Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

George Mason University Foundation, Inc. and Subsidiaries

June 30, 2016 with Summarized Comparative Information for June 30, 2015

George Mason University Foundation, Inc. and Subsidiaries

Contents

Grant Thornton

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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, 2016, 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.

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, 2016, 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. 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 2015 Summarized Comparative Information

We have previously audited the Foundation's 2015 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 9, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Baltimore, Maryland
November 4, 2016

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2016 (with comparative totals as of June 30, 2015)

	GMU Foundation, Inc.	Real Estate Subsidiaries	June 30, 2016	June 30, 2015
Assets				
Cash and cash equivalents	$ 10,164,500	$ 9,707,421	$ 19,871,921	$ 18,295,326
Restricted cash and cash equivalents	241,243	4,536,485	4,777,728	1,975,615
Inter-entity receivable	288,426	(288,426)	—	—
Contributions receivable, net	35,949,756	—	35,949,756	28,117,002
Investments	154,008,101	—	154,008,101	140,643,848
Beneficial interest in perpetual trusts	10,348,471	—	10,348,471	11,228,100
Property and equipment, net	35,184,857	51,175,262	86,360,119	88,590,210
Net investment in direct financing leases	—	80,638,686	80,638,686	81,995,426
Prepaids and other assets	940,032	2,119,612	3,059,644	3,599,104
Deferred income tax asset	—	2,754,333	2,754,333	—
Total Assets	$ 247,125,386	$ 150,643,373	$ 397,768,759	$ 374,444,631
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 6,957,811	$ 1,425,718	$ 8,383,529	$ 6,397,848
Amounts held for others	15,461,081	—	15,461,081	12,130,500
Long-term debt	18,819,706	141,767,664	160,587,370	166,840,918
Derivative obligations	2,664,192	4,973,505	7,637,697	5,914,244
Unearned rent	150,660	6,041,007	6,191,667	3,537,599
Other liabilities	1,041,539	17,083	1,058,622	1,368,966
Total Liabilities	$ 45,094,989	$ 154,224,977	$ 199,319,966	$ 196,190,075
Net Assets				
Unrestricted	$ 16,621,242	$ —	$ 16,621,242	$ 19,310,384
Temporarily restricted	100,314,117	—	100,314,117	82,441,922
Permanently restricted	85,095,038	—	85,095,038	83,411,890
GMUF Arlington Campus, LLC	—	(1,324,936)	(1,324,936)	(4,872,802)
GMUF Mason Administration, LLC	—	(3,636,619)	(3,636,619)	(2,855,360)
GMUF Prince William Housing, LLC	—	936,670	936,670	746,060
GMUF Prince William Life Sciences Lab, LLC	—	219,037	219,037	(131,400)
GMUF Commerce Buildings, LLC	—	224,244	224,244	203,862
Total Net Assets	$ 202,030,397	$ (3,581,604)	$ 198,448,793	$ 178,254,556
Total Liabilities and Net Assets	$ 247,125,386	$ 150,643,373	$ 397,768,759	$ 374,444,631

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

For the year ended June 30, 2016 (with comparative totals for the year ended June 30, 2015)

