-McCoy also increased faculty diversity with the hiring of three new term faculty and one tenure-track assistant professor.

"My interest has always been how to create better educational conditions and experiences for underserved populations," said Holcomb-McCoy, the former vice provost for faculty affairs at Johns Hopkins University and an advisor to the Obama administration.

Holcomb-McCoy recently received an Impact Academy fellowship, joining a group of peers chosen for their commitment to improve educator preparation. Her lifelong mission to level the playing field in education is driving her work at AU: SOE is in the process of securing a multimillion-dollar federal grant that would improve college and career readiness for high school students from underresourced schools. It also is partnering with the chancellor of DC Public Schools, the Office of the State Superintendent of Education, and other local organizations to find solutions to problems in the community's teacher pipeline.

SOE formed an advisory board of national education experts to increase the school's visibility. It hosted the Fifth National White House and Reach Higher Convening, which brought to campus such high-profile speakers as former education secretary John King.

Holcomb-McCoy believes that SOE is positioned to become a nationally ranked school of education. "Our research funding, the top-notch caliber of our faculty, and our mission to positively impact schools make us well-suited to move up in the ranks."

IN BRIEF

SUCCESSES

AU Team on Nobel Physics Project

An AU research team, led by physics professor Gregory Harry, contributed to what the Royal Swedish Academy called "a discovery that shook the world." The academy awarded the Nobel Prize in Physics to the architects of LIGO, the Laser Interferometer Gravitational-wave Observatory, for discovering gravitational waves, or ripples in space-time, a century after Einstein predicted their existence in his General Theory of Relativity. Members of the LIGO Scientific Collaboration, AU researchers helped fine-tune the instrument. Said Harry, "The detection of gravitational waves marks the beginning of a new way of observing the universe."

SPA Team Wins Mock Trial Invitational

SPA's Mock Trial team won the Great American Mock Trial Invitational. Only the top 24 teams in the country attend the prestigious tournament, which head coach Don Martin likened to Wimbledon or the Kentucky Derby. The win was that much sweeter given the field of powerhouse competitors, including Yale, Columbia, University of California–Berkeley, New York University, Cornell, and Northwestern.

Film Student Assists on IMAX Production

Nick Zachar, SOC/MFA '16, was an assistant cameraman on the acclaimed IMAX film *National Parks Adventure*, narrated by Robert Redford. The highest grossing documentary of 2016, it won multiple prizes at the Giant Screen Cinema Association's Achievement Awards and is playing in theaters at the Smithsonian, across the US, and in 12 countries.

SIS Professor Named Guggenheim Fellow

Robin Broad is the first School of International Service faculty member to receive a Guggenheim Fellowship. Building on her work in El Salvador to encourage an environmental grassroots movement and policy, she plans to conduct research for a book to debunk the myth that people and governments in poorer countries do not, or cannot, care about the environment.

Wrestlers Recognized for Academic Excellence

AU's wrestling team had the third highest GPA among NCAA Division I programs, trailing only Harvard and Brown. To compete on the mat at AU, academic standing counts. "It's a lifestyle commitment that an AU wrestler makes," said head coach Teague Moore. The team also received All-Academic Team status from the National Wrestling Coaches Association.

SG President Forges Path for Future

Taylor Dumpson, SPA '18, is AU Student Government president for 2017–18. The first female African American to be elected, she joined a student leadership team considered to be the most racially and ethnically diverse in AU history. For her dedicated community work, she was awarded the Newman Civic Fellowship by the national nonprofit Campus Compact.

LEED Gold for Law School's Tenley Campus

Washington College of Law's (WCL) Tenley Campus received LEED Gold certification from the US Green Building Council as the first class of students to be educated entirely at the new campus completed its first year.

The overall environment at Tenley engenders a strong foundation for student success. "The sense of brightness, the openness, and the modernity of the space enhances our feeling of optimism about the future," said Dean Camille Nelson.

Designed with an eye toward excellence, the campus—accessible, tech savvy, and energy efficient—was built to inspire and encourage high levels of achievement. The state-of-the-art site contains 37,000 square feet of teaching space, a law library with 847 seats, an outdoor courtyard, and five courtrooms. Light-filled interiors and landscaped grounds and gardens promote reflection, collaboration, and community.

WCL is proud to be a leader in sustainability, and Nelson intends to continue the school's investment by bolstering the environmental law and justice programs.

UNDERGRADUATE EXCELLENCE

GOING THE DISTANCE FOR FULBRIGHT

Distance freestyle swimmer and exemplary student-athlete Shannon Scovel, SOC/BA '17, showed stamina in—and out of—the pool. Her extraordinary performance won her a Fulbright Scholarship to pursue a master's in gender studies at the University of Stirling in Scotland and the President's Award for top undergraduate at AU.

Scovel maintained a near-4.0 GPA while competing on the swimming and diving team for four years, including a stint as captain. In her view, athletics fueled her excellence in the classroom: "I think swimming really helped. I had a team, so I was accountable to them. I was doing my academic work for me, but I was also doing it for the team," she said.

A member of the *Eagle* staff, Scovel served as editor in chief of the student newspaper in 2015–2016. She got jobs interning at *Sports Illustrated* and *USA Today*. AU connections led to valuable experiences, like reporting from the Washington Wizards locker room and attending the White House Correspondents' Association annual dinner.

"They're such unique [opportunities] that are offered by professors who really care and want to put you out into the real world," she said. "SOC and AU have been so good to me. I can't even express enough gratitude."

AU was the culmination of a dream she had since she was seven years old. Her parents were athletes at the University of Maryland–College Park: her mom was a gymnast and her dad was a wrestler. Growing up in Cary, North Carolina, Scovel also yearned to compete at the college level, and she found her sport of choice in the swimming pool.

"It's a sport that really requires you to dig deep and push yourself—and I thought that was so thrilling, so I kept going with it."

At AU she earned her bachelor's degree in journalism, with a minor in political science. Scovel wrote her AU Honors capstone on media representation of women in sports, and she'll focus on similar issues in graduate school in Scotland.

As for her career plans, she hopes to pursue long-form Olympic sports reporting.

> **"I was doing my academic work for me, but I was also doing it for the team."**
>
> **—SHANNON SCOVEL, SOC/BA '17**

TWO FOR TRUMAN SCHOLARSHIPS

The Harry S. Truman Scholarship Foundation named Lexi Ivers, SPA/BA '18, and Shyheim Snead, SPA/BA '18, Truman Scholars for their leadership, academic success, and commitment to public service.

Ivers—a Philadelphia native and adoptee formerly in foster care—started her own organization, Junior Youth Action D.C., to provide mentorship, professional development, and mental health services for local foster care kids.

"Having stable, loving parents—that's a privilege, and not everyone has it," said Ivers. "Unfortunately, some children were born into really terrible circumstances, and that can set the trajectory for their life. So we try to combat that, and we try to provide a family structure." Ivers plans to attend law school and hopes eventually to tackle this problem through adoption law.

Snead, who was AU's student trustee, is a Frederick Douglass Distinguished Scholar and had the honor of introducing President Sylvia Mathews Burwell to the campus community. He grew up in Bridgeport, Connecticut, an area beset by economic distress, crime, and struggling schools. "Statistically, I'm not supposed to be sitting here," he said about winning the scholarship.

A political science major with a minor in education, Snead led an alternative break to New Orleans to examine access to education in the post-Hurricane Katrina environment—an experience he described as transformative.

Passionate about education, he is exploring how life outside the classroom can influence student success. After graduation, he would like to pursue a master's in public policy, with an interdisciplinary focus on urban communities.

As Truman Scholars, Ivers and Snead each receive $30,000 for graduate studies and access to career and graduate school counseling. They also partake in a week of activities at the Harry S. Truman Library and Museum in Independence, Missouri.

