Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

George Mason University Foundation, Inc. and Subsidiaries

June 30, 2014 with Summarized Comparative Information for June 30, 2013

George Mason University Foundation, Inc. and Subsidiaries

Contents

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Report of Independent Certified Public Accountants

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, 2014, 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 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.

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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, 2014, and the changes in net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 7 and 8 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 established by the American Institute of Certified Public Accountants. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report On 2013 Summarized Comparative Information

We have previously audited the Foundation's 2013 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2013. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Baltimore, Maryland
November 7, 2014

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2014 (with comparative totals as of June 30, 2013)

	GMU Foundation, Inc.	Real Estate Subsidiaries	June 30, 2014	June 30, 2013
Assets				
Cash and cash equivalents	$ 5,588,011	$ 7,332,500	$ 12,920,511	$ 16,176,675
Restricted cash and cash equivalents	—	1,804,012	1,804,012	1,713,057
Inter-entity receivable	249,718	(249,718)	—	—
Contributions receivable, net	21,147,886	—	21,147,886	17,720,060
Derivative asset	20,731	—	20,731	82,817
Prepaids and other assets	256,995	777,854	1,034,849	1,087,354
Deposits held with trustees	—	1,089,166	1,089,166	5,362,155
Leasing commissions	—	1,404,393	1,404,393	1,813,939
Net investment in direct financing leases	—	52,328,945	52,328,945	46,569,256
Beneficial interest in perpetual trusts	11,788,420	—	11,788,420	10,803,294
Annuity benefit contract	497,801	—	497,801	465,534
Deferred loan costs, net	95,111	945,192	1,040,303	1,141,648
Investments	138,595,799	—	138,595,799	113,135,051
Property and equipment, net	37,014,555	89,338,320	126,352,875	129,462,052
Art and antiques	572,567	—	572,567	572,567
Total Assets	$ 215,827,594	$ 154,770,664	$ 370,598,258	$ 346,105,459
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 8,197,159	$ 2,040,489	$ 10,237,648	$ 9,918,558
Unearned rent	148,760	6,792,686	6,941,446	2,486,921
Trust liabilities	1,182,747	—	1,182,747	1,260,758
Other liabilities	3,750	34,894	38,644	34,894
Accrued annuity benefit	497,801	—	497,801	465,534
Derivative obligations	2,018,029	3,832,077	5,850,106	5,876,718
Long-term debt	21,653,750	150,387,478	172,041,228	174,771,153
Amounts held for others	11,239,670	—	11,239,670	9,683,161
Total Liabilities	$ 44,941,666	$ 163,087,624	$ 208,029,290	$ 204,497,697
Net Assets				
Unrestricted	$ 20,213,228	$ —	$ 20,213,228	$ 14,515,324
Temporarily restricted	71,437,635	—	71,437,635	64,008,515
Permanently restricted	79,235,065	—	79,235,065	72,524,351
GMUF Arlington Campus, LLC	—	(5,777,943)	(5,777,943)	(6,455,755)
GMUF Mason Administration, LLC	—	(3,141,506)	(3,141,506)	(2,937,559)
GMUF Prince William Housing, LLC	—	562,090	562,090	342,438
GMUF Prince William Life Sciences Lab, LLC	—	(182,873)	(182,873)	(84,072)
GMUF Commerce Buildings, LLC	—	223,272	223,272	(305,480)
Total Net Assets	$ 170,885,928	$ (8,316,960)	$ 162,568,968	$ 141,607,762
Total Liabilities and Net Assets	$ 215,827,594	$ 154,770,664	$ 370,598,258	$ 346,105,459

The accompanying notes are an integral part of these financial statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities

For the year ended June 30, 2014 (with comparative totals for the year ended June 30, 2013)

	GMU Foundation, Inc.						
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Real Estate Subsidiaries**	**Eliminating Entry**	**Year Ended June 30, 2014**	**Year Ended June 30, 2013**
Support and Revenue							
Contributions	$ 276,037	$ 40,615,641	$ 5,635,596	$ —	$ —	$ 46,527,274	$ 38,838,023
Contributions from related entities	474,129	—	—	381,092	(855,221)	—	—
Income from perpetual trusts	6,257	554,883	—	—	—	561,140	443,174
Investment return, net	6,740,539	5,031,478	5,675	15,601	—	11,793,293	7,254,831
Change in value of perpetual trusts	—	—	985,126	—	—	985,126	543,065
Change in charitable trusts and gift annuities	—	(27,811)	82,417	—	—	54,606	(383,040)
Service fees	996,383	—	—	—	—	996,383	1,088,330
Rental income	3,889,207	—	—	9,556,309	—	13,445,516	12,488,155
Interest on direct financing lease	—	—	—	3,158,972	—	3,158,972	2,852,210
(Loss) gain on derivatives	(28,376)	—	—	(7,097)	—	(35,473)	3,331,408
Trust and other income	43,857	50,244	—	80,658	—	174,759	21,225
Total Support and Revenue	12,398,033	46,224,435	6,708,814	13,185,535	(855,221)	77,661,596	66,477,381
Operating Expenses							
Accounting and legal	180,660	—	—	25,156	—	205,816	255,020
Administrative	1,319,368	—	—	1,125,636	—	2,445,004	3,010,994
Depreciation and amortization	1,246,433	—	—	2,163,840	—	3,410,273	3,455,109
Insurance	59,218	—	—	105,308	—	164,526	148,773
Contributions to related entities	381,092	—	—	474,129	(855,221)	—	—
Interest expense	812,852	—	—	6,717,007	—	7,529,859	7,347,483
Utilities and other	1,238,924	—	—	1,450,991	—	2,689,915	2,511,035
	5,238,547	—	—	12,062,067	(855,221)	16,445,393	16,728,414
Fundraising	277,301	—	—	—		277,301	254,686
Total Operating Expenses	5,515,848	—	—	12,062,067	(855,221)	16,722,694	16,983,100
Operating Surplus	6,882,185	46,224,435	6,708,814	1,123,468	—	60,938,902	49,494,281
Reclassification Per Donor Request	(25,000)	23,100	1,900	—	—	—	—
Net Assets Released from Restriction	38,911,083	(38,911,083)	—	—	—	—	—
Support and Revenue, Net of Operating Expenses	45,768,268	7,336,452	6,710,714	1,123,468	—	60,938,902	49,494,281
Program Service Benefits for George Mason University							
Scholarships	1,586,108	—	—	—	—	1,586,108	1,721,510
Academic program support	35,879,339	—	—	—	—	35,879,339	32,876,234
Eminent scholars	1,565,551	—	—	—	—	1,565,551	901,426
Administrative support	1,039,366	—	—	—	—	1,039,366	947,619
Total Program Service Benefits	40,070,364	—	—	—	—	40,070,364	36,446,789
Non-Operating Activity							
Gain on Sale of Property	—	92,668	—	—	—	92,668	—
Loss on Extinguishment of Debt	—	—	—	—	—	—	(338,998)
Total Non-Operating Activity	—	92,668	—	—	—	92,668	(338,998)
Change in Net Assets	5,697,904	7,429,120	6,710,714	1,123,468	—	20,961,206	12,708,494
Net Assets, beginning of period	$ 14,515,324	$ 64,008,515	$ 72,524,351	$ (9,440,428)	$ —	$ 141,607,762	$ 128,899,268
Net Assets, end of period	$ 20,213,228	$ 71,437,635	$ 79,235,065	$ (8,316,960)	$ —	$ 162,568,968	$ 141,607,762