	GMU Foundation, Inc.					
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Real Estate Subsidiaries**	**Year Ended June 30, 2016**	**Year Ended June 30, 2015**
Support and Revenue						
Contributions	$ 167,952	$ 71,222,904	$ 1,819,192	$ —	$ 73,210,048	$ 57,791,475
Loss on uncollectible contributions	—	(423,774)	(44,623)	—	(468,397)	(470,358)
Income from perpetual trusts	42,726	523,140	—	—	565,866	342,309
Investment return, net	(100,858)	330,857	847,137	9,486	1,086,622	1,270,659
Change in value of split interest agreements	—	(55,066)	(902,921)	—	(957,987)	(600,403)
Service fees	1,081,854	—	—	—	1,081,854	977,400
Rental income	4,259,482	—	—	9,734,176	13,993,658	13,946,465
Interest on direct financing leases	—	—	—	5,048,641	5,048,641	3,697,973
Loss on derivatives	(633,982)	—	—	(1,090,127)	(1,724,109)	(83,656)
Other income	95,775	73,091	—	79,520	248,386	218,062
Total support and revenue	4,912,949	71,671,152	1,718,785	13,781,696	92,084,582	77,089,926
Operating Expenses						
Administrative	1,944,624	—	—	1,529,128	3,473,752	3,198,370
Fundraising	654,349	—	—	—	654,349	425,079
Depreciation and amortization	1,332,338	—	—	2,168,498	3,500,836	3,417,753
Interest expense	733,634	—	—	8,084,131	8,817,765	8,016,970
Utilities and other	1,327,972	—	—	1,426,236	2,754,208	2,631,769
Total operating expenses	5,992,917	—	—	13,207,993	19,200,910	17,689,941
Operating (Deficit) Surplus	(1,079,968)	71,671,152	1,718,785	573,703	72,883,672	59,399,985
Reclassification Per Donor Request	(25,000)	60,637	(35,637)	—	—	—
Net Assets Released from Restriction	53,859,594	(53,859,594)	—	—	—	—
Support and Revenue, Net of Operating Expenses	52,754,626	17,872,195	1,683,148	573,703	72,883,672	59,399,985
Program Service Benefits for George Mason University						
Institutional program support	52,564,539	—	—	—	52,564,539	41,303,378
Scholarships	1,806,585	—	—	—	1,806,585	1,783,511
Administrative support	792,544	—	—	—	792,544	847,508
Total Program Service Benefits	55,163,668	—	—	—	55,163,668	43,934,397
Non-Operating Activity						
Income tax benefit	—	—	—	2,754,333	2,754,333	—
Loss on disposal of long-lived assets	(280,100)	—	—	—	(280,100)	—
Gain on early termination of lease	—	—	—	—	—	220,000
Total Non-Operating Activity	(280,100)	—	—	2,754,333	2,474,233	220,000
Changes in Net Assets	(2,689,142)	17,872,195	1,683,148	3,328,036	20,194,237	15,685,588
Net Assets, beginning of year	$ 19,310,384	$ 82,441,922	$ 83,411,890	$ (6,909,640)	$ 178,254,556	$ 162,568,968
Net Assets, end of year	$ 16,621,242	$ 100,314,117	$ 85,095,038	$ (3,581,604)	$ 198,448,793	$ 178,254,556

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

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position - Real Estate Subsidiaries

June 30, 2016 (with comparative totals as of June 30, 2015)

	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, 2016	June 30, 2015
Assets							
Cash and cash equivalents	$ 5,166,923	$ 4,360,157	$ —	$ —	$ 180,341	9,707,421	$ 10,143,574
Restricted cash and cash equivalents	1,212,603	—	1,251,418	2,072,464	—	4,536,485	1,148,728
Due to GMUF, Inc.	(100,833)	(53,133)	(39,429)	(85,331)	(9,700)	(288,426)	(12,740)
Property and equipment, net	51,175,262	—	—	—	—	51,175,262	52,857,683
Net investment in direct financing lease	—	29,461,466	15,434,035	30,414,797	5,328,388	80,638,686	81,995,426
Prepaids and other assets	2,118,922	—	—	—	690	2,119,612	2,280,332
Deferred income tax asset	2,754,333	—	—	—	—	2,754,333	—
Total Assets	$ 62,327,210	$ 33,768,490	$ 16,646,024	$ 32,401,930	$ 5,499,719	150,643,373	$ 148,413,003
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	$ 481,983	$ 116,567	$ 245,892	$ 530,827	$ 50,449	$ 1,425,718	$ 1,425,347
Long-term debt	59,676,507	29,750,603	15,463,462	31,652,066	5,225,026	141,767,664	146,607,996
Derivative obligations	—	4,973,505	—	—	—	4,973,505	3,883,378
Unearned rent	3,476,573	2,564,434	—	—	—	6,041,007	3,388,839
Other liabilities	17,083	—	—	—	—	17,083	17,083
Total Liabilities	$ 63,652,146	$ 37,405,109	$ 15,709,354	$ 32,182,893	$ 5,275,475	$ 154,224,977	$ 155,322,643
Net Assets							
GMUF Arlington Campus, LLC	$ (1,324,936)	$ —	$ —	$ —	$ —	$ (1,324,936)	$ (4,872,802)
GMUF Mason Administration, LLC	—	(3,636,619)	—	—	—	(3,636,619)	(2,855,360)
GMUF Prince William Housing, LLC	—	—	936,670	—	—	936,670	746,060
GMUF Prince William Life Science Lab, LLC	—	—	—	219,037	—	219,037	(131,400)
GMUF Commerce Buildings, LLC	—	—	—	—	224,244	224,244	203,862
Total Net Assets	$ (1,324,936)	$ (3,636,619)	$ 936,670	$ 219,037	$ 224,244	$ (3,581,604)	$ (6,909,640)
Total Liabilities and Net Assets	$ 62,327,210	$ 33,768,490	$ 16,646,024	$ 32,401,930	$ 5,499,719	$ 150,643,373	$ 148,413,003