ETIQUETTE DINNER PREPARES ATHLETES FOR LIFE

Orin R. Smith had an aptitude for aphorisms, like "We never really grow up; we only learn how to act in public." To honor the legacy of her late husband, Stephanie Bennett-Smith made a $500,000 gift to endow an annual Orin R. Smith Life Skills Etiquette Dinner for student-athletes. The eponymous capstone event reflects the couple's interest in AU's life skills curriculum, part of the Leadership Development Series of the Student-Athlete Support Program, a Patriot League initiative. No Miss Manners-type training, this: the curriculum reinforces and builds on the values ingrained by athletic discipline and competitive training.

"We strive to create an environment where athletes achieve their full potential on and off the court," said athletics director Billy Walker. "We celebrate the responsibility, initiative, integrity, and respect that players bring to all they do through their experience as student-athletes. The Orin R. Smith Life Skills Etiquette Dinner is an important part of extending those important attributes built through athletics."

Bennett-Smith has dedicated her career to students and education. She is a member of AU's Board of Trustees and president emerita of Centenary College in New Jersey.

"Orin and I always looked at the opportunity in front of us, not as paying backwards," Bennett-Smith told students at the April dinner. "What was really important was to pay forward, and we're paying forward with you all. You are the future—and doing what we can to help you achieve that future is perhaps the most important thing we could do."

In expressing his gratitude, Walker said, "The impact of your generous gift will be felt through the years as these student-athletes, and those who come after, take the valuable lessons learned in this life skills program and apply them to a lifetime of leadership and service."

ACTIVE LEARNING

NEW STUDENTS EXPLORE DC

Incoming first year and transfer students get a double dose of active learning and community service during Explore DC, a two-day Welcome Week event cosponsored by the Center for Community Engagement and Service and the Office of Orientation, Transition and Retention.

They devote one day to engage in service activities—which have ranged from serving meals to the homeless to delivering ice cream to senior citizens to assisting a nonprofit with data entry—and one day to experiencing DC's culture, history, and resources. For many, it is also a chance to get familiar with DC's Metro system.

Students visited the Central American Resource Center (CARECEN) in Mount Pleasant, where they learned about the arduous path to citizenship from coordinator Gabrielle Velasco, SIS/BA '15, SPA/MPAP '19. Velasco recalls visiting CARECEN herself as a first year student at AU.

"I remember that our site leader and the organization were so open to teaching [us] about things," she said. "So I really make a point to do this every year and try to give students a sense of what DC's about."

During another service outing, AU president Sylvia Burwell joined students at Martha's Table, a nonprofit that provides food and clothing to children and families in need.

A stop at the *Washington Post* newsroom provided an opportunity to meet AU graduates on staff there. "The students, myself included, were in awe at the morning meeting and when we talked to a bunch of AU alumni," said Explore DC student leader and journalism major Mike Brest, SOC/BA '18. "It seemed pretty clear that they left feeling inspired, as many plan to enter the field of journalism."

"I really try to give students a sense of what DC's about."

—GABRIELLE VELASCO, SIS/BA '15, SPA/MPAP '19

ACADEMIC OPPORTUNITIES

EASING THE SHIFT FROM COLLEGE TO CAREER

If graduation from college is a heady time, it can also be stressful. Uncertainty about the future, what to do next, and how to get there are some of the questions that prospective graduates confront. For those who are wondering whether to go for a degree or a job, desiring to strengthen their graduate school applications, or wanting to jumpstart or change their career, they have an excellent resource in the School of Professional and Extended Studies Graduate Professional Studies (GPS) program.

GPS introduces students to graduate-level course work without the long-term commitment and provides guidance for specialized research or internships, enabling them to build on their areas of study and expand their professional networks. The emphasis on applied learning enables recent grads to study and make connections in Washington, DC.

"I wasn't sure which route I would take," said Allan Saunders, SIS/BA '14, who completed a double major in international studies and psychology. "GPS allowed me to have a taste of both the academic and professional future following graduation."

Qualified students must have completed a bachelor's degree and be prepared to begin a job search or pursue a graduate degree. The goal is to help them set a path toward a successful career in one of six fields: biotechnology, global business and trade, international affairs, US politics and policy, sports management and media, or diplomacy, defense, and development. The flexible, 9-credit program consists of a seminar, an internship or research course, and an elective.

"I would recommend [GPS] for anyone standing at the crossroads of opportunity who is struggling to choose amongst the sea of possibilities," said Saunders, adding, "It was like being handed a road map after spending months lost on the road to adulthood."

> **"It was like being handed a road map after spending months lost on the road to adulthood."**
>
> **—ALLAN SAUNDERS, SIS/BA '14**

BACKPACK DOCUMENTARY—EN ESPAÑOL

A new course created by film and media arts professor Bill Gentile offers students the opportunity to tell powerful, intimate stories—in Spanish. Gentile, a teacher and practitioner of backpack journalism, has reported extensively in Latin America. He is a journalist in residence in the School of Communication.

The course, Backpack Documentary en Español, benefits aspiring foreign correspondents and other would-be journalists. "You can't get under the skin of a culture, or a people, or a country, if you don't speak their language. You can communicate with them. You can exchange information with them. But you can't really discern how they think," Gentile said.

Graduate student Natalie Hutchison, who is part Peruvian, published a personal essay about her experience with the course. "Diversity within ourselves should not be taken as a disadvantage, but we should take ownership of it, embracing it as an opportunity to deepen our understanding of our own identity and the identities of others," she wrote.

The course also helps nonnative Spanish speakers become conversant in the language of a significant and growing demographic in the United States, said Gentile, who hopes his work helps establish a welcoming environment for Latina and Latino students on campus.

"I want there to be a safe space for students who speak the language," he said. "And it's not just a safe space but a space where students feel that they belong."

The SOC course is cross-listed with the World Languages and Cultures Department in the College of Arts and Sciences. Senior professorial lecturer Ludy Grandas, originally from Colombia, teaches topics courses in Spanish. A former student of Gentile, she said that while she had no film background, she thought the course could help her teach Latin American cinema.

"It's learning a new kind of language," she said. "It's a visual language."

IN BRIEF

ACTION

Theory Meets Reality at National Research Conference

The School of Public Affairs again sent six students to the National Conference on Undergraduate Research, hosted by the University of Memphis, to present their diverse research studies. "Being surrounded by fellow undergraduates who are also passionate about research was an incredible experience," said Matthew Wilson, BA '17. "I really enjoyed seeing the application of some of the theories and knowledge I learned in my classes."

New Museum Evokes American Experience

Since its opening, the National Museum of African American History and Culture has seen unparalleled "dwell time" among visitors, who average six-plus hours in the 400,000-square-foot facility on weekends. For the decade of groundwork he devoted to readying the museum for its debut, founding director Lonnie Bunch, CAS/BA '74, MA '76, received the NAACP President's Award.

Professor Comes Full Circle

Priya Doshi credits the Washington Semester Program (WSP) in the School of Professional and Extended Studies with launching her career in international communications. While she earned her bachelor's and master's elsewhere, it was through WSP that she landed her first internship with a policy think tank. The rest is history: 15 years later, she returned to AU—and DC—as a lecturer in the School of Communication.

Future Journalists' Night Out with the Titans

Four top journalism students scored seats at the White House Correspondents' Dinner as guests of CNN. Selected by faculty and School of Communication staff for their academic and professional achievements and service, they concurred that the experience of meeting and hearing industry titans invigorated their enthusiasm to pursue careers in the field. It was a great opportunity for them to hear about "the continued importance of the journalism profession in our democracy," said Justin Bernstine, assistant dean for undergraduate academic services.

SIS Hosts Model G20 Summit

Do you know what happens at the G20 Summit? AU students do. The School of International Service hosted its first Model G20 Summit (MG20), providing an opportunity for students to replicate an actual Group of 20 leaders conference. Speakers from the German embassy and G20 negotiators kicked off the event, the first of its kind at a US university.

Jane Goodall Delivers Message of Hope

Just hours after President Trump signed an executive order reversing the United States' approach to climate change, renowned conservationist and ethologist Jane Goodall delivered an optimistic lecture at the School of International Service. Known for her groundbreaking scientific work with chimpanzees since the 1960s and her tireless activism, Goodall called for hope, peace, and conservation action.

