Consolidated Financial Statements and Report of Independent Certified Public Accountants

George Mason University Foundation, Inc. and Subsidiaries

June 30, 2011 with Summarized Comparative Information for June 30, 2010

George Mason University Foundation, Inc. and Subsidiaries

Contents

Grant Thornton

Audit • Tax • Advisory
Grant Thornton LLP
2010 Corporate Ridge, Suite 400
McLean, VA 22102-7838
T 703.847.7500
F 703.848.9580
www.GrantThornton.com

Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated statement of financial position of the George Mason University Foundation, Inc and Subsidiaries (the Foundation) as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2010 consolidated financial statements and, in our report dated November 12, 2010 we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financing reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the changes in net assets and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

McLean, Virginia
November 21, 2011

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2011 (with comparative totals as of June 30, 2010)

	GMU Foundation, Inc.	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	June 30, 2011	June 30, 2010
Assets					
Cash and cash equivalents	$ 11,589,366	$ 8,395	$ 3,296,508	$ 14,894,269	$ 12,923,733
Restricted cash and cash equivalents	—	848,839	—	848,839	730,706
Inter-entity receivable	236,485	(195,000)	(41,485)	—	—
Contributions receivable, net	23,392,910	—	—	23,392,910	33,752,463
Investment income receivable	—	—	—	—	184,446
Derivative asset	29,258	—	—	29,258	—
Other assets	158,823	137,105	—	295,928	270,974
Prepaids	46,158	16,813	—	62,971	67,676
Leasing commissions	—	1,896,350	—	1,896,350	2,163,688
Beneficial interest in perpetual trusts	10,657,112	—	—	10,657,112	9,160,709
Annuity benefit contract	403,559	—	—	403,559	992,387
Deferred loan costs, net	382,179	208,425	191,919	782,523	856,147
Investments	100,646,996	—	—	100,646,996	80,862,560
Property and equipment, net	39,772,125	58,783,326	29,895,269	128,450,720	100,717,650
Art and antiques	572,567	—	—	572,567	572,567
Total Assets	$ 187,887,538	$ 61,704,253	$ 33,342,211	$ 282,934,002	$ 243,255,706
Liabilities					
Accounts payable and accrued expenses	$ 6,059,075	$ 474,817	$ 4,032,274	$ 10,566,166	$ 5,716,047
Unearned rent	440,180	23,698	2,980,833	3,444,711	1,458,073
Trust liabilities	1,271,621	—	—	1,271,621	1,462,812
Other liabilities	50,286	34,894	—	85,180	48,312
Accrued annuity benefit	403,559	—	—	403,559	992,387
Derivative obligations	2,225,839	—	2,816,957	5,042,796	5,094,134
Long-term debt	27,920,000	66,450,594	26,345,991	120,716,585	101,411,323
Amounts held for others	8,456,844	—	—	8,456,844	6,426,837
Total Liabilities	46,827,404	66,984,003	36,176,055	149,987,462	122,609,925
Net Assets					
Unrestricted	11,532,590	—	—	11,532,590	(1,116,249)
Temporarily restricted	66,802,803	—	—	66,802,803	71,656,181
Permanently restricted	62,724,741	—	—	62,724,741	57,139,898
GMUF Arlington Campus, LLC	—	(5,279,750)	—	(5,279,750)	(4,369,453)
GMUF Mason Administration, LLC	—	—	(2,833,844)	(2,833,844)	(2,664,596)
Total Net Assets	141,060,134	(5,279,750)	(2,833,844)	132,946,540	120,645,781
Total Liabilities and Net Assets	$ 187,887,538	$ 61,704,253	$ 33,342,211	$ 282,934,002	$ 243,255,706

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities

For the year ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

	GMU Foundation, Inc.						
	Unrestricted	Temporarily Restricted	Permanently Restricted	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	Year Ended June 30, 2011	Year Ended June 30, 2010
Support and Revenue							
Contributions	$ 348,886	$ 24,091,546	$ 3,722,926	$ —	$ —	$ 28,163,358	$ 46,139,719
Income from perpetual trusts	6,844	446,129	—	—	—	452,973	469,662
Investment return, net	6,418,320	2,383,893	—	429	—	8,802,642	5,232,231
Change in value of perpetual trusts	—	—	1,496,403	—		1,496,403	472,123
Change in charitable trusts and gift annuities	—	34,602	342,799		—	377,401	116,650
Service fees	1,022,811	—	—	—	—	1,022,811	580,484
Rental income	4,592,443	—	—	7,933,124	315,675	12,841,242	12,458,440
Trust income	26,420	—		—	—	26,420	26,420
Gain (loss) on derivatives	234,946		—	—	(154,351)	80,595	(3,454,134)
Miscellaneous income	27,235	57,355	—	5,366	—	89,956	223,571
Total support and revenue	12,677,905	27,013,525	5,562,128	7,938,919	161,324	53,353,801	62,265,166
Operating Expenses							
Administrative							
Accounting and legal	235,549	—	—	6,804	225	242,578	66,811
Administrative	1,485,126	—	—	1,105,086	30,163	2,620,375	3,148,202
Depreciation and amortization	1,532,752			2,055,770	170,599	3,759,121	3,753,435
Insurance	63,040	—	—	88,649	—	151,689	151,693
Interest expense	1,137,358	—	—	4,457,488	129,585	5,724,431	5,595,486
Utilities and other	1,302,482	—	—	1,135,419	—	2,437,901	2,586,040
	5,756,307	—	—	8,849,216	330,572	14,936,095	15,301,667
Fundraising	205,398	—	—	—	—	205,398	223,799
Total Operating Expenses	5,961,705	—	—	8,849,216	330,572	15,141,493	15,525,466
Operating Surplus (Deficit)	6,716,200	27,013,525	5,562,128	(910,297)	(169,248)	38,212,308	46,739,700
Reclassification Per Donor Request	(26,540)	3,825	22,715		—	—	—
Net Assets Released from Restriction	31,870,728	(31,870,728)	—	—	—	—	—
Support and Revenue, Net of Operating Expenses	38,560,388	(4,853,378)	5,584,843	(910,297)	(169,248)	38,212,308	46,739,700
Program Service Benefits for George Mason University							
Scholarships	1,646,207	—	—	—	—	1,646,207	1,719,957
Academic program support	22,833,040	—	—	—	—	22,833,040	22,574,914
Eminent scholars	211,481	—	—	—	—	211,481	573,790
Annuity benefit contributions	101,489	—	—	—	—	101,489	100,929
University initiatives	99,923	—	—	—		99,923	152,838
Administrative support	747,993	—	—	—	—	747,993	674,866
Federal relations	181,153	—	—	—	—	181,153	181,756
University support	90,263	—	—	—	—	90,263	31,685
Total Program Service Benefits	25,911,549		—	—	—	25,911,549	26,010,735
Change in Net Assets	12,648,839	(4,853,378)	5,584,843	(910,297)	(169,248)	12,300,759	20,728,965
Net Assets, beginning of period	(1,116,249)	71,656,181	57,139,898	(4,369,453)	(2,664,596)	120,645,781	99,916,816
Net Assets, end of period	$ 11,532,590	$ 66,802,803	$ 62,724,741	$ (5,279,750)	$ (2,833,844)	$ 132,946,540	$ 120,645,781

