



GEORGE MASON UNIVERSITY
FOUNDATION, INC.

**GEORGE MASON UNIVERSITY FOUNDATION, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

*June 30, 2021 with Summarized Comparative Information
for June 30, 2020*

And Report of Independent Auditor

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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Report of Independent Auditor

To the Board of Trustees
George Mason University Foundation, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of the George Mason University Foundation, Inc. and Subsidiaries (the “Foundation”), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 the auditor’s 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, the auditor considers internal control relevant to the Foundation’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 Foundation’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 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 the Foundation as of June 30, 2021, and the changes in net assets and cash flows for the year then ended, ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the Foundation's 2020 consolidated financial statements and we have expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 30, 2020. In our opinion, the comparative information, including the summarized comparative information, presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplemental information on pages 5 and 6 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Chung Bekant LLP". The signature is written in a cursive, flowing style.

Tyson's Corner, Virginia
October 29, 2021

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	GMU Foundation, Inc.	Real Estate Subsidiaries	June 30, 2021	June 30, 2020
Assets				
Cash and cash equivalents	\$ 3,236,085	\$ 13,852,127	\$ 17,088,212	\$ 20,989,192
Restricted cash and cash equivalents	—	6,126,043	6,126,043	5,362,266
Contributions receivable, net	21,076,441	—	21,076,441	21,937,837
Investments	312,375,476	—	312,375,476	246,649,297
Beneficial interest in perpetual trusts	13,090,982	—	13,090,982	10,765,605
Property and equipment, net	11,177,990	44,472,798	55,650,788	56,969,659
Land held for sale	—	—	—	6,211,054
Net investment in direct financing leases	—	80,656,992	80,656,992	84,196,705
Other assets	1,553,067	4,096,291	5,649,358	6,207,443
Total Assets	\$ 362,510,041	\$ 149,204,251	\$ 511,714,292	\$ 459,289,058
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 3,474,106	\$ 970,278	\$ 4,444,384	\$ 10,565,593
Amounts held for others	34,991,934	—	34,991,934	22,756,912
Notes and bonds payable	—	134,552,970	134,552,970	142,129,546
Other liabilities	552,804	3,994	556,798	907,037
Total Liabilities	\$ 39,018,844	\$ 135,527,242	\$ 174,546,086	\$ 176,359,088
Net Assets				
Without donor restrictions	\$ 23,639,474	\$ 13,677,009	\$ 37,316,483	\$ 30,558,173
With donor restrictions	299,851,723	—	299,851,723	252,371,797
Total Net Assets	\$ 323,491,197	\$ 13,677,009	\$ 337,168,206	\$ 282,929,970
Total Liabilities and Net Assets	\$ 362,510,041	\$ 149,204,251	\$ 511,714,292	\$ 459,289,058

The accompanying notes to the financial statements are an integral part of this statement.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	<u>GMU Foundation, Inc.</u>				
	Without Donor Restrictions	With Donor Restrictions	Real Estate Subsidiaries	Year Ended June 30, 2021	Year Ended June 30, 2020
Support and Revenue					
Contributions, net loss on uncollectible contributions of \$193,643 and \$179,829	\$ 225,810	\$ 74,314,398	\$ —	\$ 74,540,208	\$ 91,069,809
Investment returns, net	2,716,830	33,555,386	23,676	36,295,892	3,420,094
Service fees	2,643,955	—	—	2,643,955	2,040,427
Rental income	459,756	—	10,860,737	11,320,493	11,536,279
Interest on direct financing leases	—	—	5,108,960	5,108,960	5,459,001
Trust and other income	68,844	2,804,715	—	2,873,559	155,362
Net assets released from restrictions	63,077,317	(63,077,317)	—	—	—
Total Support and Revenue	69,192,512	47,597,182	15,993,373	132,783,067	113,680,972
Operating Expenses					
Program support for George Mason University					
Academic institutional support	74,881,984	—	—	74,881,984	100,170,733
Real estate operations	163,551	—	10,291,085	10,454,636	11,070,919
Management and general	2,263,303	—	—	2,263,303	2,243,163
Fundraising	223,547	—	—	223,547	574,403
Total Operating Expenses	77,532,385	—	10,291,085	87,823,470	114,059,218
Change in Net Assets from Operations	(8,339,873)	47,597,182	5,702,288	44,959,597	(378,246)
Non-Operating Activity					
Gain (loss) on sale of land	9,232,495	(117,256)	—	9,115,239	1,614,297
Gain on extinguishment of debt	163,400	—	—	163,400	—
Gain on termination of life insurance contract	—	—	—	—	863,922
Loss on valuation of land held for sale	—	—	—	—	(871,000)
Loss on defeasance of debt	—	—	—	—	(2,553,488)
Total Non-Operating Activity	9,395,895	(117,256)	—	9,278,639	(946,269)
Change in Net Assets	1,056,022	47,479,926	5,702,288	54,238,236	(1,324,515)
Net Assets, beginning of year	\$ 22,583,452	\$ 252,371,797	\$ 7,974,721	\$ 282,929,970	\$ 284,254,485
Net Assets, end of year	\$ 23,639,474	\$ 299,851,723	\$ 13,677,009	\$ 337,168,206	\$ 282,929,970

The accompanying notes to the financial statements are an integral part of this statement.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION – REAL ESTATE
SUBSIDIARIES

JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	GMUF Commerce Buildings, LLC	GMUF Potomac Heights, LLC	June 30, 2021	June 30, 2020
Assets								
Cash and cash equivalents	\$ 9,708,419	\$ 2,403,829	\$ 325,037	\$ 432,802	\$ 210,504	\$ 771,536	\$ 13,852,127	\$ 12,069,116
Restricted cash and cash equivalents	3,626,980	—	750,033	1,749,030	—	—	6,126,043	5,362,266
Property and equipment, net	44,472,798	—	—	—	—	—	44,472,798	45,760,821
Net investment in direct financing lease	—	24,738,095	13,557,944	27,747,531	3,754,026	10,859,396	80,656,992	84,196,705
Other assets	4,083,620	—	—	—	12,671	—	4,096,291	4,065,989
Total Assets	\$ 61,891,817	\$ 27,141,924	\$ 14,633,014	\$ 29,929,363	\$ 3,977,201	\$ 11,630,932	\$ 149,204,251	\$ 151,454,897
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 383,913	\$ 76,193	\$ 144,204	\$ 323,569	\$ 17,315	\$ 25,084	\$ 970,278	\$ 1,005,627
Notes and bonds payable	46,288,407	26,164,200	14,727,580	31,374,330	3,593,288	12,405,165	134,552,970	142,129,546
Other liabilities	3,994	—	—	—	—	—	3,994	345,003
Total Liabilities	\$ 46,676,314	\$ 26,240,393	\$ 14,871,784	\$ 31,697,899	\$ 3,610,603	\$ 12,430,249	\$ 135,527,242	\$ 143,480,176
Net Assets								
GMUF Arlington Campus, LLC	\$ 15,215,503	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,215,503	\$ 11,120,322
GMUF Mason Administration, LLC	—	901,531	—	—	—	—	901,531	591,623
GMUF Prince William Housing, LLC	—	—	(238,770)	—	—	—	(238,770)	(489,624)
GMUF Prince William Life Sciences Lab, LLC	—	—	—	(1,768,536)	—	—	(1,768,536)	(2,149,389)
GMUF Commerce Buildings, LLC	—	—	—	—	366,598	—	366,598	347,360
GMUF Potomac Heights, LLC	—	—	—	—	—	(799,317)	(799,317)	(1,445,571)
Total Net Assets	\$ 15,215,503	\$ 901,531	\$ (238,770)	\$ (1,768,536)	\$ 366,598	\$ (799,317)	\$ 13,677,009	\$ 7,974,721
Total Liabilities and Net Assets	\$ 61,891,817	\$ 27,141,924	\$ 14,633,014	\$ 29,929,363	\$ 3,977,201	\$ 11,630,932	\$ 149,204,251	\$ 151,454,897