The accompanying notes are an integral part of these financial statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position - Real Estate Subsidiaries

June 30, 2014 (with comparative totals as of June 30, 2013)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	GMUF Commerce Buildings, LLC	June 30, 2014	June 30, 2013
Assets							
Cash and cash equivalents	$ 2,929,551	$ 1,363,770	$ 1,020,734	$ 1,781,912	$ 236,533	$ 7,332,500	$ 5,405,484
Restricted cash and cash equivalents	1,804,012	—	—	—	—	1,804,012	1,713,057
Inter-entity receivable	(247,000)	(2,718)	—	—	—	(249,718)	(836,206)
Prepaids and other assets	777,854	—	—	—	—	777,854	348,133
Deposits held with trustees	—	—	—	1,089,166	—	1,089,166	5,362,155
Leasing commissions	1,404,393	—	—	—	—	1,404,393	1,813,939
Net investment in direct financing leases	—	31,035,020	15,330,853	—	5,963,072	52,328,945	46,569,256
Deferred loan costs, net	87,403	165,447	188,314	390,114	113,914	945,192	1,022,254
Property and equipment, net	54,553,969	—	—	34,784,351	—	89,338,320	91,362,857
Total Assets	$ 61,310,182	$ 32,561,519	$ 16,539,901	$ 38,045,543	$ 6,313,519	$ 154,770,664	$ 152,760,929
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	$ 454,317	$ 232,545	$ 258,902	$ 1,041,173	$ 53,552	$ 2,040,489	$ 4,494,004
Unearned rent	2,825,281	—	—	3,967,405	—	6,792,686	2,336,326
Other liabilities	34,894	—	—	—	—	34,894	34,894
Derivative obligations	—	3,832,077	—	—	—	3,832,077	3,824,980
Long-term debt	63,773,633	31,638,403	15,718,909	33,219,838	6,036,695	150,387,478	151,511,153
Total Liabilities	$ 67,088,125	$ 35,703,025	$ 15,977,811	$ 38,228,416	$ 6,090,247	$ 163,087,624	$ 162,201,357
Net Assets							
GMUF Arlington Campus, LLC	$ (5,777,943)	$ —	$ —	$ —	$ —	$ (5,777,943)	$ (6,455,755)
GMUF Mason Administration, LLC	—	(3,141,506)	—	—	—	(3,141,506)	(2,937,559)
GMUF Prince William Housing, LLC	—	—	562,090	—	—	562,090	342,438
GMUF Prince William Life Sciences Lab, LLC	—	—	—	(182,873)	—	(182,873)	(84,072)
GMUF Commerce Buildings, LLC	—	—	—	—	223,272	223,272	(305,480)
Total Net Assets	$ (5,777,943)	$ (3,141,506)	$ 562,090	$ (182,873)	$ 223,272	$ (8,316,960)	$ (9,440,428)
Total Liabilities and Net Assets	$ 61,310,182	$ 32,561,519	$ 16,539,901	$ 38,045,543	$ 6,313,519	$ 154,770,664	$ 152,760,929

The accompanying notes are an integral part of these financial statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities - Real Estate Subsidiaries

For the year ended June 30, 2014 (with comparative totals for the year ended June 30, 2013)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	GMUF Commerce Buildings, LLC	Year Ended June 30, 2014	Year Ended June 30, 2013
Support and Revenue							
Contributions from GMU Foundation, Inc.	$ —	$ —	$ —	$ —	$ 381,092	$ 381,092	$ —
Investment returns, net	511	13,675	329	549	537	15,601	8,419
Rental income	9,357,667	—	—	—	198,642	9,556,309	8,537,341
Interest on direct financing lease	—	1,845,507	995,296	—	318,169	3,158,972	2,852,210
Gain (loss) on derivatives	—	(7,097)	—	—	—	(7,097)	2,195,404
Miscellaneous income	80,658	—	—	—	—	80,658	8,400
Total Support and Revenue	9,438,836	1,852,085	995,625	549	898,440	13,185,535	13,601,774
Operating Expenses							
Accounting and legal	17,962	225	100	100	6,769	25,156	14,880
Administrative	898,085	51,400	38,225	84,890	53,036	1,125,636	1,706,442
Contributions to GMU Foundation, Inc.	—	474,129	—	—	—	474,129	—
Depreciation and amortization	2,163,840	—	—	—	—	2,163,840	2,023,610
Insurance	105,308	—	—	—	—	105,308	85,663
Interest expense	4,298,231	1,530,278	737,648	14,360	136,490	6,717,007	6,387,109
Utilities and other	1,277,598	—	—	—	173,393	1,450,991	1,259,672
Total Operating Expenses	8,761,024	2,056,032	775,973	99,350	369,688	12,062,067	11,477,376
Change in Net Assets	677,812	(203,947)	219,652	(98,801)	528,752	1,123,468	2,124,398
Net Assets, beginning of period	$ (6,455,755)	$ (2,937,559)	$ 342,438	$ (84,072)	$ (305,480)	$ (9,440,428)	$ (11,564,826)
Net Assets, end of period	$ (5,777,943)	$ (3,141,506)	$ 562,090	$ (182,873)	$ 223,272	$ (8,316,960)	$ (9,440,428)

The accompanying notes are an integral part of these financial statements.

