



GEORGE MASON UNIVERSITY
FOUNDATION, INC.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

*June 30, 2020 with Summarized Comparative Information
for June 30, 2019*

And Report of Independent Auditor

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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Report of Independent Auditors

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, 2020, 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 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 the George Mason University Foundation, Inc. and Subsidiaries as of June 30, 2020, 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 2019 consolidated financial statements and we have expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects.

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.



Tysons Corner, Virginia
October 30, 2020

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

JUNE 30, 2020 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

June 30, 2020 (with comparative totals as of June 30, 2019)

	GMU Foundation, Inc.	Real Estate Subsidiaries	June 30, 2020	June 30, 2019
Assets				
Cash and cash equivalents	\$ 8,920,076	\$ 12,069,116	\$ 20,989,192	\$ 19,085,615
Restricted cash and cash equivalents	—	5,362,266	5,362,266	6,132,007
Contributions receivable, net	21,937,837	—	21,937,837	66,265,442
Investments	246,649,297	—	246,649,297	190,136,784
Beneficial interest in perpetual trusts	10,765,605	—	10,765,605	11,142,428
Property and equipment, net	11,208,838	45,760,821	56,969,659	53,453,344
Land held for sale	6,211,054	—	6,211,054	16,264,828
Net investment in direct financing leases	—	84,196,705	84,196,705	88,681,210
Other assets	2,141,454	4,065,989	6,207,443	5,778,796
Deferred tax asset	—	—	—	27,862
Total Assets	\$ 307,834,161	\$ 151,454,897	\$ 459,289,058	\$ 456,968,316
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 9,559,966	\$ 1,005,627	\$ 10,565,593	\$ 8,988,701
Amounts held for others	22,756,912	—	22,756,912	12,883,192
Notes and bonds payable	—	142,129,546	142,129,546	149,216,535
Unearned rent	35	345,003	345,038	339,657
Other liabilities	561,999	—	561,999	1,285,746
Total Liabilities	\$ 32,878,912	\$ 143,480,176	\$ 176,359,088	\$ 172,713,831
Net Assets				
Without donor restrictions	\$ 22,583,452	\$ 7,974,721	\$ 30,558,173	\$ 33,799,842
With donor restrictions	252,371,797	—	252,371,797	250,454,643
Total Net Assets	\$ 274,955,249	\$ 7,974,721	\$ 282,929,970	\$ 284,254,485
Total Liabilities and Net Assets	\$ 307,834,161	\$ 151,454,897	\$ 459,289,058	\$ 456,968,316

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, 2020 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	GMU Foundation, Inc.			Year Ended June 30, 2020	Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Real Estate Subsidiaries		
Support and Revenue					
Contributions, net loss on uncollectible contributions of \$179,829 and \$149,535	\$ 166,809	\$ 90,903,000	\$ —	\$ 91,069,809	\$ 130,694,062
Investment returns, net	2,539,388	703,604	177,102	3,420,094	8,848,080
Service fees	2,040,427	—	—	2,040,427	2,176,964
Rental income	509,610	—	11,026,669	11,536,279	11,469,105
Interest on direct financing leases	—	—	5,459,001	5,459,001	5,749,757
Trust and other income	86,324	69,038	—	155,362	635,938
Net assets released from restrictions	88,887,488	(88,887,488)	—	—	—
Total Support and Revenue	94,230,046	2,788,154	16,662,772	113,680,972	159,573,906
Operating Expenses					
Program support for George Mason University					
Academic institutional support	100,170,733	—	—	100,170,733	78,702,793
Real estate operations	106,645	—	10,964,274	11,070,919	11,591,076
Management and general	2,243,163	—	—	2,243,163	1,887,452
Fundraising	574,403	—	—	574,403	852,563
Total Operating Expenses	103,094,944	—	10,964,274	114,059,218	93,033,884
Change in Net Assets from Operations	(8,864,898)	2,788,154	5,698,498	(378,246)	66,540,022
Non-Operating Activity					
Gain on termination of life insurance contract	863,922	—	—	863,922	—
Gain on sale of land	1,614,297	—	—	1,614,297	—
Loss on valuation of land held for sale	—	(871,000)	—	(871,000)	(280,000)
Loss on defeasance of debt	—	—	(2,553,488)	(2,553,488)	—
Total Non-Operating Activity	2,478,219	(871,000)	(2,553,488)	(946,269)	(280,000)
Change in Net Assets	(6,386,679)	1,917,154	3,145,010	(1,324,515)	66,260,022
Net Assets, beginning of year	\$ 28,970,131	\$ 250,454,643	\$ 4,829,711	\$ 284,254,485	\$ 217,994,463
Net Assets, end of year	\$ 22,583,452	\$ 252,371,797	\$ 7,974,721	\$ 282,929,970	\$ 284,254,485

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, 2020 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

June 30, 2020 (with comparative totals as of June 30, 2019)