Faculty, Staff, and Students Get Green Together

A green-conscious group of faculty and staff who put their passion for environmental sustainability into practice right here on campus has been honored with AU's first Faculty and Staff Collaboration Award.

Environmental science professor Kiho Kim and staff from the offices of Sustainability and Facilities Management are recipients of the first award, which recognizes efforts to break down barriers and make AU an exceptional place to live and work. The award is one of several initiatives inspired by Reinventing the Student Experience (RiSE) to promote an inclusive and relationship-centered environment.

Among those sharing the honor are Megan Zanella-Litke, director of sustainability programs. She mentored a student team that developed a mobile app for an audiovisual tour of AU's sustainability features. Senior groundskeeper Michelle Fish and students calculated rates of carbon sequestration in hundreds of campus arboretum trees.

Grounds operations manager Stephanie DeStefano and landscape architect Mike Mastrota worked with students to get AU certified in environmental planning by the Audubon Cooperative Sanctuary Program, a labor-intensive effort that included placing birdbaths and bird feeders around campus.

BUILDING AN INCLUSIVE CAMPUS CULTURE

Progress is being made toward meeting the goals of AU's Diversity and Inclusion Plan, including bringing more people of color onto the faculty and offering new resources to students who come from diverse racial and economic backgrounds.

Students eligible for Pell Grants account for 20 percent of the incoming class, a figure that has doubled since 2007. When it comes to new tenure-line faculty, 44 percent self-identify as people of color—26 percent as black or African American.

Other examples include the launch of the new Diversity and Inclusion website; the hiring of a consultant to help campus leaders plan, act, and measure ongoing progress toward greater inclusion; an Anti-Defamation League briefing on bias incidents and hate crimes; and the holding of the AUx2 pilot course on race, identity, and inclusion.

Important contributions to scholarship on racism and race relations are expected from Ibram X. Kendi, a bestselling author who is now a professor of history and international relations. Kendi's book *Stamped from the Beginning: The Definitive History of Racist Ideas in America* won the 2016 National Book Award for Nonfiction.

Kendi inaugurated the Antiracist Research and Policy Center, a place for faculty and students to generate cutting-edge research on race, inequality, and discrimination as those issues intersect in the fields of education, environment, politics, economics, health care, and criminal justice.

These and other developments are in keeping with the work begun under the leadership of President Sylvia Burwell's predecessor, Neil Kerwin, who established AU's first Diversity and Inclusion Plan. The President's Council on Diversity and Inclusion was formed to help monitor progress on the initiative. While indications are that the plan is off to a good start, Burwell says there's more to do.

"Given the challenges facing higher education, our nation, and our world, I think there is no better time for American University to assert its considerable strengths, to lead and convene thought leaders, and take on the world's thorniest problems," she said. "I welcome the opportunity to help AU expand its scholarly influence, enhance the student experience, and be a model for inclusion and innovation at a time when these ideals are vitally important."

STUDENT EXPERIENCE

NEW COURSES DEEPEN DIALOGUE

The second year of AU's ambitious plan to transform the student service infrastructure and create a new national model for student success—RiSE (Reinventing the Student Experience)—included the successful implementation of two pilot courses.

American University Experience I (AUx1) helps first-year students transition to college, while AUx2, a class on race, identity, and inclusion, covers race theory and implicit bias. Though the number of students who took the courses was small, assessment data from both proved very encouraging.

AUx1 students were more intent on returning to AU for their second fall term, had an increased sense of satisfaction with their social life, and were more familiar with campus resources. Students enrolled in AUx2 credited the course with informing how they now speak, behave, and think about issues of race and social identity. These students were far more likely than other new students to say that they feel included on campus.

The courses will be mandatory for all incoming first-year and transfer students beginning in 2018–2019.

"We wanted students to have a grounding to begin . . . an educated conversation," said School of Communication professor Angie Chuang, who created the course. "A conversation that came from a place of knowledge, a place of historical fact, as well as sociological and psychological theory."

Other RiSE initiatives in year two included development of a new internal communication tool that will enable advisors, guides, and students to have real-time access to the same information and to structural changes that streamline services. For example, Housing and Dining units were separated, and writing centers in Campus Life and Academic Affairs were consolidated under the dean of undergraduate studies.

A grant from the Andrew W. Mellon Foundation supported the initial phase of RiSE. Still to come, as RiSE is fully implemented over the next four years, are an enterprise-wide approach to relationship-centered communication and a greater sense of commitment to a shared mission of helping students have a successful experience. The vision for the latter comes in part from a visit RiSE leaders made to the Cleveland Clinic, a model for improving patient satisfaction.

In ensuing years, leaders will explore the feasibility of a design lab to experiment and innovate within the standards established by RiSE; the culture change would be shaped by analytics and constantly improved through small pilots and experiments that either fail fast or scale up.

It is all being done with one goal in mind: to create a more integrated and holistic student experience.

KERWIN'S LEGACY IN FINANCIAL AID

ANSARY FOUNDATION GIVES $1M FOR SCHOLARSHIPS

Cyrus Ansary, alumnus and former chairman of the Board of Trustees, understands the importance of guaranteeing meaningful resources for the university's highest priorities. In recognition of this commitment to students, and to honor the dedicated service of Ansary's friend and colleague Neil Kerwin, the Ansary Foundation donated $1 million this year to support new student scholarships, creating one of AU's largest endowed funds.

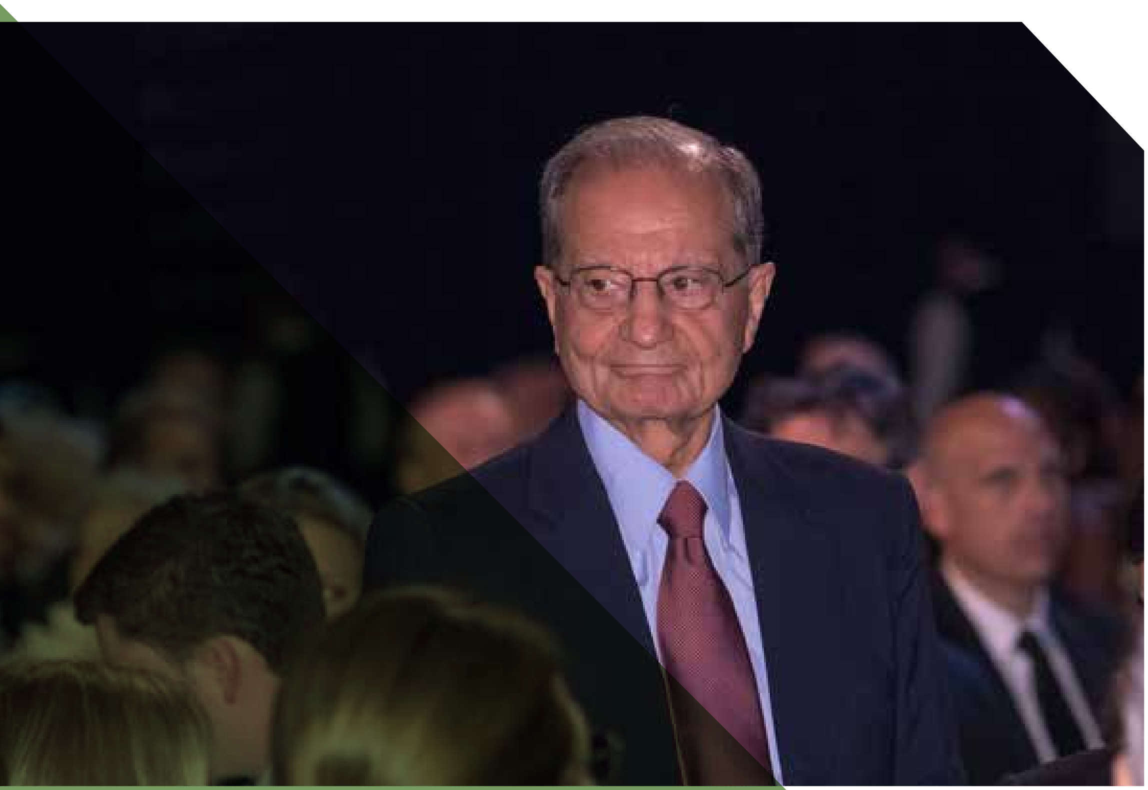
The Ansary-Kerwin Scholarships were named to recognize the work and achievements of the former university president and to celebrate the Ansary family's long affiliation with American University.