George Mason University Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

For the year ended	2014	2013
Cash Flows from Operating Activities		
Changes in net assets	$ 20,961,206	$ 12,708,494
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	3,410,273	3,455,109
Amortization of loan financing costs	101,345	92,047
Amortization of bond premium	(55,268)	(53,112)
Discount on contributions receivable	(247,174)	(527,437)
Unrealized investment gain	(7,961,255)	(3,910,442)
Realized investment gain	(1,090,397)	(605,593)
Interest on direct financing lease	(3,158,972)	(2,852,210)
Change in value of perpetual trusts	(985,126)	(543,065)
Change in value of charitable trusts and gift annuities	(54,606)	383,043
Stock contributions	(110,252)	(170,055)
Contributions restricted for long-term purposes	(5,635,596)	(2,100,511)
(Gain) loss on sale of property and equipment	(92,668)	57,441
Loss on extinguishment of debt	—	338,998
Loss (gain) on derivative	35,473	(3,331,408)
Change in assets and liabilities:		
Restricted cash	(90,955)	737,565
Pledges receivable	(3,180,652)	2,357,272
Prepaids	52,505	(255,925)
Accounts payable and accrued expenses	319,090	3,785,961
Unearned rent	4,454,525	2,467,901
Other liabilities	3,750	(50,573)
Amounts held for others	1,556,509	733,520
Net Cash Provided by Operating Activities	$ 8,231,755	$ 12,717,020
Cash Flows from Investing Activities		
Proceeds from sale of investments	$ 28,657,197	$ 55,922,953
Purchases of investments	(44,979,445)	(59,613,316)
Purchases of property and equipment	(6,662,416)	(36,020,336)
Proceeds from sale of property and equipment	316,128	28,966
Payments received on direct financing lease	3,946,688	3,385,641
Net Cash Used in Investing Activities	$ (18,721,848)	$ (36,296,092)
Cash Flows from Financing Activities		
Proceeds from contributions in permanent endowments	$ 5,086,288	$ 2,040,650
Proceeds from contributions in charitable remainder trust	—	59,860
Proceeds from contributions in other permanently restricted investments	549,309	—
Increase in deferred loan costs	—	(239,912)
Proceeds from long-term debt	1,423,564	6,740,675
Repayments on long-term debt	(4,098,221)	(5,154,812)
Decrease in deposits with trustee	4,272,989	30,740,556
Payments of leasing commissions	—	(627,069)
Net Cash Provided by Financing Activities	$ 7,233,929	$ 33,559,948
(Decrease) Increase in Cash and Cash Equivalents	$ (3,256,164)	$ 9,980,876
Cash and Cash Equivalents, beginning of year	$ 16,176,675	$ 6,195,799
Cash and Cash Equivalents, end of year	$ 12,920,511	$ 16,176,675
Supplemental Disclosure of Cash Flow Activities		
Interest paid and expensed	$ 7,434,463	$ 7,319,366
Noncash investing activities: Conversion of property and equipment to direct-financing lease	$ 6,547,405	$ 15,466,004

The accompanying notes are an integral part of these financial 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, GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC, GMUF Prince William Life Sciences Lab, LLC, and GMUF Commerce Buildings, LLC (together the “Foundation”). George Mason University Foundation, Inc. owns 100 percent of GMUF Arlington Campus, LLC, GMUF Mason Administration, LLC, Prince William Housing, LLC, GMUF Prince William Life Sciences Lab, LLC, and GMUF Commerce Buildings, LLC (collectively “Real Estate Subsidiaries”). 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.

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 5.5 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 2014 are as follows:

Asset Class	Allocation Ranges
Cash or cash equivalents	0% to 10%
Domestic/global fixed income	20% to 55%
High yield fixed income	0% to 15%
Hedge funds, private equity and real estate	0% to 20%
Total Fixed Income	**20% to 70%**
Domestic equity	20% to 60%
Global equity excluding US	10% to 40%
Hedge funds, private equity and real estate	0% to 20%
Managed futures/commodities	0% to 10%
Total Equity	**30% to 80%**

Under the policy, the endowment spending rate remains at 5.5 percent 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 percent of the original gift value, a spending rate of 2 percent applies. A spending rate does not apply, if the market value of any account has diminished below 80 percent of the original gift value. 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 U.S. generally accepted accounting principles (GAAP).

Estimates

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 any 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.

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 investments 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 $136,375 and zero, as of June 30, 2014 and 2013. Bad debt expense is reflected as a reduction to contribution revenue and was $436,526 and $545,346 as of June 30, 2014 and 2013.

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 unearned rent. The impact of the straight-line adjustment increased rental income by $446,570 and $15,369 as of June 30, 2014 and 2013, respectively.

The Foundation rents the GMUF Mason Administration, LLC building, the Prince William Housing, LLC building, and the GMUF Commerce, LLC building to the University through direct financing leases. The lease terms range from 20 to 30 years. Interest on the direct financing leases is recognized over the lease term using the effective interest method.

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.

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.

Donated Goods and Services

During the years ended June 30, 2014 and 2013, the Foundation was a beneficiary of donated goods and services that are primarily gifted to the University to provide greater resources towards their programs. The value of these donated goods and services was $731,286 and $1,009,918 for the years ended June 30, 2014 and 2013, respectively.

Donated goods and services include tangible and intangible items such as musical instruments, educational licenses, books, periodicals, scientific instruments, and donated space.

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.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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, 2014 and 2013, totaled $409,546 and $347,082 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 properties occupied by the University and loans and bonds related to the GMUF Arlington Campus, LLC, GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC, GMUF Prince William Life Sciences Lab, LLC, and GMUF Commerce Buildings, 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, 2014 and 2013, totaled $101,344 and $92,047, respectively. In addition, during fiscal year 2013, the Foundation recorded a loss on extinguishment of debt of $338,998 due to the write-off of deferred loan costs.