	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, 2020	June 30, 2019
Assets								
Cash and cash equivalents	\$ 8,095,592	\$ 2,327,295	\$ 375,004	\$ 382,760	\$ 203,800	\$ 684,665	\$ 12,069,116	\$ 9,482,396
Restricted cash and cash equivalents	3,146,927	—	451,134	1,764,205	—	—	5,362,266	6,132,007
Property and equipment, net	45,760,821	—	—	—	—	—	45,760,821	47,184,905
Net investment in direct financing lease	—	25,826,086	13,888,540	28,353,151	4,097,448	12,031,480	84,196,705	88,681,210
Other assets	4,061,276	—	—	—	4,713	—	4,065,989	3,938,776
Deferred tax asset	—	—	—	—	—	—	—	27,862
Total Assets	\$ 61,064,616	\$ 28,153,381	\$ 14,714,678	\$ 30,500,116	\$ 4,305,961	\$ 12,716,145	\$ 151,454,897	\$ 155,447,156
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 403,141	\$ 80,069	\$ 146,364	\$ 329,377	\$ 18,068	\$ 28,608	\$ 1,005,627	\$ 1,061,253
Notes and bonds payable	49,196,152	27,481,689	15,057,938	32,320,128	3,940,531	14,133,108	142,129,546	149,216,535
Unearned rent	345,001	—	—	—	2	—	345,003	339,657
Total Liabilities	\$ 49,944,294	\$ 27,561,758	\$ 15,204,302	\$ 32,649,505	\$ 3,958,601	\$ 14,161,716	\$ 143,480,176	\$ 150,617,445
Net Assets								
GMUF Arlington Campus, LLC	\$ 11,120,322	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,120,322	\$ 7,462,084
GMUF Mason Administration, LLC	—	591,623	—	—	—	—	591,623	234,286
GMUF Prince William Housing, LLC	—	—	(489,624)	—	—	—	(489,624)	1,509,948
GMUF Prince William Life Sciences Lab, LLC	—	—	—	(2,149,389)	—	—	(2,149,389)	(2,554,790)
GMUF Commerce Buildings, LLC	—	—	—	—	347,360	—	347,360	325,920
GMUF Potomac Heights, LLC	—	—	—	—	—	(1,445,571)	(1,445,571)	(2,147,737)
Total Net Assets	\$ 11,120,322	\$ 591,623	\$ (489,624)	\$ (2,149,389)	\$ 347,360	\$ (1,445,571)	\$ 7,974,721	\$ 4,829,711
Total Liabilities and Net Assets	\$ 61,064,616	\$ 28,153,381	\$ 14,714,678	\$ 30,500,116	\$ 4,305,961	\$ 12,716,145	\$ 151,454,897	\$ 155,447,156

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

FOR THE YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)

	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, 2020	Year Ended June 30, 2019
Support and Revenue								
Investment returns, net	\$ 94,513	\$ 45,064	\$ 14,734	\$ 20,434	\$ 717	\$ 1,640	\$ 177,102	\$ 223,967
Rental income	10,766,507	—	—	—	260,162	—	11,026,669	10,960,675
Interest on direct financing leases	—	1,367,020	908,202	1,844,015	190,161	1,149,603	5,459,001	5,749,757
Total Support and Revenue	10,861,020	1,412,084	922,936	1,864,449	451,040	1,151,243	16,662,772	16,934,399
Operating Expenses								
Administrative	2,063,751	49,170	46,028	106,358	33,169	50,107	2,348,583	2,248,877
Depreciation and amortization	1,618,552	—	—	—	—	—	1,618,552	1,612,468
Interest expense	2,117,896	1,005,577	322,992	1,352,690	161,734	398,970	5,359,859	6,037,842
Utilities and other	1,402,583	—	—	—	234,697	—	1,637,280	1,600,898
Total Operating Expenses	7,202,782	1,054,747	369,020	1,459,048	429,600	449,077	10,964,274	11,500,085
Non-Operating Activity								
Loss on defeasance of debt	—	—	(2,553,488)	—	—	—	(2,553,488)	—
Total Non-Operating Activity	—	—	(2,553,488)	—	—	—	(2,553,488)	—
Change in Net Assets	3,658,238	357,337	(1,999,572)	405,401	21,440	702,166	3,145,010	5,434,314
Net Assets, beginning of year	\$ 7,462,084	\$ 234,286	\$ 1,509,948	\$ (2,554,790)	\$ 325,920	\$ (2,147,737)	\$ 4,829,711	\$ (604,603)
Net Assets, end of year	\$ 11,120,322	\$ 591,623	\$ (489,624)	\$ (2,149,389)	\$ 347,360	\$ (1,445,571)	\$ 7,974,721	\$ 4,829,711