The accompanying notes to the financial statements are an integral part of this statement.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED SUPPLEMENTAL STATEMENT OF ACTIVITIES – REAL ESTATE
SUBSIDIARIES

FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	GMUF Commerce Buildings, LLC	GMUF Potomac Heights, LLC	Year Ended June 30, 2021	Year Ended June 30, 2020
Support and Revenue								
Investment returns, net	\$ 18,200	\$ 4,337	\$ 83	\$ 203	\$ 197	\$ 657	\$ 23,676	\$ 177,102
Rental income	10,601,643	—	—	—	259,094	—	10,860,737	11,026,669
Interest on direct financing leases	—	1,312,009	767,404	1,806,379	175,252	1,047,915	5,108,960	5,459,001
Total Support and Revenue	10,619,843	1,316,346	767,487	1,806,582	434,543	1,048,572	15,993,373	16,662,772
Operating Expenses								
Administrative	1,740,159	48,050	58,299	96,444	31,877	50,050	2,024,879	2,348,583
Depreciation and amortization	1,633,818	—	—	—	—	—	1,633,818	1,618,552
Interest expense	1,992,638	958,388	458,334	1,329,285	148,482	352,268	5,239,395	5,359,859
Utilities and other	1,158,047	—	—	—	234,946	—	1,392,993	1,637,280
Total Operating Expenses	6,524,662	1,006,438	516,633	1,425,729	415,305	402,318	10,291,085	10,964,274
Non-Operating Activity								
Loss on defeasance of debt	—	—	—	—	—	—	—	(2,553,448)
Total Non-Operating Activity	—	—	—	—	—	—	—	(2,553,448)
Change in Net Assets	4,095,181	309,908	250,854	380,853	19,238	646,254	5,702,288	3,145,050
Net Assets, beginning of year	\$ 11,120,322	\$ 591,623	\$ (489,624)	\$ (2,149,389)	\$ 347,360	\$ (1,445,571)	\$ 7,974,721	\$ 4,829,771
Net Assets, end of year	\$ 15,215,503	\$ 901,531	\$ (238,770)	\$ (1,768,536)	\$ 366,598	\$ (799,317)	\$ 13,677,009	\$ 7,974,821

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

<i>For the year ended June 30,</i>	2021	2020
Cash Flows from Operating Activities		
Changes in net assets	\$ 54,238,236	\$ (1,324,515)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	1,748,184	1,687,458
Amortization of debt issuance costs and bond premium	138,465	129,213
Change in discount on contributions receivable	(375,785)	(1,072,514)
Unrealized and realized investment (gains)/losses	(33,448,192)	438,626
Interest on direct financing leases	(5,108,960)	(5,459,001)
Change in value of split interest agreements	(2,356,455)	399,044
Stock contributions	(125,748)	(262,087)
Contributions restricted for long-term purposes	(5,498,801)	(9,785,357)
Loss on defeasance of debt	—	2,553,489
Gain on sale of land	(9,115,239)	(1,614,297)
Gain on extinguishment of debt	(163,400)	—
Loss on valuation of land held for sale	—	871,000
Donation of long-lived assets	—	(4,510,000)
Gain on termination of life insurance contract	—	(863,922)
Deferred income tax expense	—	27,862
Loss on uncollectible contributions	193,643	179,829
Change in assets and liabilities:		
Contributions receivable	1,043,538	45,220,290
Other assets	477,248	354,438
Accounts payable and accrued expenses	(6,121,209)	1,576,892
Unearned rent	—	5,381
Other liabilities	(350,239)	(682,187)
Amounts held for others	12,235,022	9,873,720
Net Cash Provided by Operating Activities	7,410,308	37,743,362
Cash Flows from Investing Activities		
Proceeds from sale of investments	111,162,330	87,635,313
Purchases of investments	(143,283,491)	(144,388,149)
Purchases of property and equipment	(348,124)	(612,937)
Proceeds from sale of property and equipment/land	15,325,941	10,797,071
Payments received on direct financing lease	8,648,673	8,637,301
Net Cash Used in Investing Activities	(8,494,671)	(37,931,401)
Cash Flows from Financing Activities		
Proceeds from contributions in perpetual endowments	5,498,801	9,785,357
Proceeds from Federal government debt program	163,400	—
Increase in deferred loan costs	—	(322,009)
Proceeds from issuance of long-term debt	—	15,370,000
Repayments of debt	(7,715,041)	(23,511,473)
Net Cash Provided by (Used in) Financing Activities	(2,052,840)	1,321,875
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(3,137,203)	1,133,836
Cash, Cash Equivalents, and Restricted Cash , beginning of year	26,351,458	25,217,622
Cash, Cash Equivalents, and Restricted Cash , end of year	\$ 23,214,255	\$ 26,351,458
Supplemental Disclosure of Cash Flow Activities		
Interest paid and expensed	\$ 5,127,200	\$ 5,358,428

The accompanying notes to the financial statements are an integral part of this statement.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note A—Organization

The George Mason University Foundation, Inc. (the “Foundation”) seeks to promote the advancement of the University as an institution of higher education by managing, investing, and administering private gifts, including endowment and real property. The Foundation was incorporated on November 21, 1991, as a nonstock corporation under the laws of the Commonwealth of Virginia to receive, invest and administer property, and to make expenditures for the benefit of George Mason University (the “University”).

The Foundation is an entity independent of the University, though it operates to support the University. The Foundation is not a subsidiary of the University and is not legally directly or indirectly controlled by the University. The assets of the Foundation are exclusively the property of the Foundation. The University is not accountable for, and has no ownership of, any of the financial and capital resources of the Foundation. The University has no authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Trustees of the Foundation makes all decisions regarding the business and affairs of the Foundation.

Note B—Summary of significant accounting policies

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of George Mason University Foundation, Inc. and the following entities (collectively, “Real Estate Subsidiaries”) which are 100% owned by the Foundation:

GMUF Arlington Campus, LLC,
GMUF Mason Administration, LLC,
GMUF Prince William Housing, LLC,
GMUF Prince William Life Sciences Lab, LLC,
GMUF Commerce Buildings, LLC, and
GMUF Potomac Heights, LLC

All intercompany transactions are eliminated in consolidation.

Basis of Accounting – The accompanying consolidated financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation – The Foundation’s net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restriction. This includes funds that are designated for discretionary use by the Foundation, real estate operations, board-designated funds functioning as endowments, as well as board-designated funds intended to be used as reserves.

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. This includes the historical dollar amounts of the gifts, and earnings required to be added to the corpus as stipulated by the donor.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note B—Summary of significant accounting policies (continued)

Functional Allocation of Expenses – The costs of providing the various program and supporting services have been summarized on a functional basis. Academic institutional support consists of resources disbursed to, and spent in support of, the University, in accordance with donor restrictions. The vast majority of the Foundation's expenses are directly allocated to the function to which they support. Fundraising expenses represent amounts expended in support of University Advancement.