George Mason University Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

For the year ended	2011	2010
Cash Flows from Operating Activities		
Changes in net assets	$ 12,300,759	$ 20,728,965
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	3,759,121	3,753,435
Amortization of loan financing costs	69,608	61,930
Discount on contributions receivable	(324,677)	482,747
Unrealized investment gain	(4,329,830)	(3,757,064)
Realized investment (gain) loss	(2,196,924)	209,315
Change in value of perpetual trusts	(1,496,403)	(472,123)
Change in value of charitable trusts and gift annuities	(377,401)	(116,650)
Stock contributions	(256,461)	(186,798)
In-kind contributions, real estate	—	(13,085,225)
Contributions restricted for long-term purposes	(3,722,926)	(978,018)
Gain on sale of property and equipment	(6,500)	—
(Gain) loss on derivative	(80,595)	3,454,134
Change in assets and liabilities:		
Restricted cash	(118,133)	(313,511)
Contributions receivable	10,684,230	(3,092,438)
Investment income receivable	179,810	66,616
Other assets	78,574	151,386
Prepaids	4,705	(13,950)
Accounts payable and accrued expenses	4,850,119	870,555
Unearned rent	1,986,638	672,540
Other liabilities	36,868	(30,188)
Amounts held for others	2,030,007	966,058
Net Cash Provided by Operating Activities	23,070,589	9,371,716
Cash Flows from Investing Activities		
Proceeds from sale of investments	68,749,178	12,975,931
Purchases of investments	(81,358,595)	(15,179,650)
Purchases of property and equipment	(31,429,925)	(5,808,546)
Net Cash Used in Investing Activities	(44,039,342)	(8,012,265)
Cash Flows from Financing Activities		
Proceeds from contributions in permanent endowments	3,722,926	978,018
Payments for new loan costs	—	(203,611)
Cash received on the 2006 swap termination	—	99,201
Proceeds from long-term debt	21,190,266	5,155,725
Repayments on long-term debt	(1,885,004)	(1,809,914)
Payments of leasing commissions	(88,899)	—
Net Cash Provided by Financing Activities	22,939,289	4,219,419
Increase in Cash and Cash Equivalents	1,970,536	5,578,870
Cash and Cash Equivalents, beginning of year	12,923,733	7,344,863
Cash and Cash Equivalents, end of year	$ 14,894,269	$ 12,923,733
Supplemental Disclosure of Cash Flow Activities		
Interest paid	$ 5,532,781	$ 5,519,209

The accompanying notes are an integral part of these statements.

NOTE A—ORGANIZATION

George Mason University Foundation, Inc. was incorporated on November 21, 1991, as a not-for-profit corporation under the laws of the Commonwealth of Virginia to receive, hold, invest and administer property, and to make expenditures for the benefit of George Mason University (the "University"). The George Mason University Foundation, Inc. seeks to promote the advancement of the University as an institution of higher education by developing and applying financial resources to the programs of the University and other such activities as are suited to that end.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of George Mason University Foundation, Inc., GMUF Arlington Campus, LLC, and GMUF Mason Administration, LLC, together (the "Foundation"). George Mason University Foundation, Inc. owns 100 percent of GMUF Arlington Campus, LLC and GMUF Mason Administration, LLC. All intercompany transactions are eliminated in consolidation.

The accounts of the Foundation are maintained on the accrual basis of accounting where support is recognized when earned, and expenses are recognized when incurred.

Financial Statement Presentation

The Foundation records grants and contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. Unrestricted net assets do not have donor-imposed restrictions concerning their use or expenditure. The Foundation's unrestricted net assets include the activities of the general fund. Temporarily restricted net assets have donor-imposed restrictions on use such that they may only be expended for specified purposes and/or after specified time. These include contributions to the restricted fund as well as the reinvested investment earnings of endowments, which have been restricted by the donors. Permanently restricted net assets have restrictions in perpetuity such that they may not be expended and consist of endowment gifts. Donations shown as reclassifications in the accompanying consolidated statement of activities represent changes in restrictions to comply with written change requests from donors.

Reclassifications

Certain 2010 amounts included in the 2011 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Endowment Policy

The Foundation's endowment policy 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 of 4 percent based on an average of each endowment's fair value over the prior 12 quarters, net of investment fees. The allocation ranges for endowment assets during fiscal year 2011 are as follows:

Asset Class	Allocation Ranges
Cash or Equivalents	0% to 10%
Fixed income	20% to 70%
Equities	20% to 60%
Hedge Funds	5% to 35%
Private Equity	0% to 10%
Real Estate	0% to 10%
Managed Futures	0% to 10%
Commodities	0% to 10%

Total alternative investments comprised of hedge funds, private equity, real estate, managed futures and commodities, may not exceed 50% of the Foundation's endowment investment portfolio.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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, pledges receivable, accounts payable, long-term debt, derivative instruments, trust liabilities and amounts held for others, approximate fair value.

Income Taxes

Under the provisions of the Internal Revenue Code Section 501(c)(3) 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 recognizes or derecognizes tax positions on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Foundation considered its income tax positions under the "more likely than not" level of certainty and determined there is no requirement to accrue and income tax liability.

Derivative Instruments

The Foundation reports all derivatives as either assets or liabilities in the consolidated statement of financial position and measures those instruments at fair value. The change in the derivative's value is reported as a gain or loss on derivatives in the consolidated statement of activities.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Foundation considers cash equivalents to include overnight repurchase agreements. Cash and cash equivalents consist of cash and money market funds except those money market funds held for long-term investment purposes.

Investments

Investments are stated at fair value. The Foundation's investment in mutual funds are valued at the net asset values (NAVs) 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. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. 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.

Contributions Receivable

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivables 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 received, 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. The allowance for doubtful contributions receivable was zero, as of June 30, 2011 and 2010.

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

Revenue Recognition

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 accrued rent receivable. The impact of the straight-line adjustment decreased rental income by $7,270 and $37,833 as of June 30, 2011 and 2010.

Beneficial Interest in Perpetual Trusts

The stated value of the beneficial interests 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.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Arts and Antiques

Arts and antiques are recorded at their historical cost, if purchased and the estimated fair value at the date of contribution, if contributed.