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

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

JUNE 30, 2020 AND 2019

<i>For the year ended June 30,</i>	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,324,515)	\$ 66,260,022
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	1,687,458	1,679,130
Amortization of debt issuance costs and bond premium	129,213	125,327
Change in discount on contributions receivable	(1,072,514)	627,771
Unrealized and realized investment gains	438,626	(5,249,551)
Interest on direct financing leases	(5,459,001)	(5,749,758)
Change in value of split interest agreements	399,044	(65,330)
Stock contributions	(262,087)	(546,120)
Contributions restricted for long-term purposes	(9,785,357)	(53,418,927)
Loss on defeasance of debt	2,553,489	—
Loss on disposal of long-lived assets	(1,614,297)	—
Loss on valuation of land held for sale	871,000	280,000
Donation of long-lived assets	(4,510,000)	—
Gain on termination of life insurance contract	(863,922)	—
Deferred income tax expense	27,862	686,778
Loss on uncollectible contributions	179,829	149,535
Change in assets and liabilities:		
Contributions receivable	45,220,290	(35,776,963)
Other assets	354,438	(723,955)
Accounts payable and accrued expenses	1,576,892	1,274,629
Unearned rent	5,381	(3,774,914)
Other liabilities	(682,187)	45,207
Amounts held for others	9,873,720	652,939
Net Cash Used in Operating Activities	37,743,362	(33,524,180)
Cash Flows from Investing Activities		
Proceeds from sale of investments	87,635,313	44,103,145
Purchases of investments	(144,388,149)	(58,856,757)
Purchases of property and equipment	(612,937)	(213,048)
Proceeds from sale of property and equipment	10,797,071	—
Payments received on direct financing lease	8,637,301	8,407,930
Net Cash Provided by (Used in) Investing Activities	(37,931,401)	(6,558,730)
Cash Flows from Financing Activities		
Proceeds from contributions in perpetual endowments	9,785,357	49,923,927
Increase in deferred loan costs	(322,009)	—
Proceeds from issuance of long-term debt	15,370,000	—
Repayments of debt	(23,511,473)	(6,987,720)
Net Cash Provided by (Used in) Financing Activities	1,321,875	42,936,207
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,133,836	2,853,297
Cash, Cash Equivalents, and Restricted Cash , beginning of year	25,217,622	22,364,325
Cash, Cash Equivalents, and Restricted Cash , end of year	\$ 26,351,458	\$ 25,217,622
Supplemental Disclosure of Cash Flow Activities		
Interest paid and expensed	\$ 5,358,428	\$ 5,925,400

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, 2020 AND 2019

Note A—Organization

George Mason University Foundation, Inc. (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 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.

Although the Foundation operates to support the University, the Foundation is an entity independent of 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, 2020 AND 2019

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 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, 2017 through 2020 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, 2020 AND 2019

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, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 20,989,192	\$ 19,085,615
Restricted cash and cash equivalents	5,362,266	6,132,007
	<u>\$ 26,351,458</u>	<u>\$ 25,217,622</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, 2020 and 2019, 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, 2020 and 2019 were:

	2020	2019
Donated rent	\$ 37,845	\$ 37,845
Educational licenses	16,400,000	-
Automobiles	26,457	-
Artwork, books, and other support	178,180	2,740,811
	<u>\$ 16,642,482</u>	<u>\$ 2,778,656</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, 2020 AND 2019

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 the 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. In fiscal year 2017, the Foundation’s Board of Trustees modified its spending rate to fix the payout distribution for existing endowments at its fiscal year 2016 payout amount through fiscal year 2019. Payouts for existing endowments whose fair value equals or exceeds market value were calculated as 3.75% of the fiscal year 2016 market value. Payout distributions for new, fully funded endowments were calculated at 1.25% of the gift corpus through fiscal year 2019.

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 2% of prior year fair market value payout. 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 several legally autonomous organizations and other programs associated with the University, such as University endowments, 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, 2020 and 2019, totaled \$134,906 and \$134,742, respectively, and is included in interest expense on consolidated statements of activities.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note B—Summary of significant accounting policies (continued)

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.

The Foundation collects certain service fees including gift assessment fees, endowment management fees, and real estate services fees to support the costs of administering services performed in support of the University. The Foundation considers these service fees to be contributions without donor restrictions. These amounts totaled \$2,040,427 and \$2,176,964 in fiscal years 2020 and 2019, 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 unearned rent. The impact of the straight-line adjustment increased rental income by \$212,987 and \$408,794 as of June 30, 2020 and 2019, 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.

Upcoming Accounting Pronouncements – Management is currently evaluating the effects of ASU 2016-02, *Leases* (“ASU 2016-02”) on the financial statements. ASU 2016-02 will require lessees to recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. ASU 2016-02 is effective for fiscal year 2021.

In June 2016, the FASB issued ASU No. 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, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarifies that operating lease receivables accounted for under ASC 842 are not in the scope of ASU No. 2016-13. Both ASUs are effective January 1, 2020 and require new disclosures. Both ASUs require a modified retrospective approach. Management is currently evaluating the effect that these ASUs will have on the consolidated financial statements.

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

JUNE 30, 2020 AND 2019

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, 2020 and **2019**, include:

	2020	2019
Cash and cash equivalents	\$ 14,167,316	\$ 13,837,555
Accounts receivable and other assets	1,378,555	276,132
Short-term investments	2,685,862	836,798
	<u>\$ 18,231,733</u>	<u>\$ 14,950,485</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, 2020 and 2019 the Foundation's operating reserve was \$4,351,000 and \$3,895,000, 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.

Note D—Contributions receivable

Contributions receivable as of June 30 are as follows:

	2020	2019
Due in less than one year	\$ 8,449,279	\$ 50,482,571
Due in one to five years	14,098,342	17,419,436
Due in more than five years	776,050	1,026,901
	<u>23,323,671</u>	<u>68,928,908</u>
Less: allowance for doubtful accounts	(112,090)	(317,209)
Less: discount present value	(1,273,744)	(2,346,257)
	<u>\$ 21,937,837</u>	<u>\$ 66,265,442</u>

Discount rates range from 0.20% to 3.69% for the year ended June 30, 2020 and 0.95% to 3.69% for the year ended June 30, 2019.

As of June 30, 2020 and 2019, the Foundation has \$6,489,079 and \$13,653,955, 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.