Measure of Operations – The accompanying consolidated statements of activities distinguish between operating and nonoperating activities. Operating activities include all revenues and expenses that are an integral part of the Foundation's programmatic and supporting activities, such as contributions, investment return, and rental income. Nonoperating activities include activities which are considered to be nonrecurring in nature.

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments – The carrying values of financial instruments including investments, contributions receivable, investment in direct financing leases, other assets, accounts payable and accrued expenses, notes and bonds payable, long-term debt, amounts held for others, and other liabilities approximate fair value.

Income Taxes – The Foundation is exempt from federal income taxes under Internal Revenue Code ("IRC") section 501(c)(3) and is classified by the Internal Revenue Service ("IRS") as an organization that is not a private foundation. It is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Under IRS provisions and the applicable income tax regulations of the Commonwealth of Virginia, the Foundation is exempt from taxes on income other than unrelated business income.

The Foundation's primary source of unrelated business income is from rental income received from tenants unrelated to the University at the GMUF Arlington Campus, LLC, a commercial office building. Income taxes paid totaled \$372,500 and \$704,000 for the years ended June 30, 2021 and 2020, respectively.

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation has processes in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The tax years ended June 30, 2018 through 2021 are still eligible for review for both federal and state purposes. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Income tax expense is classified as an operating expense within the consolidated statement of financial position.

Cash, Cash Equivalents, and Restricted Cash – Cash and cash equivalents consist of cash and money market funds including overnight repurchase agreements, except those money market funds held for long-term investment purposes. Restricted cash consists of cash and money market funds restricted for debt service, tenant improvements, and repairs and maintenance.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note B—Summary of significant accounting policies (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total shown in the statements of cash flows at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 17,088,212	\$ 20,989,192
Restricted cash and cash equivalents	6,126,043	5,362,266
	<u>\$ 23,214,255</u>	<u>\$ 26,351,458</u>

Contributions Receivable – Contributions receivable are unconditional promises to give. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made, adjusted to include a risk premium. Amortization of the discounts is included in contribution revenue.

The Foundation uses the allowance method to account for amounts, if any, of its contributions receivable, which are considered uncollectible. The Foundation bases its assessment of the allowance for doubtful pledges on historical losses and current economic conditions.

Conditional promises to give are not included as support until the conditions are substantially met.

Donated Goods and Space – During the years ended June 30, 2021 and 2020, the Foundation was a beneficiary of donated goods and services. Donated goods are gifted for the benefit of the University to provide greater resources towards University programs. Items donated to the Foundation are recorded as contributions and support at the estimated market values at the date of donation. The value of donated goods and services for the years ended June 30, 2021 and 2020 were:

	2021	2020
Donated rent	\$ 37,845	\$ 37,845
Educational licenses	-	16,400,000
Automobiles	-	26,457
Artwork, books, and other support	1,306,732	178,180
	<u>\$ 1,344,577</u>	<u>\$ 16,642,482</u>

Investments – Investments are stated at fair value. The Foundation’s investments in mutual funds are valued at the net asset values (“NAV”) reported on the active markets in which the mutual funds are traded. The fair value of other debt and equity securities, such as bonds and common stock, with readily determinable market values are based on published market prices. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers, using NAV as a practical expedient. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note B—Summary of significant accounting policies (continued)

Beneficial Interest in Perpetual Trusts – The stated value of the beneficial interest in perpetual trusts is based on the estimated fair value of the assets held by the trusts. The fair values of the mutual funds included in the perpetual trusts are valued at NAVs reported on the active markets in which the mutual funds are traded. The fair value of other debt and equity securities with a readily determinable market value are based on published market prices.

Endowment Policy – The Foundation’s endowment seeks to maintain the growth of the present value of existing assets at a rate at least equal to the inflation rate plus the current spending rate. Effective fiscal year 2020, the Foundation implemented a banded inflation spending policy. For endowments in which the market value exceeds the original gift value, the prior year payout distribution will increase at the rate of the Consumer Price Index, with annual distributions to remain above 3% but not to exceed 6% of prior year fair market value. The endowment payout for accounts for which the market value is below the original gift value will receive a payout equal to 2% of the prior year fair market value. If the fair market value of an endowment is below 80% of the original gift value, no endowment payout will be made. Payout distributions for new, fully funded endowments, or gifts to existing endowments of \$25,000 or more, are calculated at 1.25% of the gift.

The allocation ranges for endowment assets during the current year are as follows:

Asset Class	Allocation Ranges
Cash or cash equivalents	0% to 10%
Domestic/global fixed income	10% to 45%
High yield fixed income	0% to 10%
Total fixed income	10% to 50%
Domestic equity	20% to 60%
Global equity, excluding US	10% to 40%
Total equity	30% to 70%
Hedge funds, private equity and real estate	10% to 40%
Managed futures/commodities	0% to 10%
Total alternative investments	10% to 50%

Amounts Held for Others – The Foundation maintains certain assets, primarily investments, on behalf of the University and several legally autonomous organizations and other programs associated with the University, such as the Alumni Association of George Mason University and University athletic organizations.

Debt Issuance Costs – The Foundation’s capitalized costs relate to the Real Estate Subsidiaries’ notes and bonds payable. These costs are presented in the consolidated statements of financial position as a direct deduction from the carrying amount of notes and bonds payable and are amortized over the life of the notes and bonds. Amortization expense for each of the years ended June 30, 2021 and 2020, totaled \$138,465 and \$134,906, respectively, and is included in interest expense on consolidated statements of activities.

Revenue Recognition – Contributions represent the Foundation’s primary source of revenue. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restrictions. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note B—Summary of significant accounting policies (continued)

The Foundation collects certain service fees including gift assessment fees, endowment management fees, and real estate services fees to support the cost of Foundation operations, carried on in support of the University. The Foundation considers these service fees to be without donor restrictions. These amounts totaled \$2,643,955 and \$2,040,427 in fiscal years 2021 and 2020, respectively, and are disclosed as service fees in the consolidated statement of activities.

Base rent income relating to the GMUF Arlington Campus, LLC is recognized on a straight-line basis, rather than in accordance with lease payment schedules, for the purpose of recognizing a constant annual rental income. Scheduled base rent increases and the effects of rent abatements are spread evenly over the terms of the respective leases. Differences between the straight-line rents recorded and the amounts actually received are included in other liabilities. The impact of the straight-line adjustment increased rental income by \$28,082 and \$212,987 as of June 30, 2021 and 2020, respectively.

The Foundation leases buildings associated with GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC, GMUF Prince William Life Sciences Lab, LLC, GMUF Commerce Buildings, LLC, and GMUF Potomac Heights, LLC to the University through direct financing leases. The lease terms range from 10 to 30 years. Interest on the direct financing leases is recognized over the lease term using the effective interest method.

Depreciation – Property and equipment having a cost in excess of \$5,000 are capitalized at cost. Donated assets in excess of \$5,000 are capitalized at the estimated fair value on the date received. Buildings, furniture, and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows: buildings, 25 to 45 years; building improvements, 3 to 27 years; and furniture and equipment, 3 to 7 years.

New Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. This guidance is intended to align lessor accounting and sale and leaseback transactions with comparable revenue guidance in the 2014 revenue recognition standard, FASB Accounting Standards Codification (ASC) 606, and provide additional information about the lessor’s leasing activities and exposure to credit and asset risk as a result of leasing. There are three classifications of leases under the new standard from the lessor standpoint: sales-type (replacing the former capital lease), direct financing, and operating. If a lease is not concluded to be a sales-type or direct financing lease, it is classified as an operating lease. For operating leases, the Lessor continues to hold the underlying asset and recognize lease income on a generally straight-line basis over the lease term.

From a lessee perspective, the new guidance is intended to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 requires not-for-profit lessees to report a right-of-use asset along with a lease liability.

The Foundation adopted ASU 2016-02 as of July 1, 2020. The lessor accounting for the Foundation’s operating and direct financing leases is consistent with years prior to adoption of Topic 842 (see Note J) and the Foundation does not have any lessee arrangements. The Foundation elected to apply practical expedients allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases. The Foundation also elected to apply the practical expedient not to separate nonlease components from lease components for its operating building leases.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note B—Summary of significant accounting policies (continued)

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which will replace the existing “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For trade and other receivables, loans and other instruments, the forward looking “expected loss” model will generally result in the earlier recognition of allowances for losses. In November 2018, FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarifies that operating lease receivables accounted for under Accounting Standards Codification (“ASC”) 842 are not in the scope of ASU 2016-13. Both ASUs were effective January 1, 2020 and require new disclosures. Both ASUs require a modified retrospective approach. The implementation of these ASUs had no material effect on the consolidated financial statements.

Note C—Financial assets and liquidity resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position sheet date, as of June 30, 2021 and 2020, include:

	2021	2020
Cash and cash equivalents	\$ 4,740,045	\$ 14,167,316
Accounts receivable and other assets	254,464	1,378,555
Short-term investments	19,417,824	2,685,862
	<u>\$ 24,412,333</u>	<u>\$ 18,231,733</u>

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. Restricted funds, available for expenditure, are restricted for specific purposes by donor direction and, therefore, not available for general expenditure for operations.

As of June 30, 2021 and 2020 the Foundation’s operating reserve was \$3,946,000 and \$4,351,000, respectively. The operating reserve is not included in the total financial assets available for expenditure as shown above. Board-designated reserve funds are an important mechanism to ensure the Foundation’s financial health and stability, to support the growth of its operations and programs, and to mitigate financial risks. Reserves are designated for key priorities and opportunities of strategic importance, and the amount and use of the reserves is linked to the Foundation’s mission and strategic goals to support the University. Reserves are available for general expenditure upon approval of the Board.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note D—Contributions receivable

Contributions receivable as of June 30 are as follows:

	2021	2020
Due in less than one year	\$ 6,049,728	\$ 8,449,279
Due in one to five years	15,315,686	14,098,342
Due in more than five years	818,662	776,050
	<u>22,184,076</u>	<u>23,323,671</u>
Less: allowance for doubtful accounts	(209,676)	(112,090)
Less: discount present value	(897,959)	(1,273,744)
	<u>\$ 21,076,441</u>	<u>\$ 21,937,837</u>

Discount rates range from 0.16% to 3.69% for the year ended June 30, 2021 and 0.20% to 3.69% for the year ended June 30, 2020.

As of June 30, 2021 and 2020, the Foundation had \$6,309,834 and \$6,489,079, respectively, of conditional promises to give. These conditional promises to give are not recognized as assets in the consolidated statement of financial position until the conditions are met.

Note E—Investments

Investments, which are reported at fair value, consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Cash and money market funds	\$ 13,170,091	\$ 11,737,019
Advanced capital contributions *	4,000,000	—
Fixed income	142,659,612	115,749,931
Equities	101,955,309	76,856,847
Liquid alternatives	13,361,814	10,369,641
Hedge funds	24,397,515	20,868,211
Private equity and real assets	16,831,135	11,067,648
	<u>\$ 312,375,476</u>	<u>\$ 246,649,297</u>

* Advanced capital contributions consist of contributions made by the Foundation to a hedge fund for which the Foundation received limited partnership units on July 1, 2021. The contributions are comprised of other investments redeemed as of June 30, 2021. There were no such transactions as of June 30, 2020.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note F—Split interest agreements

Beneficial Interest in Perpetual Trusts

The Foundation is a beneficiary in two perpetual trusts, both held and administered by independent trustees:

50% Beneficiary – The fair value of the Foundation’s portion of this trust at June 30, 2021 and 2020 totaled approximately \$10.7 million and \$8.8 million, respectively. Contributions from the trust totaled \$451,694 and \$447,371, respectively, for the years ended June 30, 2021 and 2020, and is included in support and revenue with donor restrictions. The change in value of the trust increased \$1,881,026 and decreased \$348,862 during the years ended June 30, 2021 and 2020, respectively. These amounts are included in support and revenue with donor restrictions as a component of trust and other income on the consolidated statement of activities.

100% Beneficiary – The fair value of the Foundation’s portion of this trust at June 30, 2021 and 2020 totaled approximately \$2.4 million and \$2.0 million, respectively. No additional contributions were received for the years ended June 30, 2021 or 2020. The change in value from the trust increased \$444,351 and decreased \$27,961, respectively, during the years ended June 30, 2021 and 2020. These amounts are included in support and revenue with donor restrictions as a component of trust and other income on the consolidated statement of activities.

Charitable Remainder Trusts and Charitable Gift Annuities

The Foundation holds charitable remainder trusts and charitable gift annuities, established and funded by donors. Distributions are paid to the beneficiaries over the agreements’ terms. Upon termination of the agreements, the Foundation will receive or retain the remaining assets. Liabilities are recorded at the net present value of the estimated future annuity payments. Life expectancies range from 2 to 18 years and discount rates range from 2% to 8%. The market value of the assets at June 30, 2021 and 2020 was \$468,158 and \$426,745, respectively. Liabilities related to these agreements were \$197,246 and \$186,911 at June 30, 2021 and 2020, respectively, and are included with other liabilities. During fiscal years 2021 and 2020, the Foundation received no new charitable gift annuities.

The activity related to the change in charitable trusts and gift annuities, recorded as trust and other income with donor restrictions, was an increase of \$56,064 and \$30,435 for the years ended June 30, 2021 and 2020, respectively.

Retained Life Estate

The Foundation holds a retained life estate, included in other assets, with a market value of \$583,000. A retained life estate is a type of split-interest agreement whereby a donor gifts real estate but retains the right to use the property until his or her death. The associated use obligation was \$355,484 and \$375,089 as of June 30, 2021 and 2020, respectively, and is included in other liabilities.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note G—Endowment

The Foundation’s endowment consists of approximately 580 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, 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. The Foundation’s endowment excludes contributions receivable and split interest agreements.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Commonwealth of Virginia’s 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 Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) income accumulations, if specified by the applicable donor gift instrument.