Prior Year Summarized Information

The consolidated 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, 2013, from which the summarized information was derived.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

NOTE C—INVESTMENTS

Investments, which are reported at fair value, consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Cash and money market funds	$ 3,399,523	$ 3,954,528
Equities	39,200,318	33,974,762
Fixed income	64,648,904	48,318,237
Commodities	1,105,106	1,023,774
Real estate	69,774	223,436
Hedge funds	24,363,186	21,196,475
Managed futures	2,011,930	2,111,479
Private equity and real assets	3,797,058	2,332,360
	$ 138,595,799	$ 113,135,051

Investment earnings are summarized as follows for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends, net of external management fees	$ 2,741,641	$ 2,738,796
Realized gain	1,090,397	605,593
Unrealized gain	7,961,255	3,910,442
Investment return, net	11,793,293	7,254,831
Investment return included with change in charitable trusts and gift annuities	192,745	120,892
	$ 11,986,038	$ 7,375,723

For the years ended June 30, 2014 and 2013, the Foundation paid external management fees of $188,720 and $198,051, 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.

- *Equities:* 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:* 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*: Investments in these classes are 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.

- *Derivative obligations and assets*: Interest rate swaps and caps are 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. These derivatives are classified within Level 2 of the fair value hierarchy.

- *Deposits held with trustee*: Funds held on deposit with a trustee are held in money market funds. Since money market funds approximate fair value because of the short maturity of these investments, these deposits are classified within Level 1 of the fair value hierarchy.

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, 2014:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents	$ 3,399,523	$ —	$ —	$ 3,399,523
Equities:				
Domestic large cap	17,977,034	—	—	17,977,034
Domestic small/mid cap	2,831,913	—	—	2,831,913
International (developed countries)	13,102,818	—	—	13,102,818
International (emerging markets)	5,288,553	—	—	5,288,553
Fixed income:				
Short-term bonds	31,970,063	1,222,050	—	33,192,113
Intermediate bonds	5,929,945	—		5,929,945
Long-term bonds	—	1,209,700	—	1,209,700
Multi-sector bonds	9,638,902	—	—	9,638,902
World bonds	9,024,838	—	—	9,024,838
Bank loans	5,653,406	—	—	5,653,406
Commodities	1,105,106	—	—	1,105,106
Real estate	69,774	—	—	69,774
Hedge funds:				
Multi-strategies	—	6,359,498	11,225,859	17,585,357
Directional equity	—	1,669,414	5,108,415	6,777,829
Managed futures	—	2,011,930	—	2,011,930
Private equity and real assets	—	—	3,797,058	3,797,058
Investments	105,991,875	12,472,592	20,131,332	138,595,799
Beneficial interest in perpetual trusts	—	—	11,788,420	11,788,420
Deposits held with trustees	1,089,166	—	—	1,089,166
Derivative asset	—	20,731	—	20,731
Total financial assets	$ 107,081,041	$ 12,493,323	$ 31,919,752	$ 151,494,116
Financial Liabilities:				
Derivative obligations	$ —	$ 5,850,106	$ —	$ 5,850,106
Total financial liabilities	$ —	$ 5,850,106	$ —	$ 5,850,106

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, 2013:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents	$ 3,954,528	$ —	$ —	$ 3,954,528
Equities:				
Domestic large cap	16,476,412	—	—	16,476,412
Domestic small/mid cap	2,795,381	—	—	2,795,381
International (developed countries)	10,896,780	—	—	10,896,780
International (emerging markets)	3,806,189	—	—	3,806,189
Fixed income:				
Short-term bonds	22,502,197	1,720,120	—	24,222,317
Intermediate bonds	7,822,873	—	—	7,822,873
Long-term bonds	—	1,047,472	—	1,047,472
Multi-sector bonds	6,676,558	—	—	6,676,558
World bonds	5,345,690	—	—	5,345,690
Bank loans	3,203,327	—	—	3,203,327
Commodities	1,023,774	—	—	1,023,774
Real estate	223,436	—	—	223,436
Hedge funds:				
Multi-strategies	—	5,354,551	11,321,699	16,676,250
Directional equity	—	1,028,792	3,491,433	4,520,225
Managed futures	—	2,111,479	—	2,111,479
Private equity and real assets	—	—	2,332,360	2,332,360
Investments	84,727,145	11,262,414	17,145,492	113,135,051
Beneficial interest in perpetual trusts	—	—	10,803,294	10,803,294
Deposits held with trustees	5,362,155	—	—	5,362,155
Derivative asset	—	82,817	—	82,817
Total financial assets	$ 90,089,300	$ 11,345,231	$ 27,948,786	$ 129,383,317
Financial Liabilities:				
Derivation obligations	$ —	$ 5,876,718	$ —	$ 5,876,718
Total financial liabilities	$ —	$ 5,876,718	$ —	$ 5,876,718

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, 2014.

	Balance at July 1, 2013	Net Gain on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2014
Hedge funds – Multi-strategies	$ 11,321,699	$ 652,651	$ 300,000	$ (929,880)	$ (118,611)	$ 11,225,859
Hedge funds – Directional	3,491,433	716,982	900,000	—	—	5,108,415
Private equity and real assets	2,332,360	177,582	1,842,501	(555,385)	—	3,797,058
Beneficial interest in perpetual trusts	10,803,294	985,126	—	—	—	11,788,420
	$ 27,948,786	$ 2,532,341	$ 3,042,501	$ (1,485,265)	$ (118,611)	$ 31,919,752

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 2014 related to the redemption of a hedge fund.

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, 2013.

	Balance at July 1, 2012	Net Gain on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2013
Hedge funds – Multi-strategies	$ 7,303,989	$ 816,264	$ 3,745,634	$ (544,188)	$ —	$ 11,321,699
Hedge funds – Directional	5,424,871	258,859	1,300,009	(3,393,913)	(98,393)	3,491,433
Private equity and real assets	2,218,585	110,179	330,376	(326,780)	—	2,332,360
Beneficial interest in perpetual trusts	10,260,229	543,065	—	—	—	10,803,294
	$ 25,207,674	$ 1,728,367	$ 5,376,019	$ (4,264,881)	$ (98,393)	$ 27,948,786

The transfers out of Level 3 during fiscal year 2013 related to the redemption of a hedge fund.