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

JUNE 30, 2020 AND 2019

Note E—Investments

Investments, which are reported at fair value, consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Cash and money market funds	\$ 11,737,019	\$ 12,158,807
Fixed income	115,749,931	88,438,412
Equities	76,856,847	62,316,077
Liquid alternatives	10,369,641	4,432,738
Hedge funds	20,868,211	11,514,852
Managed futures	—	2,667,045
Private equity and real assets	11,067,648	8,608,853
	\$ 246,649,297	\$ 190,136,784

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, 2020 and 2019 totaled approximately \$8.7 million and \$9.1 million, respectively. Contributions from the trust totaled \$447,371 and \$440,059 for the years ended June 30, 2020 and 2019, respectively, and is included in support and revenue with donor restrictions. The change in value of the trust decreased \$348,862 and increased \$67,008 during the years ended June 30, 2020 and 2019, 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, 2020 and 2019 totaled approximately \$2.0 million for both years. No contributions were received for the years ended June 30, 2020 and 2019. The change in value from the trust decreased \$27,961 and increased \$90,055 during the years ended June 30, 2020 and 2019, 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.

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 19 years and discount rates range from 2% to 8%. The market value of the assets at June 30, 2020 and 2019 was \$426,745 and \$490,526, respectively. Liabilities related to these agreements were \$186,911 and \$228,471 at June 30, 2020 and 2019, respectively, and are included with other liabilities. During fiscal years 2020 and 2019, 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 \$30,435 and was a decrease of \$21,651 for the years ended June 30, 2020 and 2019, respectively.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note F—Split interest agreements (continued)

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 \$375,089 and \$393,996 as of June 30, 2020 and 2019, respectively, and is included in other liabilities.

Note G—Endowment

The Foundation's endowment consists of approximately 530 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

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

JUNE 30, 2020 AND 2019

Note G—Endowment (continued)

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>

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions		With Donor Restrictions		Total
Board-designated endowment funds	\$ 84,179	\$	-	\$	84,179
Donor-restricted endowment funds:					
Original donor-restricted gift required to be maintained in perpetuity by donor	-		92,608,619		92,608,619
Accumulated earnings	-		7,094,060		7,094,060
Total endowment funds	<u>\$ 84,179</u>	<u>\$</u>	<u>99,702,679</u>	<u>\$</u>	<u>99,786,858</u>

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

JUNE 30, 2020 AND 2019

Note G—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 81,243	\$ 78,988,206	\$ 79,069,449
Total investment return, net	3,956	4,134,799	4,138,755
Contributions	-	19,188,197	19,188,197
Appropriation of endowment assets for expenditure	(1,020)	(2,642,873)	(2,643,893)
Other charges	-	34,350	34,350
Endowment net assets, end of year	<u>\$ 84,179</u>	<u>\$ 99,702,679</u>	<u>\$ 99,786,858</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, 2020 and 2019, funds with an original gift value of \$69,997,348 and \$15,574,853 were underwater by \$2,880,355 and \$9,537, respectively.

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.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note G—Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

As further summarized in Note B, the percentage appropriated for distribution, as a percentage of endowment market value, was 3.03% and 3.00% as of June 30, 2020 and 2019, 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

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

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.

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

JUNE 30, 2020 AND 2019

Note H—Fair value measurements (continued)

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2020 and 2019, based on the level of input utilized to measure fair value:

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
Fixed income:					
Short-term bonds	81,638,384	1,402,682	—	—	83,041,066
Intermediate bonds	6,281,689	574,485	—	—	6,856,174
Long-term bonds	1,398,328	14,510,694	—	—	15,909,022
High-yield bonds	684,138	—	—	—	684,138
World bonds	4,385,907	—	—	—	4,385,907
Bank loans	1,826,135	—	—	—	1,826,135
Preferred stock	3,047,489	—	—	—	3,047,489
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
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	198,225,577	16,487,861	—	31,935,859	246,649,297
Beneficial interest in perpetual trusts	—	10,765,605	—	—	10,765,605
Total financial assets	\$ 198,225,577	\$ 27,253,466	\$ —	\$ 31,935,859	\$ 257,414,902

* 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, 2020 AND 2019

Note H—Fair value measurements (continued)

Measurement at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Reported at NAV *	Total
Financial Assets:					
Cash and cash equivalents	\$ 12,158,807	\$ —	\$ —	\$ —	\$ 12,158,807
Fixed income:					
Short-term bonds	55,877,196	1,191,226	—	—	57,068,422
Intermediate bonds	10,603,397	9,640,459	—	—	20,243,856
Long-term bonds	—	77,968	—	—	77,968
Multi-sector bonds	—	—	—	—	—
World bonds	4,358,847	—	—	—	4,358,847
Bank loans	4,816,749	—	—	—	4,816,749
Preferred stock	1,872,570	—	—	—	1,872,570
Equities:					
Domestic large cap	31,864,437	—	—	—	31,864,437
Domestic small/mid cap	5,054,294	—	—	—	5,054,294
International (developed countries)	20,883,832	—	—	—	20,883,832
International (emerging markets)	4,513,514	—	—	—	4,513,514
Liquid alternatives	4,432,738	—	—	—	4,432,738
Hedge funds	—	—	—	11,514,852	11,514,852
Managed futures	—	—	—	2,667,045	2,667,045
Private equity and real assets	—	—	—	8,608,853	8,608,853
Investments	156,436,381	10,909,653	—	22,790,750	190,136,784
Beneficial interest in perpetual trusts	—	11,142,428	—	—	11,142,428
Total financial assets	\$ 156,436,381	\$ 22,052,081	\$ —	\$ 22,790,750	\$ 201,279,212