Depreciation

Property and equipment having a cost in excess of $2,000 are capitalized at cost. Donated assets in excess of $2,000 are capitalized at the estimated fair value at 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.

Leasing Commissions

Leasing commissions related to the GMUF Arlington Campus, LLC project are capitalized. The Foundation is amortizing these costs over the life of the related leases and amortization expense for the year ended June 30, 2011 and 2010, totaled $356,237 and $395,920 and is included in the consolidated statement of activities.

Deferred Loan Costs

The Foundation's capitalized costs relate to the financing of a housing project for the University, refinancing of the University Park and University Drive properties occupied by the University and loans related to the GMUF Arlington Campus, LLC and the GMUF Mason Administration, LLC projects. The Foundation is amortizing the deferred loan costs of all bonds and notes payable over the life of the bonds and notes. Amortization expense for each of the years ended June 30, 2011 and 2010, totaled $69,608 and $61,930, respectively.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In January 2010, guidance was issued that clarifies existing disclosures and requires new disclosures about fair value measurements. The clarifications and the requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2 and significant transfers into and out of Level 3 of the fair value hierarchy are effective for periods beginning after December 15, 2009. The new requirement that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation is effective for fiscal years beginning after December 15, 2010, with early adoption permitted. Since this new guidance only amends the disclosure requirements, it has not and will not have a significant impact on the Foundation's financial statements.

NOTE C—INVESTMENTS

Investments, which are reported at fair value, consisted of the following as of June 30, 2011 and 2010:

	2011	2010
Cash and money market funds	$ 3,239,278	$ 3,158,316
Certificates of deposit	303,827	2,761,749
Equities	26,673,466	17,009,589
Fixed income	41,144,377	27,713,483
Commodities	2,228,005	—
Real estate	250,533	246,564
Hedge funds	21,049,966	28,830,701
Managed futures	3,965,606	—
Private equity and real assets	1,791,938	1,142,158
	$ 100,646,996	$ 80,862,560

Investment earnings are summarized as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividends, net of external management fees	$ 2,275,888	$ 1,684,482
Realized gain (loss)	2,196,924	(209,315)
Unrealized gain	4,329,830	3,757,064
Investment return, net	8,802,642	5,232,231
Investment return included with change in charitable trusts and gift annuities	284,198	319,939
	$ 9,086,840	$ 5,552,170

For the years ended June 30, 2011 and 2010, the Foundation paid external management fees of $162,055 and $201,005, respectively.

NOTE D—FAIR VALUE MEASUREMENT

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value and expands disclosures about fair value measurements.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity.

The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and cash equivalents*: Carrying value of cash equivalents such as money market funds approximates the fair value due to the short maturity of these investments.

- *Equity securities:* Investments in equity securities valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

NOTE D—FAIR VALUE MEASUREMENT—Continued

- *Fixed income securities*: This class includes fixed income mutual funds, corporate bonds, municipal bonds and US government and agency securities. When quoted prices are available in an active market, fixed income securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. If quoted market prices are not available or accessible, then fair values are estimated using pricing models or discounted cash flow models. The fair values of corporate debt securities estimated using pricing models or matrix pricing based on observable prices of corporate debt securities that trade in inactive markets are generally classified within Level 2 of the fair value hierarchy.

- *Commodities and real estate*: These classes include investments in commodity and real estate mutual funds which are valued at the quoted prices in an active market and are classified within Level 1 of the fair value hierarchy.

- *Hedge funds, managed futures, private equity and real assets*: Valued at the NAV provided by the underlying investment managers based on the shares held by the Foundation at year end. Valuations provided by alternative investment fund managers include estimates, appraisals, assumptions and methods that are reviewed by management. When necessary, the Foundation adjusts NAV for contributions, distributions, or general market conditions subsequent to the latest NAV valuation date when calculating fair value. Investments under this class, which are redeemable at or near year-end at NAV per share, are classified within Level 2 of the fair value hierarchy; otherwise, they are classified within Level 3 of the fair value hierarchy.

- *Beneficial interest in perpetual trusts*: Beneficial interests in perpetual trusts held by others are valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interests. Perpetual trusts held by others are classified within Level 3 of the fair value hierarchy. The underlying assets are primarily comprised of cash equivalents, equities and fixed income securities.

- *Interest rate swaps and caps*: Valued using pricing models (such as discounted cash flows) based on observable market data such as prices of instruments with similar maturities and characteristics, interest rate yield curves, and measures of interest rate volatility. Interest rate swaps and caps are reflected on the consolidated statement of financial position as derivate assets and derivative obligations.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date and that difference may be material to the Foundation's financial statements.

NOTE D—FAIR VALUE MEASUREMENT—Continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents	$ 3,239,278	$ —	$ —	$ 3,239,278
Certificates of deposit	303,827	—	—	303,827
Equities:				
Domestic large cap	9,523,670	—	—	9,523,670
Domestic small/mid cap	5,522,133	—	—	5,522,133
International (developed countries)	7,535,120	—	—	7,535,120
International (emerging markets)	4,092,543	—	—	4,092,543
Fixed income:				
Short-term bonds	12,571,151	2,224,183	—	14,795,334
Intermediate bonds	9,316,474	—	—	9,316,474
Multi-sector bonds	7,591,926	—	—	7,591,926
World bonds	7,033,721	—	—	7,033,721
Bank loans	2,406,922	—	—	2,406,922
Commodities	2,228,005	—	—	2,228,005
Real estate	250,533	—	—	250,533
Hedge funds:				
Multi-strategies	—	4,254,945	7,781,005	12,035,950
Directional equity	—	1,011,856	8,002,160	9,014,016
Managed futures	—	3,965,606	—	3,965,606
Private equity and real assets	—	—	1,791,938	1,791,938
Investments	71,615,303	11,456,590	17,575,103	100,646,996
Beneficial interest in perpetual trusts	—	—	10,657,112	10,657,112
Interest rate cap	—	29,258	—	29,258
Total financial assets	71,615,303	11,485,848	28,232,215	111,333,366
Financial Liabilities:				
Interest rate swaps	—	5,042,796	—	5,042,796
Total financial liabilities	$ —	$ 5,042,796	$ —	$ 5,042,796