These scholarships will be awarded to deserving sophomores, juniors, or seniors demonstrating financial need, with a preference for those studying science, math, communications, business, American history, public administration, or international service. Philanthropic support, such as the Ansary family's, ensures that an AU education is accessible, attainable, and affordable for talented and high-performing students eager for all that such an experience offers.

Ansary's connections to American University are deep. He earned a BS from the College of Arts and Sciences in 1955. On the Board of Trustees from 1969 to 1996, Ansary served as chair from 1981 through 1989 and as chairman emeritus since then. Two of his children are alumni: Pary Ansary Davis, BA '86, and Douglas Ansary, MBA '97; son Jeffrey Ansary recently joined the Kogod Advisory Council.

The Cyrus A. Ansary Medal, established in 1990, is the highest award bestowed by the university each year to an individual of great distinction and leadership in civic and corporate affairs. Previous recipients include J. Willard Marriott Jr., David Lloyd Kreeger, Alan L. Meltzer, Robert Kogod, and Silvia Kay Greenberg.

Generous donors like Ansary have provided important opportunities for students. More than 350 AU scholarships are endowed, providing continuing support in perpetuity. Approximately 500 students are beneficiaries of scholarships, fellowships, and awards each year.



AU HONORS PRESIDENT EMERITUS KERWIN

More than 125 donors—including the entire Board of Trustees—contributed and pledged more than $1 million to endow the Kerwin Family Emergency Financial Aid Fund, a testament to the impact that former president Neil Kerwin and his family have had on the university.

As president, Kerwin led policy changes to ensure affordability and access to an AU education. Yet some students still face unexpected financial obstacles that threaten the continuation of their studies. It is such extraordinary situations that prompted Kerwin and his family to personally support the emergency financial aid fund that makes it possible for students to remain at AU. As an endowed fund bearing the Kerwin family name, emergency financial aid now is secured in perpetuity.

In addition, the board voted unanimously to name Kerwin president emeritus in recognition of his accomplishments—advances in academic and research rigor, expansion of facilities, strengthened financial stability, and elevated profile—during his decade as president. He concluded his tenure on May 31, 2017.

Kerwin has had a long association with the university, as a student, faculty member, dean, and provost, before becoming AU's 14th president. "Neil has devoted his entire adult life to making American University a better place," said board president Jack Cassell. "Over the course of his 40-plus years at the university, AU has grown and advanced. As a result of his steadfast leadership, the entire AU community—students, faculty, staff, alumni, and donors—has been inspired to work together to move AU forward."

The Board of Trustees also renamed the former Ward Circle Building, which houses the School of Public Affairs, Kerwin Hall.

"The board wishes to add this additional landmark to the American University campus as an abiding testament to your upstanding leadership, inclusive style, and tremendous character," Cassell announced at the dinner. "The board wants to honor and recognize the lifetime commitment that you have made. No one better exemplifies our motto, 'Once an Eagle, always an Eagle.'"

After a sabbatical, Kerwin will return to the School of Public Affairs faculty, where he holds an appointment in the Department of Public Administration and Policy.

AU AT A GLANCE

12,614
total full-time enrollment

7,945
undergraduates

3,334
graduate students

1,335
law students

CARNEGIE CLASSIFICATION
R2: Doctoral Universities
Higher Research Activity

$46,615
tuition and fees

$14,702
average housing and meal costs

6
LEED Certified buildings
+ 4 on track

94%
faculty hold highest degree in their field

70%
of graduates received need- or merit-based financial aid

RECORD YEAR IN FUND-RAISING COMMITMENTS

$61.12M
new gifts and pledges*

79%
increase in commitments over FY2016

*includes $18.85M Airlie gift

SUSTAINABILITY PLEDGE
carbon neutral by 2020

WAMU 88.5
AMERICAN UNIVERSITY RADIO

#1
NPR station in the US*

#1
station in the DC region**

73,000
members

307,000
contributions

*Spring 2017 PPM, eRANKS Metro AQH, persons 6+
**Washington, DC, Metro; Spring 2017 PPM; Monday–Sunday 6 a.m.–midnight; persons 6+ per Nielsen Audio

OUR STUDENTS

31%
of color

144
countries

50
states + DC

NEW TENURE-LINE FACULTY

44%
of color

1 in 4
African American

65%
undergraduates pursue alternative spring break, language immersion, or study abroad

156 programs

49 countries

6 continents

8
schools

- College of Arts and Sciences
- Kogod School of Business
- School of Communication
- School of Education
- School of International Service
- School of Professional and Extended Studies
- School of Public Affairs
- Washington College of Law

27
online master's degrees and certificates

STUDENT-ATHLETES

3.43
average GPA

(highest in AU history)

#69
national universities ranking

U.S. News and World Report

#4
Truman Scholarships 2008–2017

(tied with Duke, Cornell, and universities of Chicago, Pennsylvania, and Arkansas)

29.4% admit rate

32.5% yield rate

92%
AU grads working or in grad school, or both*

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

A1 Moody's 2015

A+ S&P 2017

UNIVERSITY ADMINISTRATION

PRESIDENT'S CABINET

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Teresa Flannery, Vice President of Communication
Douglas Kudravetz, Chief Financial Officer, Vice President and Treasurer
Courtney L. Surls, Vice President of Development and Alumni Relations
David Swartz, Vice President and Chief Information Officer
David E. Taylor, Chief of Staff and Secretary, Board of Trustees

ACADEMIC LEADERSHIP

Christine BN Chin,* Interim Dean, School of International Service
Mary L. Clark, Dean of Academic Affairs and Senior Vice Provost
Nancy Davenport, University Librarian
John T. Delaney, Dean, Kogod School of Business
Cheryl Holcomb-McCoy, Dean, School of Education
Camille A. Nelson, Dean, Washington College of Law
Jeffrey Rutenbeck, Dean, School of Communication
Peter Starr, Dean, College of Arts and Sciences
Jonathan Tubman, Vice Provost for Research and Dean of Graduate Studies
Jessica L. Waters,* Vice Provost for Academic Student Services and Dean of Undergraduate Education
Carola Weil, Dean, School of Professional and Extended Studies
Vicky M. Wilkins, Interim Dean, School of Public Affairs

SENIOR ADMINISTRATORS

Raina Lenney, Assistant Vice President, Alumni Relations and Annual Giving
Beth Muha, Assistant Vice President, Human Resources
William Walker, Director, Athletics and Recreation

BOARD OF TRUSTEES

* alumna or alumnus of American University

FINANCIAL STATEMENTS

2016-2017

"We move forward knowing that our achievements have been based on adherence to sound financial management, disciplined investment, and thoughtful planning."

DOUGLAS KUDRAVETZ | CFO, VICE PRESIDENT AND TREASURER

From the CFO, Vice President and Treasurer

In recent years, American University has prospered with the continued growth and modernization of our campus, a reputation for academic excellence, and consistently strong finances. We move forward knowing that our achievements have been based on adherence to sound financial management, disciplined investment, and thoughtful planning. The university's total assets stand at $1.85 billion and net assets at $1.2 billion. Standard & Poor's and Moody's reaffirmed AU's A+ and A1 credit ratings, respectively, and our total endowment stands at $642 million.

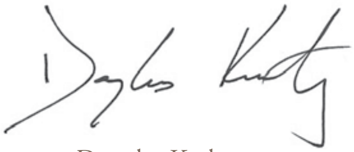
To support the sciences as the fastest growing area of undergraduate study at AU, we are planning a new state-of-the-art Hall of Science that will house the departments of biology, environmental sciences, chemistry, and neuroscience. Initial designs for the building put it on track to receive Leadership in Energy and Environmental Design (LEED) Gold certification. The university already has six LEED-certified buildings, including 4401 Connecticut Avenue NW (home to WAMU, University Communications and Marketing, and Development and Alumni Relations) and Cassell Hall, our first residence hall to be certified.