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

Consolidated Statement of Activities - Real Estate Subsidiaries

For the year ended June 30, 2016 (with comparative totals for the year ended June 30, 2015)

	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, 2016	Year Ended June 30, 2015
Support and Revenue							
Investment returns, net	$ 807	$ 6,983	$ 479	$ 751	$ 466	$ 9,486	$ 9,285
Rental income	9,497,606	—	—	—	236,570	9,734,176	9,567,514
Interest on direct financing leases	—	1,808,473	1,003,575	1,992,984	243,609	5,048,641	3,697,973
Loss on derivatives	—	(1,090,127)	—	—	—	(1,090,127)	(51,301)
Other income	78,830	—	—	—	690	79,520	129,671
Total support and revenue	9,577,243	725,329	1,004,054	1,993,735	481,335	13,781,696	13,353,142
Operating Expenses							
Administrative	1,316,931	52,702	39,429	85,331	34,735	1,529,128	1,363,630
Depreciation and amortization	2,168,498	—	—	—	—	2,168,498	2,164,567
Interest expense	4,088,799	1,453,886	774,015	1,557,967	209,464	8,084,131	7,244,250
Utilities and other	1,209,482	—	—	—	216,754	1,426,236	1,393,375
Total Operating Expenses	8,783,710	1,506,588	813,444	1,643,298	460,953	13,207,993	12,165,822
Non-Operating Activity							
Income tax benefit	2,754,333	—	—	—	—	2,754,333	—
Gain on early termination of lease	—	—	—	—	—	—	220,000
Total Non-Operating Activity	2,754,333	—	—	—	—	2,754,333	220,000
Change in Net Assets	3,547,866	(781,259)	190,610	350,437	20,382	3,328,036	1,407,320
Net Assets, beginning of year	$ (4,872,802)	$ (2,855,360)	$ 746,060	$ (131,400)	203,862	$ (6,909,640)	$ (8,316,960)
Net Assets, end of year	$ (1,324,936)	$ (3,636,619)	$ 936,670	$ 219,037	224,244	$ (3,581,604)	$ (6,909,640)

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

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended June 30,	**2016**	**2015**
Cash Flows from Operating Activities		
Changes in net assets	$ 20,194,237	$ 15,685,588
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	3,500,836	3,417,753
Amortization of debt issuance costs	110,764	100,289
Amortization of bond premium	(59,860)	(57,516)
Discount on contributions receivable	(151,094)	224,934
Unrealized investment loss	5,228,046	4,773,134
Realized investment gain	(3,209,861)	(1,863,160)
Interest on direct financing lease	(5,048,641)	(3,697,973)
Change in value of split interest agreements	957,987	552,363
Stock contributions	(327,350)	(86,883)
Contributions restricted for long-term purposes	(1,819,192)	(4,897,033)
Loss on sale of long-lived assets	280,100	—
Donation of long-lived assets	130,815	271,495
Loss on derivative	1,724,109	83,656
Deferred income taxes	(2,754,333)	—
Change in assets and liabilities:		
Restricted cash	(2,802,113)	(171,603)
Pledges receivable	(7,681,660)	(7,194,049)
Prepaids and other assets	(281,656)	(464,469)
Accounts payable and accrued expenses	1,985,681	(3,839,800)
Unearned rent	2,654,068	(3,403,847)
Other liabilities	33,429	(17,811)
Amounts held for others	3,330,581	890,830
Net Cash Provided by Operating Activities	15,994,893	305,898
Cash Flows from Investing Activities		
Proceeds from sale of investments	70,703,565	29,660,351
Purchases of investments	(86,180,784)	(34,889,307)
Purchases of property and equipment	(861,200)	(1,933,973)
Payments received on direct financing lease	6,405,381	10,448,426
Net Cash (Used in) Provided by Investing Activities	(9,933,038)	3,285,497
Cash Flows from Financing Activities		
Proceeds from contributions in permanent endowments	1,819,192	4,897,033
Increase in debt issuance costs	(325,086)	(5,000)
Proceeds from long-term debt	60,000,000	—
Repayments on long-term debt	(65,979,366)	(4,197,779)
Decrease in deposits with trustee	—	1,089,166
Net Cash (Used in) Provided by Financing Activities	(4,485,260)	1,783,420
Increase in Cash and Cash Equivalents	1,576,595	5,374,815
Cash and Cash Equivalents, beginning of year	18,295,326	12,920,511
Cash and Cash Equivalents, end of year	$ 19,871,921	$ 18,295,326
Supplemental Disclosure of Cash Flow Activities		
Interest paid and expensed	$ 8,866,330	$ 7,933,910
Noncash investing activities: Conversion of property and equipment to direct-financing lease	$ —	$ 36,416,935