NOTE D—FAIR VALUE MEASUREMENT—Continued

The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents	$ 3,158,316	$ —	$ —	$ 3,158,316
Certificates of deposit	2,761,749	—	—	2,761,749
Equities:				
Domestic large cap	9,843,787	—	—	9,843,787
Domestic small/mid cap	1,947,283	—	—	1,947,283
International (developed countries)	3,819,175	—	—	3,819,175
International (emerging markets)	1,399,344	—	—	1,399,344
Fixed income:				
Short-term bonds	15,714,497	1,528,387	—	17,242,884
Intermediate bonds	6,676,265	—	—	6,676,265
Multi-sector bonds	2,122,421	—	—	2,122,421
World bonds	1,671,913	—	—	1,671,913
Real estate	246,564	—	—	246,564
Hedge funds:				
Multi-strategies	—	—	16,691,587	16,691,587
Directional equity	—	970,400	9,354,033	10,324,433
Emerging income	—	—	1,814,681	1,814,681
Private equity and real assets	—	—	1,142,158	1,142,158
Investments	49,361,314	2,498,787	29,002,459	80,862,560
Beneficial interest in perpetual trusts	—	—	9,160,709	9,160,709
Total financial assets	49,361,314	2,498,787	38,163,168	90,023,269
Financial Liabilities:				
Interest rate swaps and cap	—	5,094,134	—	5,094,134
Total financial liabilities	$ —	$ 5,094,134	$ —	$ 5,094,134

NOTE D— FAIR VALUE MEASUREMENT —Continued

The table below sets forth a summary of changes in fair value of the Foundation's level 3 assets for the year ended June 30, 2011.

	Balance at July 1, 2010	Net Gain on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2011
Hedge funds – Multi-strategies	$ 16,691,587	$ 1,175,093	$ 53,664	$ (5,884,394)	$ (4,254,945)	$ 7,781,005
Hedge funds – Directional	9,354,033	797,805	—	(1,137,822)	(1,011,856)	8,002,160
Hedge funds – Emerging income	1,814,681	57,298	—	(1,871,979)	—	—
Private equity and real assets	1,142,158	171,605	478,383	(208)	—	1,791,938
Beneficial interest in perpetual trusts	9,160,709	1,496,403	—	—	—	10,657,112
	$ 38,163,168	$ 3,698,204	$ 532,047	$ (8,894,403)	$ (5,266,801)	$ 28,232,215

The Foundation's policy is to recognize transfers in and out of fair value hierarchy levels as of the end of the reporting period in which the event or change in circumstances occurred. The transfers out of level 3 during fiscal year 2011 are due to the expiration of redemption restrictions for certain hedge funds which are now redeemable at NAV at June 30, 2011.

The table below sets forth a summary of changes in fair value of the Foundation's level 3 assets for the year ended June 30, 2010.

	Balance at July 1, 2009	Net Gain (Loss) on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2010
Hedge funds – Multi-strategies	$ 22,034,975	$ 1,370,685	$ 4,000,000	$(10,714,073)	$ —	$ 16,691,587
Hedge funds – Directional	8,004,017	350,016	1,000,000	—	—	9,354,033
Hedge funds – Emerging income	—	64,681	1,750,000	—	—	1,814,681
Private equity and real assets	1,467,127	(718,013)	399,249	(6,205)	—	1,142,158
Corporate bonds	2,263,416	290,549	9,283	(2,563,248)	—	—
Beneficial interest in perpetual trusts	8,688,586	472,123	—	—	—	9,160,709
	$ 45,458,121	$ 1,830,041	$ 7,158,532	$(13,283,526)	$ —	$ 38,163,168

NOTE D—FAIR VALUE MEASUREMENT—Continued

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2011:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – Multi-strategies (a)	$ 12,035,950	$ N/A	Quarterly, Annually	60 days, 90 days, 95 days
Hedge funds – Directional (b)	9,014,016	N/A	Quarterly, Annually	60 days, 90 days, 100 days
Managed futures (c)	3,965,606	N/A	Daily	1 day
Private equity and real assets (d)	1,791,938	1,909,432	N/A	N/A
Total	$ 26,807,510	$ 1,909,432		

(a) This class includes investments in several fund of hedge funds 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, and other trading strategies. This class also includes approximately $135,000 of an investment in a hedge fund established for the purpose of liquidating illiquid assets of an affiliated fund; therefore, this investment is not redeemable and distributions are received upon the sale of the underlying assets. The remaining investments in this class are redeemable based on the redemption frequencies and notice periods described above. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

(b) This class includes investments in hedge funds and fund of hedge funds that use directional strategies, primarily long/short strategies, and to a lesser extent, fixed income securities, natural resource securities and commodities. The fair values of the investments in this class have been estimated using NAV per share of the investments.

(c) This class includes investments in managed futures with the objective of achieving long-term capital appreciation. This is a multi-manager fund traded by approximately 20 commodity trading advisors (CTAs) across different styles of managed futures trading. Geographic distribution of investments is approximately 50% to North America and 50% to Europe. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

NOTE D—FAIR VALUE MEASUREMENT—Continued

(d) This class includes investments in private equity and real asset funds. One of the funds invests in global real estate private funds for purpose of generating income and capital appreciation. The other fund makes direct and indirect investments in privately and publicly issued debt securities and privately issued equity securities that are currently experiencing financial and/or operational distress. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over 1 to 5 years. The fair values of these investments have been estimated using the NAV of the Foundation's ownership interest in the funds.

NOTE E—CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2011 and 2010 are as follows:

	2011	2010
Due in less than one year	$ 3,461,061	$ 6,298,764
Due in one to five years	15,301,327	23,544,907
Due in more than five years	7,139,900	6,742,847
	25,902,288	36,586,518
Less discount present value	(2,509,378)	(2,834,055)
Total	$ 23,392,910	$ 33,752,463

Discount rates range from 0.50 percent to 5.69 percent.

As of June 30, 2011 and 2010, the Foundation has $6,972,454 and $8,186,107, respectively, of conditional promises to give, primarily matching funds for which the fundraising goals have not yet been achieved. These conditional promises to give are not recognized as assets in the consolidated statement of financial position.

NOTE F—SPLIT INTEREST AGREEMENTS

Beneficial Interest in Perpetual Trusts

The Foundation is a 50 percent beneficiary in two perpetual trusts, which are held and administered by independent trustees. The fair value of the Foundation's portion of these trusts at June 30, 2011 and 2010 totaled approximately $9.0 million and $7.9 million, respectively. Income from the trust totaled $415,263 and $433,053 for the years ended June 30, 2011 and 2010, respectively, and is included in unrestricted and temporarily restricted support and revenue. The change in value of the trust increased $1,121,421 and $351,906, for the years ended June 30, 2011 and 2010, respectively, and is included in permanently restricted support and revenue.