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 ^(c)	11,067,648	5,873,307	N/A	N/A
Total	\$ 31,935,859	\$ 5,873,307		

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

JUNE 30, 2020 AND 2019

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, 2019:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – Multi-strategies ^(a)	\$ 11,514,852	\$ N/A	Quarterly, Annually	45 days, 60 days, 65 days, 90 days, 105 days
Managed futures ^(b)	2,667,045	N/A	Daily	1 day
Private equity and real assets ^(c)	<u>8,608,853</u>	<u>6,037,407</u>	N/A	N/A
Total	<u>\$ 22,790,750</u>	<u>\$ 6,037,407</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) Managed futures: This class includes investments with the objective to seek long-term capital appreciation. This is a multi-manager fund traded by approximately 20 commodity trading advisors (“CTA”) across different styles of managed futures trading. Geographic distribution of investments is approximately 50% to North America and 50% to Europe. These investments were fully redeemed during fiscal year 2020.
- (c) 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 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.

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

JUNE 30, 2020 AND 2019

Note I—Property and equipment

The following comprises property and equipment at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 18,569,263	\$ 14,059,263
Buildings	60,302,189	60,302,189
Building improvements	5,762,159	5,220,969
Furniture and equipment	1,109,121	1,037,375
	<u>85,742,732</u>	<u>80,619,796</u>
Accumulated depreciation and amortization	<u>(28,773,073)</u>	<u>(27,166,452)</u>
Property and equipment, net	<u>56,969,659</u>	<u>53,453,344</u>
Land held for sale	<u>\$ 6,211,054</u>	<u>\$ 16,264,828</u>

Depreciation expense was \$1,606,621 and \$1,598,292 for the years ended June 30, 2020 and 2019, respectively.

On November 16, 2016, the Foundation entered into a Purchase and Sale agreement to sell a 36.7293-acre property located in Loudoun County, Virginia to a third-party to be developed as a school site and for residential purposes. The sale of land had several contingencies including the completion of a boundary line adjustment to separate the land into three tracts and re-zoning for residential purposes. The boundary line adjustments and re-zoning were approved by Loudoun County in June 2019. As a result, the land meets the definition of an asset held for sale and is classified as such in the consolidated statement of financial position. The property will be sold in two phases, with the first closing date which occurred on September 16, 2019 for a sales price of approximately \$10,900,000, and the second closing date expected to occur by December 31, 2020 for a sales price of \$12,400,000. During fiscal year 2020, the Foundation recorded a gain of \$1,614,297 resulting from the first phase of the land sale.

During fiscal year 2019, the Foundation also received land located in Wyoming for the fulfillment of a pledge, with a fair value of \$3,495,000 on the date of gift. The Foundation intends to sell the land, which was placed on the market in the spring 2019. At that time, the Foundation recorded a valuation loss of \$280,000 on the land. During fiscal year 2020, the Foundation recorded an additional valuation loss of \$871,000, based on current real estate market conditions in Wyoming. This land is classified as land held for sale in the consolidated statement of financial position.

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

JUNE 30, 2020 AND 2019

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, 2020:

Property	Description	Net Book Value Property and Equipment June 30, 2020	Net Investment In Direct Financing Leases June 30, 2020	Debt Issuer	Debt June 30, 2020
GMUF Arlington Campus, LLC	Commercial office building, Arlington County, VA	\$ 45,760,821	\$ —	Bank Notes	\$ 49,396,163
GMUF Mason Administration, LLC	Administration building, main campus, Fairfax County, VA	—	25,826,086	FCEDA	27,681,518
GMUF Prince William Housing, LLC	Graduate student housing, Science and Technology Campus, Prince William County, VA	—	13,888,540	IDA-PW	15,370,000
GMUF Prince William Life Sciences Lab, LLC	Research and office space, Science and Technology Campus, Prince William County, VA	—	28,353,151	IDA-PW	32,690,000
GMUF Commerce Buildings, LLC	Research and office space, City of Fairfax, VA	—	4,097,448	Bank Notes	4,015,358
GMUF Potomac Heights, LLC	Dormitory, main campus, Fairfax County, VA	—	12,031,480	FCEDA	14,245,000
University Park	Graduate student townhomes and commercial office space, City of Fairfax, VA	1,007,148	—	N/A	—
Kelley Drive Property	Office space, Fairfax County, VA	26,000	—	N/A	—
Mathy House	Residential rental, Fairfax County, VA	705,262	—	N/A	—
Mathy Lodge	Residential rental, Fairfax County, VA	1,155,283	—	N/A	—
Franconia Land	5.6 acres of vacant land, Fairfax County, VA	5,000	—	N/A	—

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

JUNE 30, 2020 AND 2019

Note I—Property and equipment (continued)

Property	Description	Net Book Value Property and Equipment June 30, 2020	Net Investment In Direct Financing Leases June 30, 2020	Debt Issuer	Debt June 30, 2020
Shirley Gate Park Land	0.77 acre vacant lot, Fairfax County, VA	27,500	—	N/A	—
Broadlands Land*	10.87 acres of vacant land, Loudoun County, VA	8,377,054	—	N/A	—
Trust gift of land*	Moose, WY	2,344,000	—	N/A	—
Point of View Land	77.63 acres of vacant land, Fairfax County, VA	3,728,504	—	N/A	—
General Fund Assets	Furniture and fixtures, system assets	44,141	—	N/A	—
	Debt issuance costs	—	—	N/A	(1,268,493)
	Total	\$ 63,180,713	\$ 84,196,705		\$ 142,129,546

*All of the gifted land and a portion of the Broadlands land is included within land held for sale on the consolidated statement of financial position.