The accompanying notes are an integral part of these consolidated 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, GMUF 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.

Estimates

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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, amounts held for others, and other liabilities approximate fair value.

Income Taxes

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

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

The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The tax years ending June 30, 2016, 2015, 2014 and 2013 are still eligible for review for both federal and state purposes. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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. Restricted cash consists of cash and money market funds restricted for debt service, tenant improvements, and repairs and maintenance.

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.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Contributions Receivable—Continued

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 $503,056 and $344,659, as of June 30, 2016 and 2015. Loss on uncollectible contributions was $468,397 and $470,358 as of June 30, 2016 and 2015.

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

Donated Goods and Services

During the years ended June 30, 2016 and 2015, the Foundation was a beneficiary of donated goods and services. Donated goods are generally gifted to the University to provide greater resources towards their programs. The value of these donated goods and services for the years ended June 30, 2016 and 2015 were:

	2016	2015
Donated rent	$ 91,328	$ 91,328
Educational licenses	388,314	411,485
Books, photographs and other educational materials	1,786,392	180,122
	$ 2,266,034	$ 682,935

During fiscal year 2016, the Foundation recorded a loss on disposal of long-lived assets of $280,100 related to the write down of certain donated art and antiques. These art and antiques were subsequently gifted to the University.

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, using NAV as a practical expedient. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Beneficial Interest in Perpetual Trusts

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

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 5.25 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 2016 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%
Total Fixed Income	**20% to 60%**
Domestic equity	20% to 60%
Global equity, excluding US	10% to 40%
Total Equity	**30% to 70%**
Hedge funds, private equity and real estate	10% to 40%
Managed futures/commodities	0% to 10%
Total Alternative Investments	**10% to 50%**

Under the policy, the endowment spending rate remains at 5.25 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 3.25 percent applies. If the market value of any account has diminished below 80 percent of the original gift value, a spending rate of 1.25 percent applies. 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.

Amounts Held for Others

The Foundation maintains certain assets, primarily investments, on behalf of several legally autonomous organizations and other programs associated with the University, such as University endowments and gifts, The Alumni Association of George Mason University, Association of Writers and Writing Programs, and University athletic organizations.

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

Debt Issuance 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. These costs are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of the debt liability and are amortized over the life of the bonds and notes. Amortization expense for each of the years ended June 30, 2016 and 2015, totaled $110,764 and $100,289, respectively, and is reported as a reduction to long-term debt.

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 $183,954 and $349,657 as of June 30, 2016 and 2015, respectively.

The Foundation rents the GMUF Mason Administration, LLC building, the Prince William Housing, LLC building, GMUF Prince William Life Sciences Lab, LLC building and the GMUF Commerce Buildings, LLC to the University through direct financing leases. The lease terms range from 15 to 30 years. Interest on the direct financing leases is recognized over the lease term using the effective interest method.

Depreciation

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

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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

New Accounting Pronouncements

In March 2015, the Financial Accounting Standards Board (FASB)issued Accounting Standards Update (ASU) 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU requires entities with debt issuance costs related to a recognized debt liability to be presented in the statement of financial position as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for the debt issuance costs are not affected by the amendments in this ASU. This ASU is effective for non-public entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption and retrospective application is permitted. The Foundation elected to early adopt this ASU for the years ending June 30, 2016 and 2015 Therefore, debt issuance costs are presented as a direct deduction from long-term debt on the statement of financial position.