The Foundation is a 100% beneficiary in one perpetual trust, which is held and administered by an independent trustee. The fair value of the Foundation's portion of this trust at June 30, 2011 and 2010 totaled approximately $1.7 million and $1.3 million, respectively. Income from the trust totaled $37,710 and $36,609 for the years ended June 30, 2011 and 2010, respectively, and is included in temporarily restricted support and revenue. The change in value from the trust increased $374,982 and $120,217, for the years ended June 30, 2011 and 2010, respectively, and is included in permanently restricted support and revenue.

The estimated fair value of the Foundation's portion of these trusts at June 30, 2011 and 2010 is summarized as follows:

	2011	2010
Cash and money market funds	$ 215,757	$ 231,410
Equities:		
Domestic large cap	4,900,153	3,963,723
Domestic small/mid cap	855,496	692,522
International (developed)	1,415,142	1,212,006
Fixed income:		
Short-term bonds	479,164	419,663
Intermediate bonds	1,158,359	1,512,390
Multi-sector bonds	216,120	159,949
World bonds	576,222	420,061
Bank loans	464,428	328,147
Commodities	172,713	163,670
Real estate	203,558	57,168
Total	$ 10,657,112	$ 9,160,709

NOTE F—SPLIT INTEREST AGREEMENTS—Continued

Charitable Remainder Trusts and Charitable Gift Annuities

The Foundation has charitable remainder trusts and charitable gift annuities, which have been established and funded by various donors. Distributions are received by the Foundation 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 1 to 23 years and discount rates range from 4.2 to 8.0 percent. The market value of the assets at June 30, 2011 and 2010 was $2,398,678 and $2,212,468, respectively. Liabilities related to these agreements were $1,271,621 and $1,462,812 at June 30, 2011 and 2010, respectively. During fiscal year 2011, the Foundation received no new charitable remainder trusts or gift annuities. During fiscal year 2010, the Foundation received one new charitable gift annuity with an asset value of $10,000 and a liability value of $3,789.

A summary of activity included with change in charitable remainder trusts and gift annuities is as follows:

	2011	2010
Interest and dividends, net of external management fees	$ 42,807	$ 67,152
Realized gain	115,123	80,186
Unrealized gain	126,268	172,601
Investment return included with change in split interest agreements	284,198	319,939
Non-investment activity, net	93,203	(203,289)
	$ 377,401	$ 116,650

NOTE G—PROPERTY AND EQUIPMENT

The following comprises property and equipment at June 30, 2011 and 2010:

	2011	2010
Land	$ 26,164,774	$ 19,076,211
Buildings	119,607,357	91,501,850
Building improvements	4,183,849	4,249,801
Furniture and equipment	2,515,226	801,953
Construction in progress	—	5,872,532
	152,471,206	121,502,347
Accumulated depreciation and amortization	(24,020,486)	(20,784,697)
Property and equipment, net	$ 128,450,720	$ 100,717,650

Included in construction in progress at June 30, 2010 are costs associated with the GMUF Mason Administration, LLC building project. The Foundation formed this entity to facilitate the development, design and construction of a 140,000 square foot facility on the University's Fairfax campus. The building was occupied for its intended purpose in May 2011.

NOTE H—LONG-TERM DEBT

George Mason University Foundation, Inc. Bonds

On October 7, 2003, the Foundation issued $35,125,000 of variable rate Fairfax County Economic Development Authority bonds. $27,700,000 of the bonds were used to finance a housing project for the University and the remaining $7,425,000 were used to refinance existing properties the Foundation owns and rents to the University. Interest is accrued and paid monthly, the bonds mature annually on February 1 and the final maturity is on February 1, 2029. Additionally, the Foundation simultaneously entered into an interest rate swap with a commercial bank to effectively fix the interest rate on $22,425,000 of the bonds (See Note I).

As a security for the payment of the bonds, the Foundation entered into an irrevocable letter of credit with a commercial bank in the initial amount of $35,593,333. Due to the reduction of the commercial bank's credit rating below investment grade, the Foundation replaced the letter of credit facility with that of another commercial bank on October 7, 2009. The substitute commercial bank simultaneously assumed the related interest rate swap derivative instrument (See Note I). The letter of credit is renewable annually and was scheduled to expire October 6, 2011. The letter of credit has been extended to October 7, 2012. As of June 30, 2011 and 2010, no draws had been taken against the letter of credit; however, the letter of credit amount is contingent upon the principal balance outstanding on the related bonds. As of June 30, 2011 and 2010, the principal balance outstanding on the bonds was $27,920,000 and $29,020,000, respectively. The letter of credit amount as of June 30, 2011 and 2010 was $28,292,267 and $29,406,922, respectively.

On October 7, 2009, as a result of the substitution of the letter of credit facility with another commercial bank, restrictive covenants related to the bonds included unrestricted liquidity of not less than $1,100,000 and a property debt service coverage ratio of not less than 1.2 to 1. As of June 30, 2011 and 2010, the Foundation was in compliance with the required restrictive covenants.

Interest incurred on the bonds as well as the related swap agreement during fiscal years 2011 and 2010 totaled $1,137,358 and $1,145,465, respectively.

GMUF Arlington Campus, LLC Notes

On August 18, 2006, GMUF Arlington Campus, LLC secured a permanent 10-year $68.5 million loan by executing a deed of trust on real property located at 3434 North Washington Street with a book value of $58,810,080 with a financial institution. There are two notes ("A note" and "B note") under the deed of trust with the A note for $64,000,000 at a fixed interest rate of 6.24% per annum, two years interest only, with 30 year amortization thereafter, and the B note for $4,500,000 at a fixed interest rate of 10.50% per annum, two years interest only, with a 30 year amortization thereafter. The resulting blended rate for the two notes is 6.52%. As of June 30, 2011 and 2010, the principal balance outstanding on the notes was $66,450,594 and $67,235,598, respectively.

Interest incurred on the notes during fiscal years 2011 and 2010 totaled $4,457,488 and $4,506,148, respectively.

NOTE H—LONG-TERM DEBT—Continued

GMUF Mason Administration, LLC Bonds

On April 21, 2010 the Fairfax County Development Authority 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. Proceeds are to be used in the acquisition, construction, renovation and equipping of a five-story administration building consisting of approximately 140,000 square feet for classrooms, administrative office and retail space. Under the terms of the Loan Agreement, during the construction period, the commercial bank will make advances to the Foundation upon receipt of required approvals by the construction consultant. Interest-only payments are paid monthly during the construction period on the amount drawn at a floating rate of 64.1% of 1-month LIBOR plus 1.5% on the 2010A proceeds and on the amount drawn at a floating rate of 1 month LIBOR plus 2.0% on the 2010B proceeds. The Series 2010A bond will mature on June 1, 2036. The series 2010B bond will mature December 1, 2013. The building was substantially completed in May 2011, with remaining construction for retail space to be completed in fiscal year 2012.