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, 2014:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – Multi-strategies (a)	$ 17,585,357	$ N/A	Quarterly, Annually	60 days, 90 days, 95 days
Hedge funds – Directional (b)	6,777,829	N/A	Quarterly, Annually	90 days, 105 days
Managed futures (c)	2,011,930	N/A	Daily	1 day
Private equity and real assets (d)	3,797,058	6,607,946	N/A	N/A
Total	$ 30,172,174	$ 6,607,946		

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2013:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – Multi-strategies (a)	$ 17,705,042	$ N/A	Quarterly, Annually	60 days, 90 days, 95 days
Hedge funds – Directional (b)	3,491,433	N/A	Annually	105 days
Managed futures (c)	2,111,479	N/A	Daily	1 day
Private equity and real assets (d)	2,332,360	2,873,154	N/A	N/A
Total	$ 25,640,314	$ 2,873,154		

(a) This class includes investments in several funds 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, value and other trading strategies. The 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.

NOTE D—FAIR VALUE MEASUREMENT—Continued

(b) This class includes investments in a fund of hedge funds that use directional strategies, primarily long/short strategies. Investments held by this fund primarily consist of equities. The fair values of the investments in this class have been estimated using the NAV per share of the investments. The investments in this class are redeemable based on the redemption frequency and notice period described above. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

(c) This class includes investments in managed futures with the objective to seek 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. Currently, all investments in this class are redeemable. The fair value of the investments in this class has been estimated using the NAV per share of the investments.

(d) This class includes investments in private equity and real asset funds. The real asset funds invest in either global or US commercial 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. 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. It is estimated that the underlying assets will be liquidated over 1 to 11 years. The fair value of these investments has been estimated using the NAV of the Foundation's ownership interest in the funds.

NOTE E—CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2014 and 2013 are as follows:

	2014	2013
Due in less than one year	$ 4,311,190	$ 3,665,205
Due in one to five years	17,490,552	14,970,760
Due in more than five years	766,250	615,000
	22,567,992	19,250,965
Less allowance for doubtful accounts	(136,375)	—
Less discount present value	(1,283,731)	(1,530,905)
Total	$ 21,147,886	$ 17,720,060

Discount rates range from 0.15 percent to 5.69 percent.

NOTE E—CONTRIBUTIONS RECEIVABLE—Continued

As of June 30, 2014 and 2013, the Foundation has $7,138,000 and $4,607,000, 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 trusts at June 30, 2014 and 2013 totaled approximately $9.9 million and $9.1 million, respectively. Income from the trust totaled $530,174 and $414,853 for the years ended June 30, 2014 and 2013, respectively, and is included in unrestricted and temporarily restricted support and revenue. The change in value of the trust increased $766,283 and $474,383 during the years ended June 30, 2014 and 2013, respectively. These amounts are included in permanently restricted support and revenue.

The Foundation is a 100% beneficiary in a 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, 2014 and 2013 totaled approximately $1.9 million and $1.7 million, respectively. Income from the trust totaled $30,966 and $28,320 for the years ended June 30, 2014 and 2013, respectively, and is included in temporarily restricted support and revenue. The change in value from the trust increased $218,843 and $68,683 during the year ended June 30, 2014 and 2013, respectively. These amounts are included in permanently restricted support and revenue.

The estimated fair value of the Foundation's portion of these trusts at June 30, 2014 and 2013 is summarized as follows:

	2014	2013
Cash and money market funds	$ 259,854	$ 382,276
Equities:		
Domestic large cap	5,626,102	5,394,225
Domestic small/mid cap	224,302	408,868
International (developed)	3,241,358	2,054,845
Fixed income:		
Short-term bonds	15,964	—
Intermediate bonds	938,210	1,212,152
Multi-sector bonds	491,789	452,454
High yield bonds	737,340	678,800
Bank loans	20,036	195,482
Real estate	233,465	24,192
Total	$ 11,788,420	$ 10,803,294

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 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 3 to 24 years and discount rates range from 4.2 to 8.0 percent. The market value of the assets at June 30, 2014 and 2013 was $1,711,182 and $1,734,586, respectively. Liabilities related to these agreements were $1,182,747 and $1,260,758 at June 30, 2014 and 2013, respectively. During fiscal year 2014, the Foundation received no new charitable remainder trusts or gift annuities. One new charitable remainder trust was received in fiscal year 2013.

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

	2014	2013
Interest and dividends, net of external management fees	$ 10,532	$ 28,168
Realized gain	367,629	101,465
Unrealized loss	(185,416)	(8,741)
Investment return included with change in split interest agreements	192,745	120,892
Non-investment activity, net	(138,139)	(503,932)
	$ 54,606	$ (383,040)

NOTE G—PROPERTY AND EQUIPMENT

The following comprises property and equipment at June 30, 2014 and 2013:

	2014	2013
Land	$ 27,396,787	$ 29,121,652
Buildings	87,770,063	91,353,059
Building improvements	5,340,331	4,288,542
Furniture and equipment	834,920	764,013
Construction in progress	34,784,351	33,993,970
	156,126,452	159,521,236
Accumulated depreciation and amortization	(29,773,577)	(30,059,184)
Property and equipment, net	$ 126,352,875	$ 129,462,052

NOTE G—PROPERTY AND EQUIPMENT—Continued

Construction in progress at June 30, 2013 represented costs associated with the construction of the GMUF Prince William Life Sciences Lab, LLC and improvements to the GMUF Commerce Buildings, LLC properties (see Note H).

During fiscal year 2014, the GMUF Commerce Buildings, LLC renovation was completed and the buildings were occupied by the University. This activity resulted in a direct financing lease with the removal of the related construction in progress asset and a creation of a net investment in a direct financing lease (see Note L).

Construction in progress at June 30, 2014 represents costs associated with the construction of the GMUF Prince William Life Sciences Lab, LLC (see Note H). This project is expected to be completed in fiscal year 2015.

NOTE H—LONG-TERM DEBT

Fairfax County Economic Development Authority Bonds – George Mason University Foundation, Inc.

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. 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 was renewable annually and was scheduled to expire October 7, 2013.

On April 30, 2013 the interest rate swap was amended resulting in a change to the notional balance to $20,818,750, and changes to the fixed interest rate and termination date (see Note I). On May 1, 2013, the Foundation refinanced the Fairfax County Economic Development Authority bonds to variable rate bonds with the same commercial bank, resulting in the elimination of the letter of credit. On May 24, 2013, $2,260,000 of the refinanced Fairfax County Economic Development Authority bonds, relating to the Commerce buildings, were refinanced by another commercial bank through the issuance of the Industrial Development Authority of the Town of Clifton, VA – GMUF Commerce Buildings, LLC Project, Series 2013. See the Industrial Development Authority of the Town of Clifton, VA – GMUF Commerce Buildings, LLC Project, Series 2013 below.