In May 2015, the FASB issued ASU 2015-07 Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). The amendments within ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. ASU 2015-07 is effective for non-public entities for interim and annual reporting periods beginning after December 15, 2016 and should be applied retrospectively. Early application is permitted. The Foundation elected to early adopt this ASU for the years ending June 30, 2016 and 2015. Therefore, investments that are fair valued using the practical expedient are excluded from the fair value hierarchy, disclosed and included as a reconciling item.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Debt issuance costs are now presented in the statement of financial position as a direct deduction to the carrying amount of the debt liability.

NOTE C—CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2016 and 2015 are as follows:

	2016	2015
Due in less than one year	$ 11,721,987	$ 5,351,629
Due in one to five years	25,718,644	23,905,145
Due in more than five years	369,751	713,552
	37,810,382	29,970,326
Less allowance for doubtful accounts	(503,056)	(344,659)
Less discount present value	(1,357,570)	(1,508,665)
	$ 35,949,756	$ 28,117,002

Discount rates range from 0.26 percent to 5.69 percent for the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016 and 2015, the Foundation has $31,107,000 and $6,407,000, 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 D—INVESTMENTS

Investments, which are reported at fair value, consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Cash and money market funds	$ 19,365,338	$ 9,773,000
Equities	47,135,878	36,935,681
Fixed income	60,257,480	61,286,169
Commodities	19,330	816,307
Real estate	37,444	56,556
Liquid alternatives	1,497,036	—
Hedge funds	15,482,945	23,256,412
Managed futures	2,804,390	2,604,688
Private equity and real assets	7,408,260	5,915,035
	$ 154,008,101	$ 140,643,848

NOTE D—INVESTMENTS—Continued

Investment earnings are summarized as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends, net of external management fees	$ 3,104,807	$ 4,180,633
Realized gain	3,209,861	1,863,160
Unrealized loss	(5,228,046)	(4,773,134)
Investment return, net	1,086,622	1,270,659
Investment return included with change in value of split interest agreements	(40,537)	(26,540)
	$ 1,046,085	$ 1,244,119

For the years ended June 30, 2016 and 2015, the Foundation paid external management fees of $191,655 and $189,510, respectively.

NOTE E—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 an independent trustee. The fair value of the Foundation's portion of trusts at June 30, 2016 and 2015 totaled approximately $8.5 million and $9.4 million, respectively. Contributions from the trust totaled $543,183 and $331,587 for the years ended June 30, 2016 and 2015, respectively, and is included in unrestricted and temporarily restricted income from perpetual trusts. The change in value of the trusts decreased $868,029 and $487,167 during the years ended June 30, 2016 and 2015, respectively. These amounts are included in permanently restricted support and revenue as a component of change in value of split interest agreements on the consolidated statements of activities.

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, 2016 and 2015 totaled approximately $1.8 million for both years. Contributions from the trust totaled $22,683 and $10,722 for the years ended June 30, 2016 and 2015, respectively, and is included in temporarily restricted income from perpetual trusts. The change in value from the trust decreased $11,600 and $73,154 during the years ended June 30, 2016 and 2015, respectively. These amounts are included in permanently restricted support and revenue as a component of change in value of split interest agreements on the consolidated statements of activities.

NOTE E—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 21 years and discount rates range from 2.0 to 8.0 percent. The market value of the assets at June 30, 2016 and 2015 was $931,238 and $1,353,368, respectively. Liabilities related to these agreements were $473,203 and $816,976 at June 30, 2016 and 2015, respectively, and are included with other liabilities. During fiscal year 2015, the Foundation received one new charitable gift annuity. No new charitable remainder trusts or gift annuities were received in fiscal year 2016.

The activity related to the change in charitable trusts and gift annuities, recorded as change in value of split interest agreements, was $78,358 and $40,083 for the years ending June 30, 2016 and 2015, respectively.