The Foundation appropriates for expenditure a portion of the donor-restricted endowment fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the endowment fund
- 2) The purposes of the Foundation 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 Foundation
- 7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 96,799	\$ —	\$ 96,799
Donor-restricted endowment funds:			
Original donor-restricted gift required to be maintained in perpetuity by donor	—	143,577,567	143,577,567
Accumulated earnings	—	29,323,449	29,323,449
Total endowment funds	\$ 96,799	\$ 172,901,016	\$ 172,997,815

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note G—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	\$ 81,337	\$	137,956,954	\$	138,038,291
Total investment return, net	18,944		33,156,368		33,175,312
Contributions	—		7,374,226		7,374,226
Appropriation of endowment assets for expenditure	(3,482)		(5,765,982)		(5,769,464)
Other changes	—		179,450		179,450
Endowment net assets, end of year	<u>\$ 96,799</u>	<u>\$</u>	<u>172,901,016</u>	<u>\$</u>	<u>172,997,815</u>

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions		With Donor Restrictions		Total
Board-designated endowment funds	\$ 81,337	\$	—	\$	81,337
Donor-restricted endowment funds:					
Original donor-restricted gift required to be maintained in perpetuity by donor	—		136,056,577		136,056,577
Accumulated earnings	—		1,900,377		1,900,377
Total endowment funds	<u>\$ 81,337</u>	<u>\$</u>	<u>137,956,954</u>	<u>\$</u>	<u>138,038,291</u>

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	\$ 84,179	\$	99,702,679	\$	99,786,858
Total investment return, net	530		(1,044,153)		(1,043,623)
Contributions	—		43,213,152		43,213,152
Appropriation of endowment assets for expenditure	(3,372)		(4,176,980)		(4,180,352)
Other changes	—		262,256		262,256
Endowment net assets, end of year	<u>\$ 81,337</u>	<u>\$</u>	<u>137,956,954</u>	<u>\$</u>	<u>138,038,291</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the fund of permanent duration. The Foundation has interpreted Commonwealth of Virginia UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. In accordance with accounting guidance for not-for-profit organizations, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021, no endowment accounts were underwater. As of June 30, 2020, funds with an original gift value of \$69,997,348 were underwater by \$2,880,355.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note G—Endowment (continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that emphasizes total return while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return at least equal to inflation plus the spending rate including administrative expenses, net of investment fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As summarized in Note B, the percentage appropriated for distribution, as a percentage of endowment market value, was 2.99% and 3.03% as of June 30, 2021 and 2020, respectively. The Foundation considers the long-term expected return on its endowment and the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Note H—Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of unobservable inputs.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note H—Fair value measurements (continued)

Level 2 fair value measurements are derived from the underlying assets of the perpetual and third-party trusts which substantially consists of investments with readily determinable fair values. The fair value of the assets in the third-party trusts is reduced by the net present value of the expected payments to other beneficiaries, discounted at a risk adjusted interest rate.

Other investments include those investments carried at NAV as published by the applicable fund manager, as a practical expedient.

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2021 and 2020, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Reported at NAV *	Total
Financial Assets:					
Cash and cash equivalents	\$ 13,170,091	\$ —	\$ —	\$ —	\$ 13,170,091
Advanced capital contributions	4,000,000	—	—	—	4,000,000
Equities:					
Domestic large cap	51,853,729	—	—	—	51,853,729
Domestic small/mid cap	9,289,882	—	—	—	9,289,882
International (developed countries)	33,055,936	—	—	—	33,055,936
International (emerging markets)	7,755,762	—	—	—	7,755,762
Fixed income:					
Corporate bonds	11,228,805	—	—	—	11,228,805
U.S. treasuries	5,083,427	—	—	—	5,083,427
Mutual funds and exchange traded funds	111,124,663	—	—	—	111,124,663
Agency mortgage backed and asset backed securities	—	15,222,717	—	—	15,222,717
Liquid alternatives	13,361,814	—	—	—	13,361,814
Hedge funds	—	—	—	20,397,515	20,397,515
Private equity and real assets	—	—	—	16,831,135	16,831,135
Investments	259,924,109	15,222,717	—	37,228,650	312,375,476
Beneficial interest in perpetual trusts	—	13,090,982	—	—	13,090,982
Total financial assets	\$ 259,924,109	\$ 28,313,699	\$ —	\$ 37,228,650	\$ 325,466,458

* Certain investments that are measured at NAV, as a practical expedient, have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note H—Fair value measurements (continued)

Measurement at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Reported at NAV *	Total
Financial Assets:					
Cash and cash equivalents	\$ 11,737,019	\$ —	\$ —	\$ —	\$ 11,737,019
Equities:					
Domestic large cap	39,968,876	—	—	—	39,968,876
Domestic small/mid cap	5,878,184	—	—	—	5,878,184
International (developed countries)	24,770,216	—	—	—	24,770,216
International (emerging markets)	6,239,571	—	—	—	6,239,571
Fixed income:					
Corporate bonds	14,891,257	—	—	—	14,891,257
U.S. treasuries	13,445,810	—	—	—	13,445,810
Mutual funds and exchange traded funds	68,618,085	—	—	—	68,618,085
Agency mortgage backed and asset backed securities	—	18,794,779	—	—	18,794,779
Liquid alternatives	10,369,641	—	—	—	10,369,641
Hedge funds	—	—	—	20,868,211	20,868,211
Private equity and real assets	—	—	—	11,067,648	11,067,648
Investments	195,918,659	18,794,779	—	31,935,859	246,649,297
Beneficial interest in perpetual trusts	—	10,765,605	—	—	10,765,605
Total financial assets	\$ 195,918,659	\$ 29,560,384	\$ —	\$ 31,935,859	\$ 257,414,902

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – multi-strategies ^(a)	\$ 20,397,515	\$ N/A	Daily, Monthly, Quarterly	30 days, 45 days, 65 days, 105 days
Private equity and real assets ^(b)	16,831,135	8,460,201	N/A	N/A
Total	\$ 37,228,650	\$ 8,460,201		

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note H—Fair value measurements (continued)

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2020:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – multi-strategies ^(a)	\$ 20,868,211	\$ N/A	Daily, Monthly, Quarterly, Annually	2 days, 30 days, 45 days 65 days, 105 days
Private equity and real assets ^(b)	<u>11,067,648</u>	<u>5,873,307</u>	N/A	N/A
Total	<u>\$ 31,935,859</u>	<u>\$ 5,873,307</u>		

(a) Hedge funds – Multi-strategies: This class includes investments that use multiple strategies to obtain absolute returns. Direct and indirect investments are made using capital structure arbitrage, distressed debt, equity long/short, multi-strategy credit, multi-strategy event driven, value and other trading strategies. The investments in this class are redeemable based on the redemption frequencies and notice periods described above. Some investments include “gates” which limit the percentage of the Foundation’s investments that can be redeemed at one time.

(b) Private equity and real assets: This class includes investments in private equity and real asset funds. The real asset funds invest in global real estate investments, utilizing a variety of strategies, for purpose of generating income and capital appreciation. The private equity funds, which include venture capital funds, make direct and indirect investments in privately and publicly issued debt equity securities. Strategies employed by the private equity funds include distress, growth equity, buyout, alternative credit, and opportunistic strategies across a variety of industries and geographies. A portion of this class also invests in social impact companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through liquidation of the underlying assets of the funds.

Note I—Property and equipment

The following comprises property and equipment at June 30, 2021 and 2020:

	2021	2020
Land	\$ 18,564,263	\$ 18,569,263
Buildings	60,302,189	60,302,189
Building improvements	6,112,848	5,762,159
Furniture and equipment	363,996	1,109,121
	<u>85,343,296</u>	<u>85,742,732</u>
Accumulated depreciation and amortization	<u>(29,692,508)</u>	<u>(28,773,073)</u>
Property and equipment, net	<u>55,650,788</u>	<u>56,969,659</u>
Land held for sale	\$ —	<u>6,211,054</u>

Depreciation expense was \$1,667,347 and \$1,606,621 for the years ended June 30, 2021 and 2020, respectively.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note I—Property and equipment (continued)

During fiscal year 2017, the Foundation entered into an agreement to sell a 36.7293-acre property located in Loudon County, Virginia to a third-party to be developed as a school site and for residential purposes. The land was originally gifted to the Foundation for development of a Loudon County campus. The affected property was sold in two phases, the first sale closed in September 2019 for a sales price of approximately \$10.9 million realizing a gain of approximately \$1.6 million and the second sale closed in December 2020 for a sales price of approximately \$13.1 million realizing a gain of approximately \$9.1 million. As of June 30, 2020, Land held for sale relating to this agreement totaled \$3.9 million.