Note J—Leases

Rental Income on Operating Leases

The Foundation leases certain properties with a cost of \$80,408,361 and \$79,788,319 and accumulated depreciation of \$28,025,342 and \$26,407,540 as of June 30, 2020 and 2019, respectively, under operating lease agreements. 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 \$26,185,166 and \$30,420,724 as of June 30, 2020 and 2019, respectively.

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

2021	\$ 10,326,438
2022	10,418,240
2023	10,663,791
2024	10,914,842
2025	10,728,071
Thereafter	<u>10,843,845</u>
	<u>\$ 63,895,227</u>

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

JUNE 30, 2020 AND 2019

Note J—Leases (continued)

During the years ended June 30, 2020 and 2019, rental income earned by the Foundation totaled \$11,536,279 and \$11,469,105, respectively, of which \$4,608,852 and \$5,018,305 was paid by the University for 2020 and 2019, respectively.

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 \$80,805 and \$80,838 for the years ended June 30, 2020 and 2019, respectively. Unamortized leasing commissions, a component of other assets, was \$426,466 and \$507,271 for the years ended June 30, 2020 and 2019, respectively.

Direct Financing Leases

In recent 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.

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, 2020 and 2019 are as follows:

	2020	2019
Total minimum lease payments to be received	\$ 136,727,093	\$ 150,730,968
Less: Unearned income	(52,530,388)	(62,049,758)
Net investment in direct financing lease	<u>\$ 84,196,705</u>	<u>\$ 88,681,210</u>

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

JUNE 30, 2020 AND 2019

Note J—Leases (continued)

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

2021	\$ 8,648,676
2022	8,648,676
2023	8,648,676
2024	8,648,676
2025	8,648,676
Thereafter	93,483,713
	<u>\$ 136,727,093</u>

Note K—Debt

George Mason University Foundation, Inc. (Potomac Heights and University Park Projects) – Fairfax County Economic Development Authority Bonds

On October 7, 2003, the Fairfax County Economic Development Authority (“FCEDA”) issued \$35,125,000 of variable rate bonds to finance a housing project for use by the University and to refinance existing properties the Foundation owns and rents to the University. On May 1, 2013, the Foundation refinanced the remaining \$25,520,000 of the FCEDA bonds with the same commercial bank. On November 7, 2016, the commercial bank agreed to release the lien of the deed of trust from the University Park Projects. On December 21, 2017, the Foundation, through its newly established subsidiary, GMUF Potomac Heights, LLC, refinanced with a second commercial bank, the remaining \$16,597,500 of FCEDA bonds as well as the interest rate swap termination fee. 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.

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

On April 21, 2010 the FCEDA issued its \$36,100,000 Revenue Bond Series 2010A (Tax Exempt – GMUF Mason Administration, LLC Project) and its \$1,900,000 Revenue Bond Series 2010B (Taxable – GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated April 1, 2010. The Foundation borrowed \$32,100,000 of the Revenue Bond Series 2010A and the entire \$1,900,000 of the Revenue Bond Series 2010B.

The Series 2010A Bonds were subject to mandatory repayment at the option of the commercial bank on December 1, 2023. On November 4, 2016, the Foundation executed a loan modification agreement in which the commercial bank shall not exercise the mandatory prepayment option, but the Foundation is now obligated to prepay the Series 2010A Bonds on June 1, 2024.

Proceeds were used in the acquisition, construction, renovation, and equipping of a five-story administration building for classrooms, administrative office, and retail space. The building was substantially completed in May 2011, with remaining construction for retail space completed in fiscal year 2014. The Foundation’s debt obligation is limited to that portion of the bond issuance which it drew upon pursuant to the Bond Purchase and Loan Agreement.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note K—Debt (continued)

As part of this transaction, the Foundation simultaneously entered into two forward floating-to-fixed interest rate swaps with a commercial bank to effectively fix the interest rates on the tax-exempt and taxable bonds. These swaps were terminated in fiscal year 2018.

On May 18, 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 FCEDA Revenue Bond Series 2010A (Tax-Exempt – GMUF Mason Administration, LLC Project) bonds as well as the interest rate swap termination fee. 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

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$14,640,000 Revenue Bond Series 2011A (Tax-Exempt George Mason University Foundation Prince William Housing LLC Project) and its \$985,000 Revenue Bond Series 2011B (Taxable George Mason University Foundation Prince William Housing LLC Project). Proceeds were used to finance the acquisition, construction, and equipping of a student residence hall, University program space, and unimproved “shell space” designated for retail tenants.

The Series 2011A and Series 2011B Bonds are special, limited obligations of the issuer, payable solely from the revenues pledged therefore under the indenture. Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation began leasing the property to the University in fiscal year 2013 with a 30-year lease term (see Note J), and the lease payments service the bonds' principal and interest payments.