This past year, we received the generous gift of the Airlie Center, a magnificent property set on more than 300 acres in Warrenton, Virginia, and containing historic Airlie House and a village of guest rooms and meeting facilities. For more than half a century, Airlie has welcomed global leaders, heads of state, and diplomats, who have convened here for conferences and programs dedicated to social progress, education, environmental research, and public health. The center has become known internationally as an exceptional meeting destination.

The university is honored to be entrusted with the stewardship of this special property, and we thank the Airlie Foundation for this special gift. We have already begun farming operations and will soon bring farm-to-table food to our Terrace Dining Room at AU for student meals. Our long-term goal is to carry on Airlie's legacy and use the facility to its maximum advantage for AU's academic initiatives.

This is truly an exciting time for American University. As we look toward the future under the leadership of President Burwell, we are energized by the opportunities and possibilities ahead.

Sincerely,



Douglas Kudravetz

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF TRUSTEES OF AMERICAN UNIVERSITY:

We have audited the accompanying consolidated financial statements of American University (the "University") and its subsidiaries, which comprise the consolidated balance sheets as of April 30, 2017 and April 30, 2016, 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, 2017, and April 30, 2016, 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.

PricewaterhouseCoopers LLP

September 1, 2017

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

	(IN THOUSANDS)	2017	2016
	ASSETS		
1	Cash and cash equivalents	$ 17,482	$ 47,232
2	Accounts and University loans receivable, net	43,841	35,643
3	Contributions receivable, net	11,470	12,018
4	Prepaid expenses and inventory	5,586	2,093
5	Investments	934,104	842,261
6	Deposits with trustees/others	1,269	3,917
7	Deposits for collateralized swaps	28,407	41,934
8	Property, plant, and equipment, net	785,336	719,970
10	Interest in perpetual trust	17,935	16,958
11	Total assets	$1,845,430	$1,722,026
	LIABILITIES AND NET ASSETS		
	Liabilities		
12	Accounts payable and accrued liabilities	$ 65,679	$ 76,196
13	Deferred revenue and deposits	20,894	15,312
14	Notes payable and long-term debt	478,720	478,890
15	Swap agreements	73,980	85,645
16	Assets retirement obligations	1,667	1,781
17	Refundable advances from the US government	9,805	9,425
18	Deferred tax liability	1,427	-
19	Total liabilities	652,172	667,249
	Net assets		
20	Unrestricted	973,577	853,760
21	Temporarily restricted	104,184	92,138
22	Permanently restricted	115,497	108,879
23	Total net assets	1,193,258	1,054,777
24	Total liabilities and net assets	$1,845,430	$1,722,026

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED APRIL 30, 2017

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

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

	(IN THOUSANDS)	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 investment loss	(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 CASH FLOWS YEARS ENDED APRIL 30, 2017 AND 2016

	(IN THOUSANDS)	2017	2016
	CASH FLOWS FROM OPERATING ACTIVITIES		
1	Increase (decrease) in net assets	$138,481	$(2,143)
	Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
2	Contribution of Airlie Foundation	(17,410)	-
3	Contributed art and property	(119)	(7,462)
4	Net realized and unrealized investment (gains)/losses	(83,623)	44,412
5	Net gain on the disposal of fixed assets	-	(14,107)
6	Gain on asset retirement obligation	(193)	(521)
7	Change in fair value of interest rate swaps	(11,665)	9,464
8	Depreciation, amortization, and accretion	40,400	35,148
9	Changes in assets and liabilities		
10	(Increase) decrease in accounts and university loans receivable, net	(8,394)	161
11	Decrease (increase) in contributions receivable, net	548	(1,101)
12	Increase in prepaid expenses	(3,249)	(57)
13	Decrease in accounts payable and accrued liabilities	(30,539)	(10,691)
14	Increase in deferred revenue, deposits, and other refundable advance	4,286	276
15	Receipt of contributed securities	(1,530)	(787)
16	Contributions collected and revenues restricted for long-term investment	(4,030)	(3,436)
17	Sale of contributed securities	1,530	787
18	Benefit from deferred taxes	(15)	-
	CASH FLOWS FROM INVESTING ACTIVITIES		
20	Purchases of investments	(186,086)	(173,617)
21	Proceeds from sales and maturities of investments	177,550	164,672
22	Acquisition of Airlie Foundation	3,867	-
23	Proceeds from sale of property, plant, and equipment	-	45,204
24	Purchases of property, plant, and equipment	(64,094)	(105,403)
25	Capitalized interest	(3,820)	(5,340)
26	Increase (decrease) in deposits with trustees/other, net	16,175	(8,218)
	CASH FLOWS FROM FINANCING ACTIVITIES		
28	Student loans issued	(1,030)	(1,236)
29	Student loans repaid	1,450	1,400
30	Issuance of debt	40,000	30,000
31	Repayment of debt	(42,409)	(30,285)
32	Debt issuance costs	139	140
33	Proceeds from contributions restricted for:		
34	Investment in plant	1,859	1,348
35	Investment in endowment	2,171	2,088
38	Cash and cash equivalents at beginning of year	47,232	76,536
	SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
40	Cash paid during year for interest	$ 19,812	$ 19,795
41	Contribution of Airlie Foundation	13,543	-
42	Contributed securities	1,530	787
43	Contributed art and property	119	7,462
43	Accrued payment for property, plant, and equipment	19,235	14,464

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 889 full-time faculty members in seven academic divisions and approximately 13,350 students, of whom 8,070 are undergraduate students and 5,270 are graduate students. The University attracts students from all 50 states, the District of Columbia, Puerto Rico, and nearly 130 foreign countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

CLASSIFICATION OF NET ASSETS

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

Unrestricted—Net assets not subject to donor-imposed stipulations

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

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

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

PRINCIPLES OF CONSOLIDATION

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

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

As disclosed in Note 3, the University acquired the Airlie Foundation (Airlie) on September 9, 2016, via a change of control. The results of Airlie from the acquisition date through April 30, 2017, are consolidated in the University's financial statements.

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

Investments with readily determinable fair values are recorded at fair value in the balance sheet. Investments include endowment funds and university working capital funds. Endowment income included in operating revenues consists of annual amounts allocated for spending of endowment funds in accordance with the University's spending policy. All realized and unrealized gains and losses from investments of endowment funds are reported as nonoperating 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. For these alternative investments, the University uses Net Asset Value ("NAV") as a practical expedient to determine fair value. Alternative investments are less liquid than the University's other investments. Furthermore, the investments in these limited partnerships, as well as certain mutual funds classified as equity securities, may include derivatives and certain private investments that do not trade on public markets and therefore may be subject to greater liquidity risk. See Note 7 for an explanation as to methodology for determining fair value.

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

PROPERTY, PLANT, AND EQUIPMENT, NET

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

REFUNDABLE ADVANCES FROM THE US GOVERNMENT

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. Such funds are ultimately refundable to the government. Approximately 43% and 42% of net tuition and fees revenue for the years ended April 30, 2017 and 2016, respectively, was funded by federal student financial aid programs (including loan, grant, and work-study programs).

ASSET RETIREMENT OBLIGATIONS

The University records asset retirement obligations in accordance with the accounting standard for the Accounting for Conditional Asset Retirement Obligations (ARO). This standard requires the fair value of the liability for the ARO to 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, 2017 and 2016, the accretion expenses were $79,000 and $85,000, respectively. The remediation for the current year ending April 30, 2017, was $193,000. No obligations were settled in April 30, 2017 and 2016.

TUITION, FEES, AND SCHOLARSHIPS

The University recognizes unrestricted revenues from student tuition and fees within the fiscal year in which the academic term is predominantly conducted. Deferred tuition and fees are included in deferred revenue liabilities in the statements of financial position.

Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, have been reported as a reduction of tuition revenues.