During fiscal year 2019, the Foundation received land located in Wyoming toward the fulfillment of a pledge, with a fair value of approximately \$3.5 million on the date of gift, and subsequently recognized valuation losses totaling approximately \$1.2 million prior to the sales dates. The Foundation sold the property in two transactions settling in September 2020 and October 2020 for net sales prices of approximately \$722,000 and \$1.5 million, respectively, and realized a loss of approximately \$117,000. As of June 30, 2020, land held for sale relating to this property totaled \$2.3 million.

At June 30, 2021, the Foundation had no lang classified as held for sale.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note I—Property and equipment (continued)

The following summarizes the Foundation’s property, including land held for sale, and related direct financing leases and bonds and notes payable at June 30, 2021:

Property	Description	Net Book Value Property and Equipment June 30, 2021	Net Investment In Direct Financing Leases June 30, 2021	Debt Issuer	Debt June 30, 2021
GMUF Arlington Campus, LLC	Commercial office building, Arlington County, VA	\$ 44,472,798	\$ —	Bank Note	\$ 46,461,073
GMUF Mason Administration, LLC	Administration building, main campus, Fairfax County, VA	—	24,738,095	FCEDA	26,341,518
GMUF Prince William Housing, LLC	Graduate student housing, Science and Technology Campus, Prince William County, VA	—	13,557,944	IDA-PW	15,015,000
GMUF Prince William Life Sciences Lab, LLC	Research and office space, Science and Technology Campus, Prince William County, VA	—	27,747,531	IDA-PW	31,715,000
GMUF Commerce Buildings, LLC	Research and office space, City of Fairfax, VA	—	3,754,026	Bank Note	3,660,407
GMUF Potomac Heights, LLC	Dormitory, main campus, Fairfax County, VA	—	10,859,396	FCEDA	12,490,000
University Park	Graduate student townhomes and commercial office space, City of Fairfax, VA	997,053	—	N/A	—
Kelley Drive Property	Office space, Fairfax County, VA	26,000	—	N/A	—
Mathy House	Residential rental, Fairfax County, VA	714,004	—	N/A	—
Mathy Lodge	Residential rental, Fairfax County, VA	1,174,929	—	N/A	—

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note I—Property and equipment (continued)

Property	Description	Net Book Value Property and Equipment June 30, 2021	Net Investment In Direct Financing Leases June 30, 2021	Debt Issuer	Debt June 30, 2021
Shirley Gate Park Land	0.77 acre vacant lot, Fairfax County, VA	\$ 27,500	\$ —	N/A	\$ —
Broadlands Land	4.91 acres of vacant land, Loudoun County, VA	4,510,000	—	N/A	—
Point of View Land	77.63 acres of vacant land, Fairfax County, VA	3,728,504	—	N/A	—
	Debt issuance costs	—	—	N/A	(1,130,028)
	Total	\$ 55,650,788	\$ 80,656,992		\$ 134,552,970

Note J—Leases

Operating Leases

The Foundation leases certain properties, primarily at its Arlington campus, with a cost of \$80,805,802 and \$80,408,361 and accumulated depreciation of \$29,692,508 and \$28,025,342 as of June 30, 2021 and 2020, respectively, under operating lease agreements. The lease agreements have base lease terms that terminate beginning in fiscal year 2022 and extending through fiscal year 2028. A portion of the above properties are leased to the University and, therefore, subject to state appropriation. The expected future rental payments from the University are \$22,295,423 and \$26,185,166 as of June 30, 2021 and 2020, respectively.

The Foundation considers the likelihood of its tenants exercising renewal or termination terms in determining the ultimate term of the lease. The Foundation has not included tenant renewal terms as the tenants are not reasonably certain to exercise the renewal term options. The Foundation has included periods covered by an option to terminate the lease, as the tenants are reasonably certain not to exercise the termination options. There are no residual value guarantees included in the lease agreements.

The lease agreements include fixed rental payments, recognized as income over the lease term on a straight-line basis. Variable rental payments, related to operating costs and real estate taxes, are recognized as income in the period in which earned.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note J—Leases (continued)

The components of rental income for the years ended June 30, 2021 and 2020 are as follows, of which \$4,643,344 and \$4,608,852, respectively, was paid by the University for the years then ended:

	<u>2021</u>	<u>2020</u>
Fixed rental income	\$ 10,449,559	\$ 10,664,311
Variable rental income	870,934	871,968
	<u>\$ 11,320,493</u>	<u>\$ 11,536,279</u>

The future minimum payments to be received under noncancelable operating leases are as follows:

2022	\$ 10,650,503
2023	10,897,022
2024	11,154,009
2025	10,969,669
2026	11,035,778
Thereafter	<u>672,331</u>
	<u>\$ 55,379,312</u>

Leasing commissions related to the GMUF Arlington Campus, LLC project are capitalized. The Foundation amortizes these costs over the life of the related leases. Amortization expense totaled \$79,197 and \$80,805 for the years ended June 30, 2021 and 2020, respectively. Unamortized leasing commissions, a component of other assets, was \$349,135 and \$426,466 for the years ended June 30, 2021 and 2020, respectively.

Direct Financing Leases

In prior years, the Foundation has completed several construction projects for GMUF Mason Administration, LLC; GMUF Prince William Housing, LLC; GMUF Prince William Life Sciences Lab, LLC; GMUF Commerce Buildings, LLC; and GMUF Potomac Heights, LLC for subsequent leasing to the University. All of these leases meet the lessor's criteria to account for these building leases as direct financing leases and each agreement provides for transfer of ownership of the building to the University at the end of the lease term.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note J—Leases (continued)

Under the terms of these lease agreements, the rent payments are calculated based on the annual debt service costs of the building as well as additional rents to ensure the Foundation has sufficient funding to pay the principal, interest, carrying costs and development costs of the projects. The future minimum rentals are based on the following terms:

Building	Loan Borrowing	Term	Final Fiscal Year of Payment
GMUF Mason Administration, LLC	\$ 30,395,000	25 years	2036
GMUF Prince William Housing, LLC	\$ 15,370,000	21.7 years	2042
GMUF Prince William Life Sciences Lab, LLC	\$ 35,330,000	29.5 years	2042
GMUF Commerce Buildings, LLC	\$ 5,720,000	15 years	2030
GMUF Potomac Heights, LLC	\$ 18,175,000	10 years	2028

All direct financing leases are with the University and the rental payments are subject to annual state appropriation.