NOTE H—LONG-TERM DEBT—Continued

Fairfax County Economic Development Authority Bonds – GMUF Mason Administration, LLC

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. The Series 2010A Bond is subject to mandatory repayment at the option of the commercial bank in December 2023. 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. The building was substantially completed in May 2011, with remaining construction for retail space completed in fiscal year 2014. The Foundation's loan obligation is limited to that portion of the bond issuance which it drew upon pursuant to the Bond Purchase and Loan Agreement.

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.

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

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) pursuant to a Trust Indenture, dated August 1, 2011. Proceeds were 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 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 L), and the rental payments made by the University service the bonds' principal and interest payments.

NOTE H—LONG-TERM DEBT—Continued

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

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 will be 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 project is expected to be 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 will lease the property to the University, and the rental payments made by the University will service the bonds' principal and interest payments.

The unspent bond proceeds for both of the Industrial Development Authority of the County of Prince William Series 2011 Bonds are held by a trustee and invested in money market funds. The trustee reimburses third party vendors for expenditures related to the life science lab and housing projects. The balance in deposits held with trustees was $1,089,166 and $5,362,155 at June 30, 2014 and 2013, respectively. Deposits held with trustees released for expenditure totaled $4,272,989 and $30,740,556 for the years ended June 30, 2014 and June 30, 2013, respectively.

Industrial Development Authority of the Town of Clifton, VA – GMUF Commerce Buildings, LLC

On May 24, 2013, the Industrial Development Authority of the Town of Clifton, VA issued its $6,500,000 Revenue Bond Series 2013 (GMUF Commerce Buildings, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated May 24, 2013. Proceeds are to be used for the purposes of (a) refinancing $2,260,000 of the Fairfax County Development Authority bonds, (b) renovating existing office buildings owned by the Foundation in the City of Fairfax, Virginia, and (c) paying certain other expenditures associated with the bond issuance, such as deferred loan costs. The project was completed in fiscal year 2014, and the Foundation had drawn a total of $6,232,503 of the loan with the commercial bank. The Foundation's loan obligation is limited to that portion of the bond issuance which it drew upon pursuant to the Bond Purchase and Loan Agreement. The Foundation leases the property to the University with a 20 year lease term (see Note L), and the rental payments made by the University service the bonds' principal and interest payments. Payments on this debt began on November 1, 2013.

NOTE H—LONG-TERM DEBT—Continued

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.

Per the terms of the loan, if the primary tenant's net book value drops below a specified threshold, the Foundation will be required to increase the funding of a tenant improvement reserve over the remaining loan term or obtain a qualified letter of credit from a commercial bank. During fiscal year 2014, this trigger event occurred, resulting in additional funding of the tenant improvement reserve for a period of time until the Foundation could secure a letter of credit facility. The letter of credit facility was established on April 1, 2014 in the amount of $3,330,844 and will continue through loan maturity of September 2016.

The following represents the Foundation's bonds and notes payable at June 30, 2014 and 2013.

	2014	2013
Fairfax County Economic Development Authority Bonds:		
George Mason University Foundation, Inc. Bonds, variable rates maturing at various dates through May 31, 2018	$ 21,653,750	$ 23,260,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, variable rate maturing on June 1, 2036	31,638,403	32,063,403
GMUF Mason Administration, LLC Taxable Revenue Bond, variable rate maturing on December 1, 2013	—	385,000

NOTE H—LONG-TERM DEBT—Continued

	2014	2013
Industrial Development Authority of the County of Prince William:		
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	$ 1,895,000
Prince William County Series 2011A Bonds, term		
interest rate 5.50%, maturing September 1, 2031	3,190,000	3,190,000
interest rate 5.125%, maturing September 1, 2041	9,555,000	9,555,000
Prince William County Series 2011B Bonds, term interest rate 2.50%, maturing September 1, 2021	985,000	985,000
Prince William County Series 2011AA Bonds, serial with interest rates ranging from 3.00% to 5.00%, maturing at various dates from September 1, 2016 to September 1, 2026	8,010,000	8,010,000
Prince William County Series 2011AA Bonds, term		
interest rate 5.50%, maturing September 1, 2031	5,705,000	5,705,000
interest rate 5.50%, maturing September 1, 2034	4,275,000	4,275,000
interest rate 5.125%, maturing September 1, 2041	13,075,000	13,075,000
Prince William County Series 2011BB Bonds, term interest rate of 3.00%, maturing September 1, 2016	1,615,000	2,145,000
Industrial Development Authority of the Town of Clifton, VA:		
Industrial Development Authority of the Town of Clifton, VA, revenue bond series 2013, variable rate maturing May 10, 2031	6,036,695	4,809,312
Bank Notes:		
GMUF Arlington Campus, LLC Notes A with interest rate of 6.24% maturing September 1, 2016	59,584,124	60,477,124
GMUF Arlington Campus, LLC Notes B with interest rate of 10.50% maturing September 1, 2016	4,189,509	4,252,298
Notes and bonds payable at face value	171,407,481	174,082,137
Plus: unamortized net premium	633,747	689,016
Total long-term debt	$ 172,041,228	$ 174,771,153

All of the term bonds for the Industrial Development Authority of the County of Prince William Series 2011 Bonds are subject to mandatory redemption by operation of sinking fund installments.

NOTE H—LONG-TERM DEBT—Continued

Scheduled maturities and sinking fund requirements are as follows:

Fiscal year ending June 30:	
2015	$ 4,086,028
2016	4,319,525
2017	65,113,409
2018	19,406,783
2019	2,162,767
Thereafter	76,318,969
	$ 171,407,481

Interest expense on notes, bonds and related swaps along with the amortization of deferred financing charges was $7,529,859 and $7,347,483, for the years ended June 30, 2014 and 2013, respectively.

The carrying value of long-term debt approximated the fair value as of June 30, 2014 and 2013, respectively. The Foundation estimated the fair value of bonds payable using valuations provided by an independent financial institution. If measured at fair value in the statement of financial position, the bonds payable would be categorized as Level 2 in the fair value hierarchy.