During fiscal year 2020, the Industrial Development Authority of the County of Prince William 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 the Series 2011A and B Bonds. As a result, the Series 2011A and B 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.

GEORGE MASON UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note K—Debt (continued)

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

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$31,065,000 Revenue Bond Series 2011AA (Tax-Exempt George Mason University Foundation Prince William Life Sciences Lab LLC Project) and its \$2,145,000 Revenue Bond Series 2011BB (Taxable George Mason University Foundation Prince William Life Sciences Lab LLC Project) pursuant to a Trust Indenture dated August 1, 2011. Proceeds were used to finance the acquisition, construction, and equipping of life sciences lab facilities and the acquisition and construction of unimproved “shell space” designated for commercial laboratory use. The project was completed in fiscal year 2015.

The Series 2011AA and Series 2011BB Bonds are special, limited obligations of the issuer, payable solely from the revenues pledged therefore under the indenture. Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation began leasing the property in fiscal year 2013 to the University with a 29.5-year lease term (see Note J), and the lease payments service the bonds’ principal and interest payments. The Series 2011BB Bonds matured on September 1, 2016.

During fiscal year 2017, the Industrial Development Authority of the County of Prince William 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 the Series 2011AA Bonds. 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

On March 16, 2015, GMU Commerce Buildings, LLC modified its existing loan with the 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.

GMUF Arlington Campus, LLC Notes

On August 18, 2006, GMUF Arlington Campus, LLC secured a 10-year \$68.5 million loan by executing a deed of trust on real property located at 3434 North Washington Street, Arlington, Virginia, with a financial institution.

During fiscal year 2016, GMUF Arlington Campus, LLC extinguished its existing loan and terminated a related letter of credit. Effective June 1, 2016, GMUF Arlington Campus, LLC negotiated a new loan of \$60 million with another commercial bank at a fixed rate of 4.05%, maturing June 1, 2033.

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

JUNE 30, 2020 AND 2019

Note K—Debt (continued)

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

	2020	2019
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	\$ 14,245,000	\$ 15,955,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, interest rate 3.47% maturing on April 1, 2036	27,681,518	28,981,518
Industrial Development Authority of the County of Prince William (IDA-PW):		
Prince William County Series 2011A Bonds, serial with interest rates ranging from 4.25% to 5.00%, maturing at various dates from September 1, 2022 to September 1, 2026	—	1,895,000
Prince William County Series 2011A Bonds, term interest rate 5.50%, maturing September 1, 2031	—	3,190,000
interest rate 5.125%, maturing September 1, 2041	—	9,555,000
Prince William County Series 2011B Bonds, term interest rate 3.375%, maturing at various dates from September 1, 2014 to September 1, 2021	—	610,000
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	22,375,000	23,330,000
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	9,810,000	—
Prince William County Series 2020 Bonds, term interest rate 3.365%, maturing September 1, 2041	5,560,000	—
Bank Notes:		
GMUF Arlington Campus, LLC Note with interest rate of 4.05% maturing June 1, 2033	49,396,163	52,207,989
GMUF Commerce Buildings, LLC Note with interest rate of 3.63% maturing March 1, 2030	4,015,358	4,357,096
Notes and bonds payable at face value	143,398,039	150,396,603
Plus: Unamortized net premium	—	50,935
Less: Debt issuance costs, net	(1,268,493)	(1,231,003)
Total debt	<u>\$ 142,129,546</u>	<u>\$149,216,535</u>

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

JUNE 30, 2020 AND 2019

Note K—Debt (continued)

Scheduled maturities and sinking fund requirements are as follows:

<i>Fiscal year ending June 30,</i>	
2021	\$ 7,716,781
2022	7,972,956
2023	8,289,771
2024	8,587,869
2025	8,891,074
Thereafter	<u>101,939,588</u>
	<u>\$ 143,398,039</u>

Interest expense on notes and bonds along with the amortization of deferred financing charges was \$5,359,859 and \$6,037,842 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Foundation was in compliance with its required debt covenant calculations.

Note L—Retirement annuity

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 has recorded life insurance proceeds of approximately \$864,000 representing the expected death benefit to be paid to the Foundation. These proceeds are captured as nonoperating activity in the consolidated statements of operations.

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, 2020, the Foundation had approximately \$8,500,000 of uninsured balances in checking and money market accounts.

In fiscal year 2020, five donors collectively contributed approximately 93% of the total contributions, and approximately 76% of total contributions receivable were due from 12 contributors.

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

JUNE 30, 2020 AND 2019

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 \$79,965,312 and \$66,103,818 for the years ended June 30, 2020 and 2019, respectively. Additionally, net assets released for scholarships totaled \$8,922,176 and \$11,727,760 for the years ended June 30, 2020 and 2019, respectively.