The components of the net investment in the direct financing leases as of June 30, 2021 and 2020 are as follows:

	2021	2020
Total minimum lease payments to be received	\$ 128,078,417	\$ 136,727,093
Less: Unearned income	(47,421,425)	(52,530,388)
Net investment in direct financing lease	<u>\$ 80,656,992</u>	<u>\$ 84,196,705</u>

The future minimum payments to be received under the noncancelable direct financing lease are as follows:

2022	\$ 8,648,676
2023	8,648,676
2024	8,648,676
2025	8,648,676
2026	8,648,676
Thereafter	84,835,037
	<u>\$ 128,078,417</u>

Note K—Debt

GMUF Potomac Heights, LLC – Fairfax County Economic Development Authority Bonds

During fiscal year 2018, the Foundation, through its newly established subsidiary, GMUF Potomac Heights, LLC, refinanced \$16,597,500 of Fairfax County Economic Development Authority (FCEDA) bonds with a commercial bank. Bonds were issued including \$16,795,000 of FCEDA Refunding Revenue Note, Series 2017A (GMUF Potomac Heights, LLC Issue) tax-exempt fixed rate bonds, and \$1,380,000 of FCEDA Refunding Revenue Note, Series 2017B (GMUF Potomac Heights, LLC Issue) taxable fixed rate bonds. The Foundation began leasing the property to the University in fiscal year 2018 with a 10-year lease term (see Note J), and the lease payments service the bonds' principal and interest payments.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note K—Debt (continued)

GMUF Mason Administration, LLC (Merten Hall) – Fairfax County Economic Development Authority Bonds

During fiscal year 2018, the FCEDA issued its \$30,395,000 Refunding Revenue Bond, Series 2018 (GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a loan and financing agreement. Proceeds were used to retire the \$28,243,403 of outstanding bonds as well as the related interest rate swap termination fee. The initial bond proceeds were used in the acquisition, construction, renovation, and equipping of a five-story administration building for classrooms, administrative office, and retail space. The Foundation began leasing the property to the University in fiscal year 2011 with a 25-year lease term (see Note J), and the lease payments service the bonds' principal and interest payments.

GMUF Prince William Housing, LLC (Beacon Hall) – Industrial Development Authority of the County of Prince William Bonds

During fiscal year 2020, the Industrial Development Authority of the County of Prince William (IDA-PW) issued its \$15,370,000 Taxable Student Housing Refunding Revenue Bond Series 2020 ("Series 2020 Bonds") pursuant to a Trust Indenture dated January 1, 2020. Proceeds were used by the Foundation to execute an advance refunding and to legally defease previously issued bonds through IDA-PW that financed the acquisition, construction and equipping of a student residence hall, University program space and retail space. As a result, the previously issued bonds are deemed extinguished for accounting purposes resulting in a loss of \$2,553,488 during fiscal year 2020. The Foundation entered into this advance refunding to take advantage of historically low long-term interest rates. The University's lease payments fund the debt service of the Series 2020 Bonds.

All of the term bonds for the Industrial Development Authority of the County of Prince William Series 2020 Bonds are subject to mandatory redemption by operation of sinking fund installments.

GMUF Prince William Life Sciences Lab, LLC – Industrial Development Authority of the County of Prince William Bonds

During fiscal year 2017, the IDA-PW issued its \$35,330,000 Revenue Bond Series 2017 ("Series 2017 Bonds") pursuant to a Trust Indenture dated February 1, 2017. Proceeds were used by the Foundation to execute an advanced refunding and to legally defease previously issued bonds through IDA-PW that financed the acquisition, construction, and equipping of life sciences lab facilities and the acquisition and construction of space for commercial laboratory use. The Foundation entered into this advanced refunding to eliminate the private business use restrictions on the building, allowing the Foundation more flexibility in utilizing the space and to take advantage of historically low long-term interest rates. The University's lease payments fund the debt service of the Series 2017 Bonds.

All of the term bonds for the Industrial Development Authority of the County of Prince William Series 2017 Bonds are subject to mandatory redemption by operation of sinking fund installments.

GMUF Commerce Buildings, LLC Notes

During fiscal year 2015, GMU Commerce Buildings, LLC modified its existing loan with a commercial bank resulting in a taxable loan of \$5,720,000 at a fixed rate of 3.63%, maturing March 1, 2030. The Foundation leases the property to the University with a 15-year lease term (see Note J) and the lease payments made by the University service the notes' principal and interest payments as well as operating costs.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note K—Debt (continued)

GMUF Arlington Campus, LLC Notes

During fiscal year 2016, GMUF Arlington Campus, LLC negotiated a loan of \$60 million with a commercial bank at a fixed rate of 4.05%, maturing June 1, 2033. This loan is on the property located at 3434 North Washington Street, Arlington, Virginia.

The following represents the Foundation's bonds and notes payable at June 30:

	2021	2020
Fairfax County Economic Development Authority Bonds (FCEDA):		
GMUF Potomac Heights, LLC Tax-Exempt Revenue Bonds, term interest rate 2.41%, maturing on November 1, 2027	\$ 12,490,000	\$ 14,245,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, interest rate 3.47% maturing on April 1, 2036	26,341,518	27,681,518
Industrial Development Authority of the County of Prince William (IDA-PW):		
Prince William County Series 2017 Bonds, serial with interest rates ranging from 1.206% to 4.424%, maturing at various dates from October 1, 2017 to October 1, 2036	21,400,000	22,375,000
Prince William County Series 2017 Bonds, term interest rate 4.524%, maturing October 1, 2041	10,315,000	10,315,000
Prince William County Series 2020 Bonds, serial with interest rates ranging from 1.826% to 3.014%, maturing at various dates from September 1, 2020 to September 1, 2035	9,455,000	9,810,000
Prince William County Series 2020 Bonds, term interest rate 3.365%, maturing September 1, 2041	5,560,000	5,560,000
Bank Notes:		
GMUF Arlington Campus, LLC Note with interest rate of 4.05% maturing June 1, 2033	46,461,073	49,396,163
GMUF Commerce Buildings, LLC Note with interest rate of 3.63% maturing March 1, 2030	3,660,407	4,015,358
Notes and bonds payable at face value	135,682,998	143,398,039
Less: Debt issuance costs, net	(1,130,028)	(1,268,493)
Total debt	<u>\$ 134,552,970</u>	<u>\$142,129,546</u>

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note K—Debt (continued)

Scheduled maturities and sinking fund requirements are as follows:

<u>Fiscal years ending June 30,</u>	
2022	\$ 7,972,956
2023	8,289,771
2024	8,587,869
2025	8,891,074
2026	9,286,241
Thereafter	<u>92,655,087</u>
	<u>\$ 135,682,998</u>

Interest expense on notes and bonds along with the amortization of deferred financing charges was \$5,239,395 and \$5,359,859 for the years ended June 30, 2021 and 2020, respectively.

For certain debt issuances, on a periodic basis, the Foundation is required to comply with administrative reporting and debt covenant calculations. As of June 30, 2021 and 2020, the Foundation was in compliance with its required debt covenant calculations.

Note L—Life insurance policies and annuity contracts

The Foundation, through a trust arrangement, purchased a joint and survivor, single-premium retirement annuity contract to provide supplemental retirement benefits to the former President of the University and his spouse. Through this trust arrangement, the former President and his spouse receive periodic payments. Additionally, the Foundation is the beneficiary of a life insurance policy covering the former President and his spouse that will provide a death benefit to the Foundation.

During fiscal year 2020, the former President's spouse died resulting in the termination of the annuity contract and any future obligation under this contract. In addition, as of June 30, 2020, the Foundation recorded life insurance proceeds of approximately \$864,000 representing the expected death benefit to be paid to the Foundation. Actual proceeds received in fiscal year 2021 approximated the estimate made as of June 30, 2020. These proceeds are captured as nonoperating activity in the consolidated statements of operations.