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, which adjusted the interest rate to 4.345%. With the refinancing of the Fairfax County Economic Development Authority bonds, the interest rate swap was amended on April 30, 2013 resulting in a notional amount of $20,818,750 at a fixed interest rate of 3.032% and a termination date of February, 1, 2029. The interest rate cap agreement remained in place.

At June 30, 2014 and 2013, the notional amount on the swap was $19,887,500 and $20,818,750, respectively, and on the cap was $10,675,000 and $10,875,000, respectively.

NOTE I—DERIVATIVE INSTRUMENTS—Continued

The fair value of the interest rate swap at June 30, 2014 and 2013 totaled a derivative liability of $2,018,029 and $2,051,738, respectively. The interest rate swap has a liability threshold of $3,500,000. Should the derivative obligation exceed $3,500,000, the Foundation is required to post collateral in excess of the threshold amount. As of June 30, 2014 and 2013, no collateral balance was required. The fair value of the interest rate cap totaled a derivative asset of $20,731 and $82,817 at June 30, 2014 and 2013, respectively. The net change in value has been recorded as gains or losses 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.

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.

At June 30, 2014 and 2013, the notional amount on the tax-exempt swap was $31,675,000 and $32,100,000, respectively. The taxable swap had a balance of zero at June 30, 2014 due to the termination of the swap on December 1, 2013. At June 30, 2013, the taxable swap's notional amount was $1,900,000.

The fair value of the interest rate swaps were $3,832,077 and $3,824,980 for June 30, 2014 and 2013, respectively. The net change in value has been recorded as gains or losses on derivatives in the consolidated statement of activities. The remaining interest rate swap has a liability threshold of $5,000,000. Should the derivative obligations exceed $5,000,000, GMUF Mason Administration, LLC is required to post collateral in excess of the threshold amount. As of June 30, 2014 no collateral was required, and at June 30, 2013, $500,000 was held as collateral by a third party.

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, 2014 and 2013:

	2014	2013
Amounts held for others, beginning of year	$ 9,683,161	$ 8,949,641
Other income	2,540,849	1,856,289
Conferences	108,533	168,908
Advertising	613,984	591,703
Royalties	193,888	196,441
Membership fees	252,503	267,172
Credit card sales	2,164,543	1,712,748
University contributions	400,414	1,235,062
Investment earnings	795,254	391,238
Endowment contribution expense	(103,788)	(96,916)
Scholarships	(63,153)	(138,007)
Program support	(5,346,518)	(5,451,118)
Amounts held for others, end of year	$ 11,239,670	$ 9,683,161

NOTE L—LEASES

Rental Income on Operating Leases

The Foundation leases certain properties with a cost of $107,424,856 and $106,317,135 and accumulated depreciation of $29,118,354 and $26,204,485 as of June 30, 2014 and 2013, 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 streams from the University are $46,198,854 as of June 30, 2014.

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

2015	$ 9,254,311
2016	8,950,478
2017	9,007,514
2018	9,100,835
2019	9,294,438
Thereafter	70,077,294
Total	$ 115,684,870

During the years ended June 30, 2014 and 2013, rental income earned by the Foundation totaled $13,445,516 and $12,488,155, of which $4,456,186 and $577,110 was paid by the University for 2014 and 2013, respectively. Additionally, $3,332,272 and $3,351,684, was paid by University students for 2014 and 2013, respectively while $22,020 was paid for both years by Capitol Connection, a separate 501(c)(3) organization associated with the University.

Effective July 1, 2013, the Foundation revised its GMUF Arlington Campus, LLC lease agreement with the main office tenant reducing their occupancy to two floors and extending the lease to June 30, 2026. At the same time, the Foundation entered into a lease with the University to occupy a portion of the building with a lease term ending June 30, 2026. Rental income, included in total rental income above, for GMUF Arlington Campus, LLC was $9,357,667 and $8,537,341 for the years ended June 30, 2014 and 2013, respectively.

NOTE L—LEASES—Continued

Direct Financing Leases

During fiscal year 2012, the Foundation met the lessor's criteria to account for the GMUF Mason Administration, LLC building lease as a direct financing lease in accordance with GAAP. During fiscal year 2013 and 2014, the Foundation substantially completed the GMUF Prince William Housing, LLC building and the GMUF Commerce Buildings, LLC project, respectively, and met 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 for the GMUF Mason Administration, LLC building lease are based on a total loan borrowing of $34,000,000 over a lease life of 25 years with the final payment in 2036. The future minimum rentals for the GMUF Prince William Housing, LLC building lease are based on a total loan borrowing of $15,625,000 over a lease life of 30 years with the final payment in 2042. The future minimum rentals for the GMUF Commerce Building, LLC lease are based on a total loan borrowing of $6,232,503 over a lease life of 20 years, with the final payment in 2033. All of these direct financing leases are with the University and the rental streams are subject to annual state appropriation.

The components of the net investment in the direct financing leases as of June 30, 2014 and 2013 are as follows:

	2014	2013
Total minimum lease payments to be received	$ 101,715,683	$ 94,682,719
Less: Unearned income	(49,386,738)	(48,113,463)
Net investment in direct financing lease	$ 52,328,945	$ 46,569,256

The future minimum rentals to be received under the non-cancelable direct financing lease are as follows:

2015	$ 4,022,225
2016	4,057,855
2017	4,081,974
2018	4,097,582
2019	4,139,687
Thereafter	81,316,360
Total	$ 101,715,683

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, 2014 and 2013:

	2014	2013
Academic program support	$ 35,848,621	$ 32,723,374
Scholarships	1,496,911	1,721,285
Eminent scholars	1,565,551	901,426
Total	$ 38,911,083	$ 35,346,085

NOTE N—NET ASSETS AVAILABLE

Restricted net assets consisted of the following at June 30, 2014:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 11,153,554	$ 18,118
Academic support	23,321,149	5,595,655
Athletics	588,408	120,681
Community/public service	3,371,729	5,361,027
Eminent scholars	4,061,900	23,358,227
Eminent scholars – perpetual trust	—	9,894,208
Facilities	9,182,233	65,064
Library	771,348	436,703
Research	11,380,584	3,785,888
Student financial aid	7,576,140	28,388,663
Student financial aid – perpetual trust	—	1,894,212
Time restricted without purpose restriction	30,590	316,619
	$ 71,437,635	$ 79,235,065

NOTE N—NET ASSETS AVAILABLE—Continued

Restricted net assets consisted of the following at June 30, 2013:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 9,488,796	$ 21,118
Academic support	21,694,291	4,793,796
Athletics	651,734	97,606
Community/public service	3,435,744	3,620,854
Eminent scholars	2,805,858	20,654,600
Eminent scholars – perpetual trust	—	9,127,925
Facilities	8,659,913	59,592
Library	602,460	407,838
Research	10,486,891	3,520,506
Student financial aid	6,152,238	28,303,813
Student financial aid – perpetual trust	—	1,675,369
Time restricted without purpose restriction	30,590	241,334
	$ 64,008,515	$ 72,524,351

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, 2014 and 2013, the Foundation had salaries payable to the University totaling $63,816 and $67,313, respectively.