NOTE F—ENDOWMENT

The Foundation's endowment consists of approximately 450 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

NOTE F—ENDOWMENT—Continued

Interpretation of Relevant Law—Continued

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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,439,936)	$ 932,820	$ 73,003,138	$ 71,496,022
Board-designated endowment funds	70,351	—	—	70,351
Total funds	$ (2,369,585)	$ 932,820	$ 73,003,138	$ 71,566,373

Changes in Endowment Net Assets for the Year Ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (1,124,109)	$ 2,102,405	$ 71,266,828	$ 72,245,124
Investment return:				
Investment income	1,114,785	343,215	14,837	1,472,837
Net depreciation (realized and unrealized)	(434,449)	(949,598)	(14,084)	(1,398,131)
External management fees	(135,242)	(41,638)	(1,800)	(178,680)
Total investment return	545,094	(648,021)	(1,047)	(103,974)
Contributions	—	—	1,819,192	1,819,192
Appropriation of endowment assets for expenditure	(1,790,570)	(526,844)	—	(2,317,414)
Losses on uncollectible pledges	—	—	(44,623)	(44,623)
Other changes		5,280	(37,212)	(31,932)
Endowment net assets, end of year	$ (2,369,585)	$ 932,820	$ 73,003,138	$ 71,566,373

NOTE F—ENDOWMENT—Continued

Interpretation of Relevant Law—Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,195,444)	$ 2,102,405	$ 71,266,828	$ 72,173,789
Board-designated endowment funds	71,335	—	—	71,335
Total funds	$ (1,124,109)	$ 2,102,405	$ 71,266,828	$ 72,245,124

Changes in Endowment Net Assets for the Year Ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (545,015)	$ 3,606,633	$ 66,492,718	$ 69,554,336
Investment return:				
Investment income	1,129,429	1,270,324	15,078	2,414,831
Net depreciation (realized and unrealized)	(481,446)	(1,011,662)	(9,381)	(1,502,489)
External management fees	(84,066)	(94,553)	(1,122)	(179,741)
Total investment return	563,917	164,109	4,575	732,601
Contributions	—	—	4,897,031	4,897,031
Appropriation of endowment assets for expenditure	(1,143,011)	(1,648,529)	—	(2,791,540)
Losses on uncollectible pledges	—	—	(144,362)	(144,362)
Other changes	—	(19,808)	16,866	(2,942)
Endowment net assets, end of year	$ (1,124,109)	$ 2,102,405	$ 71,266,828	$ 72,245,124

Permanently Restricted Net Assets	**2016**	**2015**
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 73,003,138	$ 71,266,828
Total endowment funds classified as permanently restricted net assets	$ 73,003,138	$ 71,266,828

NOTE F—ENDOWMENT—Continued

Interpretation of Relevant Law—Continued

The portion of perpetual endowment funds subject to a time restriction under UPMIFA	2016	2015
Administrative support	$ 282	$ 406
Academic support	15,153	94,951
Athletics	12,689	19,095
Community/public service	105,217	121,924
Eminent scholars	374,529	1,240,343
Facilities	—	1,167
Library	1,782	12,331
Research	205,005	24,442
Student financial aid	218,163	587,746
Total endowment funds classified as temporarily restricted net assets	$ 932,820	$ 2,102,405

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, 2016 and 2015, $2,439,936 and $1,195,444, 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:

	2016	2015
Permanently Restricted Net Assets, end of year	$ 85,095,038	$ 83,411,890
Beneficial interest in perpetual trusts	(10,348,471)	(11,228,100)
Charitable remainder trusts and charitable gift annuities	(359,671)	(382,962)
Other permanently restricted investments	(1,383,758)	(534,000)
Permanently Restricted Endowments, end of year	$ 73,003,138	$ 71,266,828

NOTE F—ENDOWMENT—Continued

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the prior 12 quarters. The percentage was 5.25 percent and 5.5 percent as of June 30, 2016 and 2015, respectively. 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 G—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.

NOTE G—FAIR VALUE MEASUREMENT—Continued

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.

- *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.

NOTE G—FAIR VALUE MEASUREMENT—Continued

- *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. Because the Foundation uses NAV as a practical expedient for fair value for the hedge funds, managed futures, private equity and real assets, these investments are excluded from 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.