AUXILIARY ENTERPRISES

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

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

INCOME TAXES

The University has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the US 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 2017 and 2016.

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

FUNCTIONAL EXPENSES

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

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

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

In May 2015, the FASB issued ASU 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 consolidated financial condition, change in net assets, or cash flows.

In April 2015, the FASB issued ASU 2015-03, Interest–Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs. The standard requires all costs incurred to issue debt to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. The University adopted this accounting standard for the year ended April 30, 2017, and accordingly reclassified unamortized debt issuance costs of $2,591,000 and $2,730,000 from deferred financing fees for the years ended April 30, 2017 and 2016, respectively.

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

3. THE AIRLIE FOUNDATION ACQUISITION

THE AIRLIE FOUNDATION

The Airlie Foundation was incorporated in 1960 under the laws of the Commonwealth of Virginia as a not-for-profit nonstock corporation and is required to pay corporate income tax. It is engaged in the operation of an educational conference center and hotel located in Warrenton, Virginia. Airlie's organizational purpose is (1) to study and promote and to encourage and foster knowledge and understanding of and appreciation for the physical and social sciences, (2) in the field of adult education, to associate together and promote cooperation among administrators, scholars, scientific and professional groups, and others to engage in research and dissemination of impartial and authoritative findings on questions of national and international importance, and (3) to conduct an educational conference center for groups and organizations that have an educational purpose, and to hold, initiate, sponsor, aid in managing and directing, and to assist cooperative groups or organizations in holding meetings, assemblies, seminars, and conferences of a local, state, or national character.

CHANGE OF CONTROL

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

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

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

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

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

SUPPLEMENTAL PRO FORMA INFORMATION

The University's unrestricted revenue and changes in unrestricted net assets for the years ending April 30, 2017 and 2016, would have been the following if the University had acquired Airlie on May 1, 2015 (in thousands):

The following information has not been audited:

YEAR ENDED APRIL 30	UNRESTRICTED REVENUE	CHANGE IN UNRESTRICTED NET ASSETS
2017	$592,115	$119,693
2016	561,662	9,766

PUSHDOWN ACCOUNTING

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

4. ACCOUNTS AND UNIVERSITY LOANS RECEIVABLE, NET

Accounts and loans receivable, net, at April 30, 2017 and 2016, are as follows (in thousands):

		2017	2016
	Accounts receivable		
1	Student	$15,605	$13,737
2	Grants, contracts, and other	15,411	9,290
3	Accrued interest	636	590
4	Student loans	14,474	14,591
5		46,126	38,208
6	Less allowance for uncollectible accounts and loans	(2,285)	(2,565)
7		$43,841	$35,643

At April 30, 2017 and 2016, the University had an outstanding student loans receivable balance in the amount of $14.5 million and $14.6 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, 2017 and 2016.

5. CONTRIBUTIONS RECEIVABLE, NET

As of April 30, 2017 and 2016, unconditional promises to give were as follows (in thousands):

		2017	2016
	Amounts due in		
1	Less than one year	$10,131	$11,450
2	One year to five years	6,421	6,548
3	Over five years	584	1,126
4		17,136	19,124
5	Less unamortized discount	(781)	(914)
6	Less allowance for doubtful accounts	(4,885)	(6,192)
7		$11,470	$12,018

Contributions receivable over more than one year are discounted at rates ranging from 3.0% to 6.5%. New contributions received during fiscal years 2017 and 2016 were assigned a discount rate that is commensurate with the market and credit risk involved.

As of April 30, 2017 and 2016, the University had also received bequest intentions and conditional promises to give of $50.3 million and $35.2 million, respectively. These intentions to give are not recognized as assets. If the bequests are received, they will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department of the University. Conditional promises to give are recognized as contributions when the donor-imposed conditions are substantially met.

6. PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment and related accumulated depreciation and amortization at April 30, 2017 and 2016, are as follows (in thousands):

		2017	2016
8	Land and improvements	$ 51,971	$ 47,587
9	Buildings	960,141	822,783
10	Equipment	143,793	132,674
11	Construction in progress	20,083	74,736
12	Library and art collections	129,258	121,780
13		1,305,246	1,199,560
14	Less accumulated depreciation and amortization	(519,910)	(479,590)
15		$ 785,336	$ 719,970

Construction in progress at April 30, 2017 and 2016, relates to building improvements and renovations.

For the years ended April 30, 2017 and 2016, depreciation expense was approximately $40.3 million and $35.1 million, respectively.

CAPITALIZED INTEREST

Capitalized interest for the years ended April 30, 2017 and 2016, was $3.8 million and $5.3 million, respectively.

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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, 2017 (in thousands):

		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 2017
	Assets					
	Investments					
1	Cash and cash equivalents	$ 16,508	$ -	$ -	$ -	$ 16,508
2	Equity—corporate stocks	92,472	-	-	-	92,472
3	Equity—domestic funds	98,590	-	-	116,173	214,763
4	Equity—international funds	96,875	-	-	98,749	195,624
5	Equity—hedge funds	-	-	-	115,256	115,256
6	Equity—real asset funds	10,422	-	-	15,334	25,756
7	Equity—private equity funds	-	-	-	45,163	45,163
8	Fixed income—corporate bonds	-	28,560	-	-	28,560
9	Fixed income—government agency bonds	-	9,311	-	-	9,311
10	Fixed income—international bonds	-	70	-	-	70
11	Fixed income—US Treasury securities	14,811	-	-	-	14,811
12	Fixed income—domestic bond funds	175,188	163	-	459	175,810
13	Deposits with trustees	1,269	-	-	-	1,269
14	Interest in perpetual trust	-	-	17,935	-	17,935
15	Total assets at fair value	$506,135	$ 38,104	$ 17,935	$391,134	$953,308
	Liabilities					
16	Swap agreements	$ -	$ 73,980	$ -	$ -	$ 73,980
17		$ -	$ 73,980	$ -	$ -	$ 73,980

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 IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV) AS PRACTICAL EXPEDIENT	TOTAL FAIR VALUE AS OF APRIL 30, 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	193,055
4	Equity—international funds	90,403	-	-	86,863	177,266
5	Equity—hedge funds	-	-	-	102,436	102,436
6	Equity—real asset funds	10,376	-	-	1,648	12,024
7	Equity—private equity funds	-	-	-	35,850	35,850
8	Fixed income—corporate bonds	-	20,919	-	-	20,919
9	Fixed income—government agency bonds	-	8,698	-	-	8,698
10	Fixed income—international bonds	-	80	-	-	80
11	Fixed income—US Treasury securities	21,809	-	-	-	21,809
12	Fixed income—domestic bond funds	173,415	115	-	455	173,985
13	Deposits with trustees	3,917	-	-	-	3,917
14	Interest in perpetual trust	-	-	16,958	-	16,958
15	Total assets at fair value	$479,749	$ 29,812	$ 16,958	$336,617	$ 863,136
	Liabilities					
16	Swap agreements	$ -	$ 85,645	$ -	$ -	$ 85,645
17		$ -	$ 85,645	$ -	$ -	$ 85,645

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

- Cash Equivalents–Cash equivalents primarily consist of deposits in money market funds and short-term investments. These are recorded either at cost approximating fair value or 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 that are privately held. The valuations of the funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value or interest in the fund shares. The 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 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. These deposits are classified as Level 1.

- Interest in Perpetual Trust–Beneficial interest in perpetual trust held by third parties are valued using the fair value of the trust assets. The trust assets are priced using unadjusted market quotes. Based on the terms of the existing agreement, the assets must be retained in perpetuity. Therefore, they are classified within Level 3.

- Swap Agreements–Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of and specific risks inherent in the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain interest rate swap arrangements have inputs that can generally be corroborated by market data and are therefore classified within Level 2.

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

CHANGES IN LEVEL 3 ASSETS

The following table is a roll-forward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above for the years ended April 30, 2017 and 2016 (in thousands):

		INTEREST IN PERPETUAL TRUST	
		2017	2016
1	Beginning balance at May 1	$16,958	$18,285
2	Total gains or losses (realized/unrealized) included in earnings	977	(1,327)
	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	$17,935	$16,958
10	Total gains or losses for the year included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end	$ 977	$ (1,327)

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, 2017.