The Foundation remits to the University the excess cash flow of the Foundation housing project one fiscal year later. As of June 30, 2014 and 2013, the Foundation had $932,978 and $667,189 payable to the University, respectively.

The Foundation receives donated space located on the University property in Fairfax, Virginia from the University. In fiscal years 2014 and 2013, $91,161 and $93,408, respectively, is reflected in the consolidated statement of activities as unrestricted contribution revenue and administrative expenses.

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

During fiscal year 2014, certain contributions were made among related entities to support the operations of those entities. These amounts are reflected as contributions from (to) related entities in the consolidated statement of activities and are eliminated upon consolidation.

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, 2014, the Foundation had approximately $13,200,000 of uninsured balances in checking and savings accounts.

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 $3,234,000 at June 30, 2014. Historically, losses from federal government securities have not occurred.

In fiscal year 2014, 13 donors collectively contributed approximately 54 percent of the total contributions, and approximately 72 percent of total contributions receivable were due from seven contributors.

NOTE Q—ENDOWMENT

The Foundation’s endowment consists of approximately 400 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 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:

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.

NOTE Q—ENDOWMENT—Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (616,592)	$ 3,606,633	$ 66,492,718	$ 69,482,759
Board-designated endowment funds	71,577	—	—	71,577
Total funds	$ (545,015)	$ 3,606,633	$ 66,492,718	$ 69,554,336

Changes in Endowment Net Assets for the Year Ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (2,894,907)	$ 768,803	$ 61,386,630	$ 59,260,526
Investment return:				
Investment income	342,749	1,065,270	3,296	1,411,315
Net appreciation (realized and unrealized)	2,587,242	3,973,379	15,359	6,575,980
External management fees	(43,546)	(135,341)	(419)	(179,306)
Total investment return	2,886,445	4,903,308	18,236	7,807,989
Contributions	—	—	5,086,288	5,086,288
Appropriation of endowment assets for expenditure	(536,553)	(2,058,120)	—	(2,594,673)
Other changes	—	(7,358)	1,564	(5,794)
Endowment net assets, end of year	$ (545,015)	$ 3,606,633	$ 66,492,718	$ 69,554,336

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,958,263)	$ 768,803	$ 61,386,630	$ 59,197,170
Board-designated endowment funds	63,356	—	—	63,356
Total funds	$ (2,894,907)	$ 768,803	$ 61,386,630	$ 59,260,526

NOTE Q—ENDOWMENT—Continued

Changes in Endowment Net Assets for the Year Ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (4,466,469)	$ 401,431	$ 59,230,007	$ 55,164,969
Investment return:				
Investment income	863,368	450,613	—	1,313,981
Net appreciation (realized and unrealized)	2,227,032	836,737	—	3,063,769
External management fees	(123,836)	(64,633)	—	(188,469)
Total investment return	2,966,564	1,222,717	—	4,189,281
Contributions	—	—	2,040,650	2,040,650
Appropriation of endowment assets for expenditure	(1,395,002)	(851,964)	—	(2,246,966)
Other changes	—	(3,381)	115,973	112,592
Endowment net assets, end of year	$ (2,894,907)	$ 768,803	$ 61,386,630	$ 59,260,526

Permanently Restricted Net Assets	**2014**	**2013**
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 66,492,718	$ 61,386,630
Total endowment funds classified as permanently restricted net assets	$ 66,492,718	$ 61,386,630

The portion of perpetual endowment funds subject to a time restriction under UPMIFA	**2014**	**2013**
Without purpose restrictions	$ 436	$ 93
Academic support	190,576	11,383
Athletics	23,057	10,177
Community/public service	218,074	40,449
Eminent scholars	2,091,184	504,769
Facilities	2,365	—
Library	25,241	2,667
Research	43,027	2,431
Student financial aid	1,012,673	196,834
Total endowment funds classified as temporarily restricted net assets	$ 3,606,633	$ 768,803

NOTE Q—ENDOWMENT—Continued

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 for certain programs deemed prudent by the Board of Trustees. Future gains will 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, 2014 and 2013, $616,592 and $2,958,263, 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:

	2014	2013
Permanently Restricted Net Assets, beginning of year	$ 79,235,065	$ 72,524,351
Beneficial interest in perpetual trusts	(11,788,420)	(10,803,294)
Charitable remainder trusts and charitable gift annuities	(416,844)	(334,427)
Other permanently restricted investments	(537,083)	—
Permanently Restricted Endowments, end of year	$ 66,492,718	$ 61,386,630

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 5.50 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.

NOTE Q—ENDOWMENT—Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5.50 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.

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 Advancement and Alumni Relations 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 Advancement's fundraising efforts. Required matching funds are due each year in proportion to the expenditures made during the grant period. The grant year ends on September 30 and the report is due by the following November 30. As of September 30, 2014 and 2013 the matching funds shortfall is $955,295 and $358,994, respectively. All grant year reports have been and will be filed timely. The five year grant ends on September 30, 2015.

NOTE S—SUBSEQUENT EVENTS

Prince William Housing, LLC Series 2011B Taxable Student Housing Revenue Bonds

The initial term of the Prince William Housing, LLC Series 2011B ($985,000 taxable bonds) ended August 31, 2014. A principal payment of $20,000 was paid, as required, September 1, 2014. The remaining bonds ($965,000 taxable bonds) were successfully remarketed as term rate bonds in a seven-year mode at a taxable interest rate of 3.375%. This new term rate period will end on September 1, 2021, at which time the bonds will reach final maturity.

The Foundation evaluated subsequent events through November 7, 2014, which is the date the 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