The Foundation's loan obligation is limited to that portion of the bond issuance which it draws upon pursuant to the Bond Purchase and Loan Agreement. As of June 30, 2011 and 2010, the outstanding loan balance was $26,345,991 and $5,155,725, respectively. The Foundation expects to draw a total of $34,000,000 of the GMUF Mason Administration, LLC bonds to complete the project.

As part of this transaction, the Foundation simultaneously entered into a forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $32,100,000 tax-exempt notional amount and a second forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $1,900,000 taxable notional amount with a commercial bank. The swap transactions were effective on June 1, 2011. The termination date is June 1, 2036 for the tax-exempt notional amount and December 1, 2013 for the taxable notional amount. The tax-exempt swap has an option to terminate at no risk at the end of the 13th year. See Note I for discussion regarding the interest rate swaps.

Interest incurred on the notes and related swaps during fiscal year 2011 was $129,585. There was no interest expense for fiscal year 2010.

Maturities of bonds and notes payable on all of the aforementioned obligations at June 30, 2011 are as follows:

Fiscal year ending June 30:		
2012	$	2,741,360
2013		2,894,811
2014		3,040,789
2015		3,195,922
2016		3,394,066
Thereafter		105,449,637
	$	120,716,585

The carrying value of long-term debt approximated the fair value as of June 30, 2011 and 2010, respectively.

NOTE I—DERIVATIVE INSTRUMENTS

George Mason University Foundation, Inc. Interest Rate Swaps and Cap

In October 2003, the Foundation entered into an interest rate swap agreement with a financial institution against the floating rate bonds in the notional amount of $22,425,000 at a fixed interest rate of 4.045%, including all costs, on a 20-year amortization schedule. Concurrently, the Foundation entered into a 20-year interest rate cap agreement with the same financial institution in the notional amount of $12,700,000, at a rate of 10%. The interest rate swap was used as a cash flow hedge to synthetically fix the rate of the bonds and to eliminate changes in the market interest rates. As described in Note H, the interest rate swap agreement was assumed by a another financial institution in October 2009 in conjunction with the assumption of the letter of credit securing the Fairfax County Economic Development Authority bonds. At June 30, 2011 and 2010, the notional amount on the swap was $16,800,000 and $17,725,000 and on the cap was $11,250,000 and $11,425,000, respectively.

The fair value of the interest rate swap at June 30, 2011 and 2010, totaled a derivative liability of $2,225,839 and $2,425,458, respectively. The interest rate swap has a liability threshold of $3,000,000. Should the derivative obligation exceed $3,000,000 the Foundation is required to post collateral in excess of the threshold amount. As of June 30, 2011 and 2010, no collateral amounts were required. The fair value of the interest rate cap totaled a derivative asset of $29,258 at June 30, 2011 and a derivative liability of $6,070 at June 30, 2010. The net change in value has been recorded as a gain on derivatives in the consolidated statement of activities. Additionally, all assets or liabilities related to the interest rate swap and interest rate cap convert to zero at contract maturity in 2024.

In October 2006, the Foundation entered into an interest rate swap agreement with a financial institution against the floating rate bonds in the notional amount of $25,775,000 on a 23-year amortization schedule. The swap was used as a cash flow hedge to stabilize the interest rate for the last five years of the bond issue related to the student housing project and was expected to create positive cash flows over the remaining bond life. At closing on October 19, 2006, the Foundation received $250,000 up front cash. Under the swap agreement, beginning in February 2007 the Foundation received the difference between the Bond Market Association (BMA) index and 68.48% of the 5 year LIBOR index from the swap provider. When the BMA index was higher than 68.48% of the 5 year LIBOR index, the Foundation paid the difference to the swap provider. In fiscal year 2010, the swap provider paid $56,127 to the Foundation which was included as a reduction to interest expense on the consolidated statement of activities. The Foundation received no such payment in fiscal year 2011, due to the termination of the interest rate swap as described below.

Upon mutual agreement by the Foundation and the financial institution, the interest rate swap agreement, and derivative liability of $229,040 at June 30, 2009, was terminated September 2, 2009. The Foundation received a $99,201 payment from the financial institution in consideration of the termination. The net change in value has been recorded as a reduction to loss on derivatives in the consolidated statement of activities for fiscal year 2010.

NOTE I—DERIVATIVE INSTRUMENTS—Continued

GMUF Mason Administration, LLC Interest Rate Swaps

In March 2010, as part of the GMUF Mason Administration, LLC Project, the Foundation entered into a forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $32,100,000 tax-exempt notional amount and a second forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $1,900,000 taxable notional amount with a commercial bank. The swap transactions became effective on June 1, 2011. The termination date is June 1, 2036 for the tax-exempt notional amount and December 1, 2013 for the taxable notional amount. The tax-exempt swap has an option to terminate at no risk at the end of the 13th year. The fair value of the interest rate swaps $2,816,957 and $2,662,606 for June 30, 2011 and 2010 respectively. The net change in value has been recorded as a loss on derivatives in the consolidated statement of activities. The combined interest rate swaps have a liability threshold of $5,000,000. Should the derivative obligations exceed $5,000,000 the GMUF Mason Administration, LLC is required to post collateral in excess of the threshold amount. As of June 30, 2011 and 2010, no collateral amounts were required.

NOTE J—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 Foundation does receive periodic payments and, subject to trustee approval, does in turn provide payments to the former President and his spouse under the annuity contract. Additionally, the Foundation is the beneficiary of a life insurance policy covering the former President and his spouse that will provide a death benefit of $750,000.

NOTE K—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. Activity related to these organizations was as follows for the years ended June 30, 2011 and 2010:

	2011	2010
Amounts held for others, beginning of year	$ 6,426,837	$ 5,460,779
Other income	882,282	377,131
Conferences	114,475	82,042
Advertising	635,680	563,569
Royalties	299,938	163,874
Membership fees	274,760	260,257
Credit card sales	1,244,937	1,020,339
University contributions	823,152	633,665
Investment earnings	545,743	245,550
Endowment contribution expense	(86,253)	(84,197)
Scholarships	(99,767)	(23,587)
Program support	(2,604,940)	(2,272,585)
Amounts held for others, end of year	$ 8,456,844	$ 6,426,837

NOTE L—RENTAL INCOME

The Foundation leases certain properties with a cost of $139,114,627 and $111,335,662 and accumulated depreciation of $23,643,724 and $20,363,913 as of June 30, 2011 and 2010, respectively, under operating lease agreements. A portion of the above properties, with a cost of $44,108,215 and $16,333,687 and accumulated depreciation of $7,572,156 and $7,066,871 as of June 30, 2011 and 2010, respectively, is subject to annual state appropriation. GMUF Arlington Campus, LLC property has one lease for university parking rental which is also subject to state appropriation.