Note O—Net assets available

As of June 30, 2020, and 2019, net assets without donor restrictions include:

	2020	2019
Real estate operations	\$ 7,974,721	\$ 4,829,711
Board-designated funds, functioning as endowments	81,337	84,179
Board-designated funds, intended to be used as a reserve	4,351,000	3,895,000
Undesignated	18,151,115	24,990,952
	<u>\$ 30,558,173</u>	<u>\$ 33,799,842</u>

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
	<u>\$ 93,691,780</u>	<u>\$ 158,680,017</u>

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

JUNE 30, 2020 AND 2019

Note O—Net assets available (continued)

Net assets with donor restrictions consisted of the following at June 30, 2019:

	With Donor Restriction for Time and Purpose	With Donor Restriction - Perpetuity
Administrative support	\$ 23,603,371	\$ 556,795
Academic support	17,451,606	63,702,954
Athletics	446,425	215,701
Community/public service	5,396,354	8,332,566
Eminent scholars	5,763,228	22,580,283
Eminent scholars – perpetual trust	—	9,141,205
Facilities	11,031,516	63,645
Library	638,789	941,196
Research	20,972,648	7,431,420
Student financial aid	17,591,457	32,562,789
Student financial aid – perpetual trust	—	2,001,223
Time restricted without purpose restriction	29,472	—
	<u>\$102,924,866</u>	<u>\$147,529,777</u>

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, 2020 and 2019, the Foundation had salaries payable to the University totaling \$218,059 and \$161,886, respectively.

The Foundation receives donated space located on the main campus in Fairfax, Virginia from the University. For both fiscal years 2020 and 2019, \$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).

On October 31, 2019, 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, 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, 2020 AND 2019

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 year ended June 30, 2020 are as follows:

	Program Support for George Mason University				June 30, 2020
	Academic Institutional Support	Real Estate Operations	Management and General	Fundraising	
<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
	<u>\$ 100,170,733</u>	<u>\$ 11,070,919</u>	<u>\$ 2,243,163</u>	<u>\$ 574,403</u>	<u>\$ 114,059,218</u>

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 year ended June 30, 2019 are as follows:

	Program Support for George Mason University				June 30, 2019
	Academic Institutional Support	Real Estate Operations	Management and General	Fundraising	
<u>Distributions to George Mason University and affiliates:</u>					
Program support	\$ 41,700,408	\$ 6,647	\$ 37,905	\$ -	\$ 41,744,960
Student scholarships	11,078,794	-	-	-	11,078,794
Salaries and benefits	11,385,304	-	1,065,739	10,935	12,461,978
Interest	-	6,037,842	-	-	6,037,842
Professional and contracted services	5,877,940	730,725	616,150	264,789	7,489,604
Events and conferences	4,337,013	-	5,157	304,135	4,646,305
Travel	2,228,800	892	10,288	66,738	2,306,718
Depreciation and amortization	-	1,663,144	15,986	-	1,679,130
Utilities, repairs and maintenance	367,856	1,634,073	7,298	3,926	2,013,153
Student scholarships	648,966	-	-	-	648,966
Taxes	-	1,457,926	-	-	1,457,926
Other	1,077,712	59,827	128,929	202,040	1,468,508
	<u>\$ 78,702,793</u>	<u>\$ 11,591,076</u>	<u>\$ 1,887,452</u>	<u>\$ 852,563</u>	<u>\$ 93,033,884</u>

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

JUNE 30, 2020 AND 2019

Note R—Income taxes

The Foundation follows FASB ASC Topic 740-10, *Income Taxes*, which requires the recognition of deferred tax liabilities and deferred tax assets, net of applicable valuation allowances, for certain temporary differences and net operating loss carry forwards. FASB ASC Topic 740-10 requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized. As of June 30, 2016, based on changes in facts and circumstances surrounding the GMUF Arlington Campus, LLC building, the Foundation determined that it was more likely than not that all of the net operating loss carryforwards related to this project would be realized in future years and recorded a deferred tax asset. The deferred tax asset was fully utilized in fiscal year 2020.

The components of the provisions for income taxes are as follows for the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Current:		
Federal income tax	\$ —	\$ (21,670)
State income tax	—	(6,192)
	<u>—</u>	<u>(27,862)</u>
Current income tax benefit	\$ —	\$ (27,862)
Deferred:		
Federal income tax	\$ —	\$ —
State income tax	—	—
	<u>—</u>	<u>—</u>
Deferred income tax benefit	\$ —	\$ —
Net income tax benefit	<u>\$ —</u>	<u>\$ (27,862)</u>

The components of the deferred tax assets as of June 30, 2020 and 2019 are as follows:

	2020	2019
Net operating loss carryforward	<u>\$ —</u>	<u>\$ 27,862</u>
Net deferred income tax asset	\$ —	\$ 27,862

The Foundation paid \$704,000 in income taxes for the year ended June 30, 2020. No income taxes were paid by the Foundation during fiscal year 2019. Income tax expense is included within real estate operations within the consolidated statement of activities.

Note S—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.

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

JUNE 30, 2020 AND 2019

Note T—Subsequent events

On September 28 and October 20, 2020, the gifted land in Moose, Wyoming, included in land held for sale on the consolidated statement of financial position at June 30, 2020, was sold for approximately carrying value.

On March 11, 2020, the novel coronavirus disease (“COVID-19”) was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 outbreak. In response to the worldwide spread of COVID-19, management of the Foundation has implemented a number of practices designed to protect the safety and well-being of its donors and fund recipients.

Although there has been no significant impact on the Foundation’s operations, the extent to which COVID-19 may impact the Foundation’s future operations will depend upon unforeseen developments which are highly uncertain and cannot be predicted at this time. Management is continuously monitoring the Foundation’s financial performance, related cash position and liquidity and developing and implementing plans designed to maintain the Foundation’s financial position should the breadth and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and business confidence, continue for an extended period of time.

The Foundation evaluated subsequent events through October 30, 2020, 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.