INVESTMENTS THAT CALCULATE NET ASSET VALUE

Investments in certain entities that calculate net asset values at April 30, 2017 and 2016, are as follows (in thousands):

		APRIL 30, 2017			
		FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
8	Domestic equity funds	$116,173	$ -	daily	same day
9	International equity funds	98,749	-	daily, biweekly	same day–5 days
10	Domestic bond funds	459	-	daily	same day
11	Real asset funds	15,334	34,148	n/a	n/a
12	Hedge funds	115,256	-	monthly, annually	2–90 days
13	Private equity funds	45,163	38,408	n/a	n/a
14	Total	$391,134	$72,556		

		APRIL 30, 2016			
		FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
15	Domestic equity funds	$109,365	$ -	daily	same day
16	International equity funds	86,863	-	daily, biweekly	same day–5 days
17	Domestic bond funds	455	-	daily	same day
18	Real asset funds	1,648	18,080	n/a	n/a
19	Hedge funds	102,436	1,447	monthly, annually	2–90 days
20	Private equity funds	35,850	39,896	n/a	n/a
21	Total	$336,617	$59,423		

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

For the years ended April 30, 2017 and 2016, the University's investment management fees were approximately $1.4 million and $1.5 million, respectively.

INVESTMENT INCOME

Total net investment income for the years ended April 30, 2017 and 2016, consist of the following (in thousands):

		2017			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1	Endowment income	$ 11,451	$ 6,587	$ 143	$ 18,181
2	Investment income	7,400	698	-	8,098
3	Realized and unrealized net capital gains	68,053	11,566	1,578	81,197
4	Total	$ 86,904	$18,851	$ 1,721	$107,476
	Operating				
5	Investment income	$ 7,400	$ 698	$ -	$ 8,098
6	Endowment income	2,973	915	(19)	3,869
7	Allocated from nonoperating	8,478	5,672	162	14,312
	Nonoperating				
8	Realized and unrealized net capital losses	76,531	17,238	1,740	95,509
9	Allocation to operations	(8,478)	(5,672)	(162)	(14,312)
10	Total	$ 86,904	$18,851	$ 1,721	$107,476

		2016			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
11	Endowment income	$ 10,524	$ 6,033	$ 163	$ 16,720
12	Investment income	7,199	706	-	7,905
13	Realized and unrealized net capital gains	(33,363)	(14,554)	(1,583)	(49,500)
14	Total	$(15,640)	$(7,815)	$(1,420)	$(24,875)
	Operating				
15	Investment income	$ 7,199	$ 706	$ -	$ 7,905
16	Endowment income	2,670	856	6	3,532
17	Allocated from nonoperating	7,854	5,177	157	13,188
	Nonoperating				
18	Realized and unrealized net capital gains	(25,509)	(9,377)	(1,426)	(36,312)
19	Allocation to operations	(7,854)	(5,177)	(157)	(13,188)
20	Total	$(15,640)	$(7,815)	$(1,420)	$(24,875)

8. NOTES PAYABLE AND LONG-TERM DEBT

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

Notes payable and long-term debt at April 30, 2017 and 2016, consists of the following (in thousands):

		2017	2016
	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	21,936	22,245
12	Total special-purpose debt	58,936	59,245
13	Total debt	$481,311	$481,620
14	Deferred financing fees	(2,591)	(2,730)
15	Total notes payable and long-term debt	$478,720	$478,890

The principal balance of notes payable and long-term debt outstanding as of April 30, 2017, is due as follows (in thousands):

	Year ending April 30	
16	2018	$ 21,936
17	2019	-
18	2020	15,000
19	2021	-
20	2022	97,000
21	Thereafter	347,375
22		$481,311

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 December 2017. 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).

As of April 30, 2017, the University was in compliance with all financial 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, 2017, was 1.09%.

The Series 1999 bonds are general unsecured obligations of the University and bear interest at a variable rate, payable weekly. The proceeds from the bonds were used to repay a mortgage note prior to its scheduled maturity. The interest rate at April 30, 2017, was 1.25%.

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, 2017, was 1.25%.

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, 2017, was 0.90%.

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 US 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 semiannually.

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 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 $40 million of commercial paper. As of April 30, 2017, there were no borrowings under the commercial paper note program.

NOTES PAYABLE

In 2001, the University issued a $22 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, 2017 was 1.43%.

In 2003, the University issued a $15 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, 2017, was 1.43%.

MORTGAGE PAYABLE

In 2012, the LLC purchased an office building to house its public radio station, WAMU 88.5, and other administrative offices. The University, as the sole owner of the LLC, assumed the existing mortgage on the property of $23.2 million. The mortgage payable balance was paid in full on August 31, 2017. The interest rate on April 30, 2017, was 6.37%.

9. INTEREST RATE SWAPS

The University has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate long term debt. The interest rate swap agreements were not entered into for trading or speculative purposes. At April 30, 2017, 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, 2017, is $74 million, for which the University has posted collateral of $28.4 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2017, the University would be required to post an additional $45.6 million of collateral to its counterparties. The University is also exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the University does not anticipate nonperformance by the counter parties.

Derivatives at April 30, 2017 and 2016, are as follows (in thousands):

LIABILITY DERIVATIVES

		BALANCE SHEET LOCATION	2017 FAIR VALUE	2016 FAIR VALUE
	Derivatives not designated as hedging instruments			
1	Interest rate contracts	Swap agreements	$73,980	$85,645

		LOCATION OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES	AMOUNT OF GAIN (LOSS) RECOGNIZED IN STATEMENT OF ACTIVITIES 2017	2016
	Derivatives not designated as hedging instruments			
2	Interest rate contracts	Realized and unrealized net capital gains	$11,665	$(9,464)

10. ENDOWMENTS

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

PERMANENTLY RESTRICTED NET ASSETS—INTERPRETATION OF RELEVANT LAW

The Board of Trustees has interpreted the District of Columbia enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies permanently restricted net assets as (1) the original value of gifts to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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, 2017, is as follows (in thousands):

		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1	Donor-restricted endowment funds	$ -	$87,866	$104,509	$192,375
2	Board-designated endowment funds	429,625	-	-	429,625
3	Total endowment funds	$429,625	$87,866	$104,509	$622,000

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

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

		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
9	Donor-restricted endowment funds	$ -	$76,300	$97,452	$173,752
10	Board-designated endowment funds	384,337	-	-	384,337
11	Total endowment funds	$384,337	$76,300	$97,452	$558,089

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

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 $6,280 at April 30, 2017. These deficiencies resulted from market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Trustees. Deficient funds as of April 30, 2016, were $353,000.

RETURN OBJECTIVES, RISK PARAMETERS, AND STRATEGIES

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

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

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

11. EMPLOYEE BENEFIT PLANS

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

The University's contribution to these plans was approximately $16.8 million and $16.2 million for the years ended April 30, 2017 and 2016, respectively. The University expects to contribute approximately $17.3 million to the plans in fiscal year 2018.

POSTRETIREMENT HEALTH CARE PLAN

The University provides certain health care 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, 2017, and April 30, 2016, respectively.