In May 2011, the Foundation substantially completed the construction of the GMUF Administrative building and entered into a long-term agreement to lease the entire building to the University. Under the terms of the lease agreement, 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 cost of the project. Currently, the future minimum rentals are estimated assuming the Foundation will draw a total of $34,000,000 of the GMUF Mason Administration, LLC bonds to finalize the project. Once final construction is complete and the actual debt service costs are known, the future minimum rentals will be adjusted accordingly. As of June 30, 2010, the University prepaid rent of $741,508 which was recorded in unearned rent on the statement of financial position. In fiscal year 2011, the University paid an additional $2,555,000 for rent. As of June 30, 2011, $315,675 was recognized as rental income on the statement of activities and $2,980,833 is included in unearned rent on the statement of financial position.

The future minimum rentals to be received under non-cancelable leases are as follows:

2012	$ 10,465,295
2013	10,229,187
2014	10,242,462
2015	9,838,353
2016	9,841,529
Thereafter	47,866,314
Total	$ 98,483,140

During the years ended June 30, 2011 and 2010, rental income earned by the Foundation totaled $12,841,242 and $12,458,440, of which $1,830,508 and $1,480,400 was paid by the University for 2011 and 2010, respectively. Additionally, $3,430,491 and $3,488,736, was paid by University students for 2011 and 2010, respectively while $22,020 was paid for both years by Capitol Connection, a separate 501(c)(3) organization associated with the University.

NOTE L—RENTAL INCOME—Continued

Rental income recognized during the years ended June 30, 2011 and 2010 was comprised of the following:

	2011	2010
Office space	$ 6,595,581	$ 6,424,508
Operating recoveries	258,863	250,576
Parking	746,040	712,924
Retail space	281,212	402,795
Storage	51,428	51,382
Total rental income for GMUF Arlington Campus, LLC	$ 7,933,124	$ 7,842,185

NOTE M—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. The following is a summary of net assets released from donor restrictions during the years ended June 30, 2011 and 2010:

	2011	2010
Academic program support	$ 22,833,040	$ 22,544,137
Administrative support	—	5,250
Scholarships	1,646,207	1,719,957
Eminent scholars	211,481	573,790
Time restricted expired for general support	7,180,000	—
Total	$ 31,870,728	$ 24,843,134

NOTE N—NET ASSETS AVAILABLE

Restricted net assets consisted of the following at June 30, 2011:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 11,018,228	$ 39,618
Academic support	17,334,885	4,059,188
Athletics	649,603	64,322
Community/public service	4,302,048	3,584,487
Eminent scholars	2,940,188	18,979,793
Eminent scholars – perpetual trust	—	9,004,307
Facilities	12,022,599	65,805
Library	473,851	310,501
Research	4,964,756	3,336,769
Student financial aid	5,875,210	21,183,693
Student financial aid – perpetual trust	—	1,652,805
Time restricted without purpose restriction	7,221,435	443,453
	$ 66,802,803	$ 62,724,741

NOTE N—NET ASSETS AVAILABLE—Continued

Restricted net assets consisted of the following at June 30, 2010:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 10,994,946	$ 31,348
Academic support	15,008,330	4,011,763
Athletics	673,420	52,323
Community/public service	5,472,025	3,529,191
Eminent scholars	1,369,899	18,926,834
Eminent scholars – perpetual trust	—	7,882,885
Facilities	12,881,323	55,365
Library	438,226	232,260
Research	5,064,228	2,231,898
Student financial aid	5,361,728	18,766,543
Student financial aid – perpetual trust	—	1,277,824
Time restricted without purpose restriction	14,392,056	141,664
	$ 71,656,181	$ 57,139,898

NOTE O—RELATED PARTY TRANSACTIONS

The Foundation outsources its payroll processing to the University and reimburses the University for payroll costs incurred. As of June 30, 2011 and 2010, the Foundation had salaries payable to the University totaling $125,432 and $115,249, respectively.

The Foundation remits to the University the excess cash flow of the Foundation housing project one fiscal year after the fact. As of June 30, 2011 and 2010, the Foundation had $1,021,619 and $714,840 payable to the University, respectively.

The Foundation receives donated space located on the University property in Fairfax, Virginia from the University. In fiscal years 2011 and 2010, $74,928 and $72,296, respectively, is reflected in the consolidated statement of activities as unrestricted contribution revenue and administrative expenses. In addition, the Foundation leases certain properties at rates substantially below market to the University and earns rental income on leases.

During fiscal year 2010, the Foundation transferred land and building of $4,120,000 to the Commonwealth of Virginia for the benefit of the University.

NOTE P—CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in several commercial banks in Virginia that are in excess of the Federal Deposit Insurance Corporation (FDIC) maximum of $250,000 per depositor per institution. At June 30, 2011, the Foundation had approximately $14,985,501 in checking and savings accounts and an additional $50,286 in certificates of deposit, for a combined uninsured balance of $15,035,787 at three institutions.

Cash equivalents referred to above include cash that is swept into overnight repurchase accounts, which are invested in U.S. government or agency securities. Amounts included in cash and cash equivalents that were invested in the overnight repurchase accounts totaled $1,685,019 at June 30, 2011. Historically, losses from federal government securities have not occurred.

In fiscal year 2011, 11 donors collectively contributed approximately 35 percent of the total contributions, and approximately 74 percent of total pledges receivable were due from five contributors.

NOTE Q—ENDOWMENT

The Foundation's endowment consists of approximately 340 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles (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 permanently restricted portion of the Foundation's endowment includes contributions receivable but excludes 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation 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:

NOTE Q—ENDOWMENT—Continued

(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, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,973,347)	$ 1,630,042	$ 51,124,074	$ 50,780,769
Board-designated endowment funds	62,184	—	—	62,184
Total funds	$ (1,911,163)	$ 1,630,042	$ 51,124,074	$ 50,842,953

Changes in Endowment Net Assets for the Year Ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (4,927,341)	$ 476,309	$ 47,378,433	$ 42,927,401
Investment return:				
Investment income	449,657	443,918	—	893,575
Net depreciation (realized and unrealized)	3,034,392	1,954,920	—	4,989,312
External management fees	(78,622)	(77,618)	—	(156,240)
Total investment return	3,405,427	2,321,220	—	5,726,647
Contributions	—	—	3,722,926	3,722,926
Appropriation of endowment assets for expenditure	(389,249)	(1,166,936)	—	(1,556,185)
Other changes	—	(551)	22,715	22,164
Endowment net assets, end of year	$ (1,911,163)	$ 1,630,042	$ 51,124,074	$ 50,842,953