During fiscal year 2021, the Foundation received a donated life insurance policy with a death benefit of \$700,000, which includes the funding of the premium payments by the donor over five years. The Foundation is identified as the owner of the policy and will receive the full benefit of the policy at the time of death or the cash surrender value at any time during the policy period. The proceeds from the insurance policy are restricted to the University's School of Business. The cash surrender value was \$11,258 as of June 30, 2021 and recorded as an other asset.

Note M—Concentrations of credit risk

The Foundation maintains its cash in several commercial banks that are in excess of the Federal Deposit Insurance Corporation ("FDIC") maximum of \$250,000 per depositor per institution. At June 30, 2021, the Foundation had approximately \$10.3 million of uninsured balances in checking and money market accounts.

In fiscal year 2021, eleven donors collectively contributed approximately 60% of the total contributions, and approximately 77% of total contributions receivable were due from 14 contributors.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note N—Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released for institutional program support totaled \$56,963,566 and \$79,965,312 for the years ended June 30, 2021 and 2020, respectively. Additionally, net assets released for scholarships totaled \$6,113,751 and \$8,922,176 for the years ended June 30, 2021 and 2020, respectively.

Note O—Net assets available

As of June 30, 2021, and 2020, net assets without donor restrictions include:

	<u>2021</u>	<u>2020</u>
Real estate operations	\$ 13,677,009	\$ 7,974,721
Board-designated funds, functioning as endowments	96,799	81,337
Board-designated funds, intended to be used as a reserve	3,678,000	4,351,000
Undesignated	19,864,675	18,151,115
	<u>\$ 37,316,483</u>	<u>\$ 30,558,173</u>

Net assets with donor restrictions consisted of the following at June 30, 2021:

	<u>With Donor Restriction for Time and Purpose</u>	<u>With Donor Restriction - Perpetuity</u>
Administrative support	\$ 28,530,215	\$ 327,577
Academic support	26,116,895	81,269,802
Athletics	979,655	310,025
Community/public service	9,471,093	8,860,373
Eminent scholars	8,293,429	29,067,779
Facilities	8,874,679	69,259
Library	909,144	1,006,193
Research	27,294,462	5,010,492
Student financial aid	23,049,445	40,411,206
	<u>\$ 133,519,017</u>	<u>\$ 166,332,706</u>

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note O—Net assets available (continued)

Net assets with donor restrictions consisted of the following at June 30, 2020:

	With Donor Restriction for Time and Purpose	With Donor Restriction - Perpetuity
Administrative support	\$ 27,741,351	\$ 355,601
Academic support	10,265,781	79,200,439
Athletics	590,543	297,617
Community/public service	5,281,974	8,145,317
Eminent scholars	4,374,156	19,752,399
Eminent scholars – perpetual trust	—	8,792,344
Facilities	11,206,961	64,393
Library	665,108	958,928
Research	18,600,822	4,922,566
Student financial aid	14,965,084	36,190,413
	\$ 93,691,780	\$ 158,680,017

Note P—Related party transactions

The Foundation outsources its payroll processing to the University and reimburses the University for payroll costs incurred. As of June 30, 2021 and 2020, the Foundation had salaries payable to the University totaling \$361,765 and \$218,059, respectively.

The Foundation receives donated space located on the main campus in Fairfax, Virginia from the University. For both fiscal years 2021 and 2020, \$37,845 is reflected in the consolidated statements of activities as contribution revenue without donor restrictions and administrative expenses.

In addition, the Foundation leases certain properties to the University and earns rental income on these leases (see Note J). In some instances, rates charged to the University are substantially below market.

As a general practice, the Foundation gifts donated goods to the University to provide greater resources towards their programs (see Note B).

During both fiscal years 2021 and 2020, upon the approval of the Foundation’s Board of Trustees, the Foundation gifted \$10,500,000, from its net assets without donor restriction, to the University to support key initiatives. As of June 30, 2021 and 2020, the funds are included as investments and funds held for others in the consolidated statement of financial position.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note Q—Functional classification of expenses

The Foundation's primary program service is support of George Mason University in its academics and real estate operations. Expenses by function and natural classification for the years ended June 30, 2021 and 2020 are as follows:

	Program Support for George Mason University				
	Academic Institutional Support	Real Estate Operations	Management and General	Fundraising	June 30, 2021
<u>Distributions to George Mason University and affiliates:</u>					
Program support	\$ 46,428,554	\$ 7,249	\$ 37,845	\$ -	\$ 46,473,648
Student Scholarships	5,629,353	-	-	-	5,629,353
Salaries and benefits	11,078,015	-	1,420,288	-	12,498,303
Interest	-	5,239,395	-	-	5,239,395
Professional and contracted services	6,695,281	756,521	499,680	40,130	7,991,612
Events and conferences	1,173,538	-	7,340	6,296	1,187,174
Travel	1,926,949	1,266	4,373	9,729	1,942,317
Depreciation and amortization	-	1,748,010	174	-	1,748,184
Utilities, repairs and maintenance	437,261	1,439,579	27,974	7,667	1,912,481
Student scholarships and assistance	685,419	-	-	-	685,419
Taxes	-	1,202,793	237	-	1,203,030
Other	827,614	59,823	265,392	159,725	1,312,554
	\$ 74,881,984	\$ 10,454,636	\$ 2,263,303	\$ 223,547	\$ 87,823,470

	Program Support for George Mason University				
	Academic Institutional Support	Real Estate Operations	Management and General	Fundraising	June 30, 2020
<u>Distributions to George Mason University and affiliates:</u>					
Program support	\$ 69,702,130	\$ 7,333	\$ 37,845	\$ -	\$ 69,747,308
Student scholarships	8,189,980	-	-	-	8,189,980
Salaries and benefits	11,047,426	-	1,466,296	12,967	12,526,689
Interest	-	5,359,859	-	-	5,359,859
Professional and contracted services	4,461,844	770,319	558,086	90,578	5,880,827
Events and conferences	2,276,627	-	10,606	116,768	2,404,001
Travel	2,108,083	908	11,845	45,601	2,166,437
Depreciation and amortization	-	1,676,713	10,745	-	1,687,458
Utilities, repairs and maintenance	210,588	1,596,338	11,565	4,245	1,822,736
Student scholarships	1,163,371	-	-	-	1,163,371
Taxes	-	1,542,896	-	-	1,542,896
Other	1,010,684	116,553	136,175	304,244	1,567,656
	\$ 100,170,733	\$ 11,070,919	\$ 2,243,163	\$ 574,403	\$ 114,059,218

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note R—Commitments and contingencies

The Foundation is subject to legal proceedings and claims, which arise in the ordinary course of business. In the opinion of management, there is no pending or threatened litigation or administrative proceeding that is expected to have a material, adverse impact on the Foundation's financial position or results of operations.

Note S—Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the novel coronavirus disease ("COVID-19") a pandemic. There has been no significant impact on the Foundation's operations due to COVID-19. The economic uncertainties resulting from COVID-19 may impact the Foundation's future operations, though such potential impact is unknown at this time. No adjustments or provisions were made in these consolidated financial statements related to uncertainties which have arisen or which may arise in the future due to COVID-19.

Note T—Subsequent events

The Foundation evaluated subsequent events through October 29, 2021, which is the date the consolidated financial statements were available to be issued. The Foundation is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.