Net periodic postretirement benefit cost for the years ended April 30, 2017 and 2016, includes the following components (in thousands):

		2017	2016
1	Service cost	$ 508	$ 498
2	Interest cost	675	726
3	Amortization of transition obligation over 20 years	-	-
4	Amortization of net loss	-	-
5	Net periodic postretirement benefit cost	$ 1,183	$ 1,224

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, 2017 and 2016, using a measurement date of April 30 (in thousands):

		2017	2016
	Change in accumulated postretirement benefit obligation		
1	Accumulated postretirement benefit obligation at beginning of year	$21,064	$21,348
2	Service cost	508	498
3	Interest cost	675	726
4	Net actuarial (gain)/loss	(869)	(436)
5	Plan participants' contributions	616	699
6	Benefits paid	(1,952)	(1,771)
7	Accumulated postretirement benefit obligation at end of year	$20,042	$21,064
	Change in fair value of plan assets		
8	Fair value of plan assets at beginning of year	$ -	$ -
9	Plan participants' contributions	616	699
10	Employer contributions	1,336	1,072
11	Benefits paid	(1,952)	(1,771)
12	Fair value of plan assets at end of year	$ -	$ -
	Reconciliation of funded status		
13	Funded status	(20,042)	(21,064)
14	Postretirement benefit liability	$(20,042)	$(21,064)

The following table sets forth the amounts not recognized in the net periodic benefit cost for the years ended April 30, 2017 and 2016 (in thousands):

		2017	2016
	Amounts not recognized in net periodic benefit cost		
15	Net actuarial gain/(loss)	$ 226	$ (643)
16	Transition obligation	-	-
17	Amounts included in unrestricted net assets	$ 226	$ (643)

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):

		2017	2016
18	Amortization of net actuarial gain/(loss)	$ -	$ -

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

		2017	2016
19	New actuarial loss/(gain)	$ (869)	$ (436)
20	New prior service (cost)/credit	$ -	$ -

The weighted discount rate used in the actuarial valuation at the April 30, 2017, and April 30, 2016, measurement dates is as follows:

		2017	2016
1	End-of-year benefit obligation	3.50%	3.30%
2	Net periodic postretirement benefit cost	3.30%	3.50%

A 6.5% health care cost trend rate was assumed for fiscal year 2017, with the rates in the following fiscal years assumed to be 6.0%, 5.5%, 5.2%, and 5.1%, until reaching an ultimate rate of 5.0% in fiscal year 2023 and 2024, and thereafter. A decrease in the assumed health care cost trend rate of 1.0% would increase the aggregate of the service and interest cost by approximately $131,422 and $122,000 for 2017 and 2016, respectively, and decrease the accumulated postretirement benefit obligation at April 30, 2017 and 2016, by approximately $950,000 and $998,000, respectively. A decrease in the assumed health care cost trend rate of 1.0% would decrease the net periodic postretirement benefit cost by approximately $110,798 and $101,000 for 2017 and 2016, respectively, and the accumulated postretirement benefit obligations at April 30, 2017 and 2016, by approximately $833,000 and $867,000, 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	2018	$1,182,846	$1,267,027	$84,181
4	2019	1,224,159	1,313,615	89,456
5	2020	1,359,632	1,359,632	-
6	2021	1,380,558	1,380,558	-
7	2022	1,413,630	1,413,630	-
8	2023–2027	7,134,598	7,134,598	-

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 $0.7 million and $2.3 million, respectively, for the fiscal year ended April 30, 2017 and 2016.

12. EXPENSES

For the years ended April 30, 2017 and 2016, the University's program services and supporting services were as follows (in thousands):

		2017	2016
	Program services		
9	Instruction	$ 182,002	$ 171,884
10	Research	50,830	51,881
11	Public service	27,726	24,908
12	Academic support	59,629	60,320
13	Student services	44,929	44,765
14	Total program services	365,116	353,758
	Supporting services		
15	Institutional support	94,070	93,510
16	Auxiliary enterprises	75,531	58,313
17		$ 534,717	$ 505,581

For the years ended April 30, 2017 and 2016, the University's fundraising expenses totaled approximately $16.4 million and $19.2 million, respectively. The expenses are included in institutional support in the accompanying statements of activities.

13. NET ASSETS

Temporarily restricted net assets consist of the following at April 30, 2017 and 2016 (in thousands):

		2017	2016
1	Unspent contributions and related investment income for instruction and faculty support	$ 100,743	$ 87,422
2	Gifts received for construction of facilities	3,441	4,716
3		$ 104,184	$92,138

Permanently restricted net assets were held, the income of which will benefit the following at April 30, 2017 and 2016 (in thousands):

		2017	2016
4	Permanent endowment funds, for scholarships and related academic activity	$ 90,593	$ 85,270
5	Interest in trust assets	17,935	16,958
6	Student loans	6,969	6,651
7		$115,497	$108,879

14. OPERATING LEASES

The University leases office space and buildings used for student housing with terms ranging from 1 to 10 years. One of the leases for office space expired in 2017, and the remainder will expire in 2018. The leases for student housing do not expire until 2020. Additionally, the University leases radio station space that does not expire until 2020. Minimum lease payments under these agreements are as follows (in thousands):

	Year ending April 30	
8	2018	$1,827
9	2019	1,134
10	2020	160
11	2021	83
12	2022	85
13	Thereafter	272
14		$3,561

Rent expense in 2017 and 2016 was approximately $1.9 million and $2.2 million, respectively.

15. INCOME TAXES

As discussed in Note 3, Airlie is a taxable non-stock corporation. The University accounts for income taxes based on the liability method, and deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in results of operations in the period that includes the enactment date. Valuation allowances are recorded against deferred tax assets when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in evaluating whether it is more likely than not that deferred tax assets will be realized.

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

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

The University has analyzed its filing positions related to Airlie in each jurisdiction where required to file income tax returns and believes that its income tax filing positions will be sustained on audit. To date, Airlie has not been audited by the IRS or any state jurisdictions and remains subject to examination by US federal and various state authorities for the years 2013 forward. Additionally, Airlie has not been assessed interest or penalties by taxing jurisdictions. In the event Airlie is assessed interest and/or penalties, those costs will be classified in the consolidated statements of activities as income tax expense.

Airlie has US federal and state net operating loss (NOL) carryforwards of approximately $11 million, which will begin expiring in 2030. The timing and manner in which Airlie will utilize the NOL carryforwards in any year, or in total, may be limited in the future as a result of alternative minimum taxes, changes in the Airlie's ownership, and any limitations imposed by the states in which Airlie operates.

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

		EFFECTIVE INCOME TAX RATE	INCOME TAX
1	Amount at the statutory federal income tax rate	34.00%	$ (418,224)
2	State income taxes, net of federal tax benefit	3.96%	(48,711)
3	Change in valuation allowance for deferred tax assets	-35.26%	433,733
4	Others	-0.19%	190
5	Total	2.51%	$ (33,012)

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

	Deferred tax assets	
6	NOL carryforwards	$ 4,143,850
7	Others	76,764
8	Credits	11,303
		4,231,917
	Deferred tax liabilities	
9	Depreciation	(1,537,418)
10		(1,537,418)
11	Valuation allowance	(4,121,878)
12	Net deferred tax liabilities	$(1,427,379)

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

Airlie paid $0 for income taxes for the year ending April 30, 2017.

The components of income tax expense as of April 30, 2017, are as follows:

Current	
Federal	$ -
State	-
	$ -
Deferred	
Federal	$ (29,568)
State	(3,444)
	$ (33,012)

16. COMMITMENTS AND CONTINGENCIES

At April 30, 2017 and 2016, commitments of the University under contracts for construction of plant facilities amounted to approximately $19.2 million and $63.1 million, respectively.

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

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

17. RELATED PARTIES

Members of the University's Board of Trustees and their related entities contributed approximately $2.0 million and $722,000 during the years ended April 30, 2017 and 2016, respectively, which is included in contribution revenue in the accompanying statements of activities. Also for the years ended April 30, 2017 and 2016, approximately $3.1 million and $3.4 million, respectively, were included in contribution receivable in the accompanying balance sheets.

On October 1, 2015, the University, Shorelight Education LLC, and Shorelight-Capitol LLC signed an agreement to establish the International Accelerator Program at the University to increase the international student population. Shorelight-Capitol LLC is a wholly owned subsidiary of Shorelight Education LLC, with shared governance and shared economic upside participation by the University. 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, 2017, the University had an outstanding receivable balance of $1.6 million from Shorelight-Capitol LLC.

18. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 1, 2017, which is the date the financial statements were issued. Subsequent to April 30, 2017, the University entered into commitments with various investment fund managers totaling $59.7 million. Additionally, as noted in Note 8, the University paid the mortgage payable balance in full on August 31, 2017. Nothing was noted that affects the financial statements as of April 30, 2017.

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