NOTE Q—ENDOWMENT—Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,982,971)	$ 476,309	$ 47,378,433	$ 42,871,771
Board-designated endowment funds	55,630	—	—	55,630
Total funds	$ (4,927,341)	$ 476,309	$ 47,378,433	$ 42,927,401

Changes in Endowment Net Assets for the Year Ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (11,331,389)	$ 5,369,578	$ 46,392,616	$ 40,430,805
Investment return:				
Investment income	479,465	79,775	—	559,240
Net depreciation (realized and unrealized)	6,758,049	(4,564,485)	—	2,193,564
External management fees	(169,274)	(28,164)	—	(197,438)
Total investment return	7,068,240	(4,512,874)	—	2,555,366
Contributions	—	—	978,018	978,018
Appropriation of endowment assets for expenditure	(664,192)	(380,054)	—	(1,044,246)
Other changes	—	(341)	7,799	7,458
Endowment net assets, end of year	$ (4,927,341)	$ 476,309	$ 47,378,433	$ 42,927,401

	2011	2010
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 51,124,074	$ 47,378,433
Total endowment funds classified as permanently restricted net assets	$ 51,124,074	$ 47,378,433

NOTE Q—ENDOWMENT—Continued

	2011	2010
The portion of perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	$ 1,864	$ 268
Academic support	79,894	136
Athletics	8,859	3,706
Community/public service	21,785	17,599
Eminent scholars	1,287,911	426,788
Facilities	1,280	—
Library	5,145	204
Research	7,490	195
Student financial aid	215,814	27,413
Total endowment funds classified as temporarily restricted net assets	$ 1,630,042	$ 476,309

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 permanent endowment. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation, in fiscal year 2009, for certain programs deemed prudent by the Board of Trustees. The investment gains achieved in fiscal 2011 and 2010 have been classified as increases in unrestricted net assets. Future gains will continue to be classified as increases in unrestricted net assets until the shortfalls previously charged to unrestricted net assets have been eliminated and endowment fund assets are restored to the required levels stipulated by donors. As of June 30, 2011 and 2010, $1,973,347 and $4,982,971, respectively, of such deficiencies are reported in unrestricted net assets.

Permanently Restricted Net Assets

A reconciliation of the permanently restricted endowments to the permanently restricted net asset balance as of June 30:

	2011	2010
Permanently Restricted Net Assets, end of year	$ 62,724,741	$ 57,139,898
Beneficial interest in perpetual trusts	(10,657,112)	(9,160,709)
Charitable remainder trusts and charitable gift annuities	(943,555)	(600,756)
Permanently Restricted Endowments, end of year	$ 51,124,074	$ 47,378,433

NOTE Q—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 of approximately 5.75 percent annually, 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

The Foundation has a policy of appropriating for distribution each year 5.75 percent of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, the Foundation considered 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. The Foundation also considered real growth through new gifts and investment return.

NOTE R—COMMITMENTS AND CONTINGENCIES

George Mason University was selected by the U.S. Department of Education, Office of Innovation and Improvement to receive a grant of $28,455,346 for a Virginia Initiative for Science Teaching and Achievement program (VISTA). As a condition of receipt, the University had to demonstrate a commitment of a 20% match from the private sector of $5,691,070. The University Development and Alumni Affairs Department will solicit the required matching funds specifically for the VISTA program over the five year grant period. The Foundation, to ensure the University's eligibility for the award, has agreed to fulfill the commitment should there exist a shortfall in the University Development's fundraising efforts. Required matching funds are due each year in proportion to the expenditures made during the grant period. As of September 30, 2011, the first grant year end date, the matching funds shortfall is estimated to be approximately $55,500. The University will file the first grant year report on the November 30, 2011 report due date.

NOTE S—SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through November 21, 2011, which is the date the financial statements were available for issuance, and these events have been summarized below.

Industrial Development Authority of the County of Prince William Bonds – GMUF PW Housing LLC Project

On August 10, 2011 The Industrial Development Authority of the County of Prince William issued its \$14,640,000 Revenue Bond Series 2011A (Tax-Exempt GMUF PW Housing LLC Project) and its \$985,000 Revenue Bond Series 2011B (Taxable GMUF PW Housing LLC Project) pursuant to a Trust Indenture, dated August 1, 2011. Proceeds of the Series 2011A and 2011B Bonds will be loaned to GMUF PW Housing LLC, the sole member of which is George Mason University Foundation, Inc. and used to finance the acquisition, construction and equipping of a student residence hall consisting of 152 beds in 112 units in approximately 80,858 total square feet of space, university program space of approximately 10,000 square feet, and approximately 15,000 square feet of unimproved "shell space" designated for retail tenants. The 2011A Series mature annually for varying amounts totaling \$1,895,000 on September 1 between 2022 and 2026 (various rates between 4.25% and 5.00%), \$3,190,000 (5.50%) on September 1 2031 and \$9,555,000 (5.125%) on September 1, 2041. The 2011B Series \$985,000 (2.5%) matures August 31, 2014. 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.

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

On August 10, 2011 The Industrial Development Authority of the County of Prince William issued its \$31,065,000 Revenue Bond Series 2011AA (Tax-Exempt GMUF PW Life Sciences Lab LLC Project) and its \$2,145,000 Revenue Bond Series 2011BB (Taxable GMUF PW Life Sciences Lab LLC Project) pursuant to a Trust Indenture dated August 1, 2011. Proceeds of the Series 2011A and 2011B Bonds will be loaned to GMUF PW Life Sciences Lab LLC, the sole member of which is George Mason University Foundation, Inc. and used to finance the acquisition, construction and equipping of life sciences lab facilities consisting of approximately 58,056 square feet, and the acquisition and construction of approximately 17,615 square feet of unimproved "shell space" designated for commercial laboratory use. The 2011A A Series mature annually for varying amounts totaling \$8,010,000 on September 1 between 2016 and 2026 (various rates between 3.00% and 5.00%), \$5,705,000 (5.50%) on September 1 2031, \$4,275,000 (5.50%) on September 1, 2034 and \$13,,075,000 (5.125%) on September 1, 2041. The 2011B Series \$2,145,000 (3.00%) matures September 1, 2016. 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.

Endowment Spending Policy

On November 4, 2011, The Board of Trustees of the Foundation amended the current endowment spending policy. Under the revised policy, the endowment spending rate will remain at 4% for all accounts with a market value which exceeds the original gift value or corpus. For those accounts with a market value that has not fallen below 80% of the original gift value, a distribution will be made at the rate of 2%. If the market value of any account has diminished below 80% of the original gift value, no distribution will be made. To the extent that the market values of the individual endowment funds fall below the original gift values, such deficiencies will be reported as unrestricted net assets, in accordance with GAAP.