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 G—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, 2016:

	Level 1	Level 2	Level 3	Reported at NAV	Total
Financial Assets:					
Cash and cash equivalents	$ 19,365,338	$ —	$ —	$ —	$ 19,365,338
Equities:					
Domestic large cap	22,773,230	—	—	—	22,773,230
Domestic small/mid cap	4,038,564	—	—	—	4,038,564
International (developed countries)	15,967,488	—	—	—	15,967,488
International (emerging markets)	4,356,596	—	—	—	4,356,596
Fixed income:					
Short-term bonds	26,586,365	—	—	—	26,586,365
Intermediate bonds	16,840,363	—	—	—	16,840,363
Multi-sector bonds	94,732	—	—	—	94,732
World bonds	10,223,133	—	—	—	10,233,133
Bank loans	6,512,887	—	—	—	6,512,887
Commodities	19,330	—	—	—	19,330
Real estate	37,444	—	—	—	37,444
Liquid alternatives	1,497,036	—	—	—	1,497,036
Hedge funds	—	—	—	15,482,945	15,482,945
Managed futures	—	—	—	2,804,390	2,804,390
Private equity and real assets	—	—	—	7,408,260	7,408,260
Investments	128,312,506	—	—	25,695,595	154,008,101
Beneficial interest in perpetual trusts	—	—	10,348,471	—	10,348,471
Derivative asset	—	557	—	—	557
Total financial assets	$ 128,312,506	$ 557	$ 10,348,471	$ 25,695,595	$ 164,357,129
Financial Liabilities:					
Derivative obligations	$ —	$ 7,637,697	$ —	$ —	$ 7,637,697
				—	
Total financial liabilities	$ —	$ 7,637,697	$ —	$ —	$ 7,637,697

NOTE G—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, 2015:

	Level 1	Level 2	Level 3	Reported at NAV	Total
Financial Assets:					
Cash and cash equivalents	$ 9,773,000	$ —	$ —	$ —	$ 9,773,000
Equities:					
Domestic large cap	18,532,944	—	—	—	18,532,944
Domestic small/mid cap	2,528,681	—	—	—	2,528,681
International (developed countries)	11,346,470	—	—	—	11,346,470
International (emerging markets)	4,527,586	—	—	—	4,527,586
Fixed income:					
Short-term bonds	29,614,981	—	—	—	29,614,981
Intermediate bonds	9,739,337	—	—	—	9,739,337
Long-term bonds	148,772	—	—	—	148,772
Multi-sector bonds	8,280,809	—	—	—	8,280,809
World bonds	8,995,598	—	—	—	8,995,598
Bank loans	4,506,672	—	—	—	4,506,672
Commodities	816,307	—	—	—	816,307
Real estate	56,556	—	—	—	56,556
Hedge funds	—	—	—	23,256,412	23,256,412
Managed futures	—	—	—	2,604,688	2,604,688
Private equity and real assets	—	—	—	5,915,035	5,915,035
Investments	108,867,713	—	—	31,776,135	140,643,848
Beneficial interest in perpetual trusts	—	—	11,228,100	—	11,228,100
Derivative asset	—	1,214	—	—	1,214
Total financial assets	$ 108,867,713	$ 1,214	$ 11,228,100	$ 31,776,135	$ 151,873,162
Financial Liabilities:					
Derivative obligations	$ —	$ 5,914,244	$ —	$ —	$ 5,914,244
Total financial liabilities	$ —	$ 5,914,244	$ —	$ —	$ 5,914,244

NOTE G—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, 2016.

	Balance at July 1, 2015	Net Gain (Loss) on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2016
Beneficial interest in perpetual trusts	$ 11,228,100	$ (879,629)	$ —	$ —	$ —	$ 10,348,471
	$ 11,228,100	$ (879,629)	$ —	$ —	$ —	$ 10,348,471

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 table below sets forth a summary of changes in fair value of the Foundation's level 3 assets for the year ended June 30, 2015.

	Balance at July 1, 2014	Net Gain (Loss) on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2015
Beneficial interest in perpetual trusts	$ 11,788,420	$ (560,320)	$ —	$ —	$ —	$ 11,228,100
	$ 11,788,420	$ (560,320)	$ —	$ —	$ —	$ 11,228,100

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2016:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds –Multi-strategies (a)	$ 10,350,797	$ N/A	Quarterly, Annually	60 days, 65 days, 90 days
Hedge funds –Directional (b)	5,132,148	N/A	Annually	105 days
Managed futures (d)	2,804,390	N/A	Daily	1 day
Private equity and real assets (e)	7,408,260	3,313,431	N/A	N/A
Total	$ 25,695,595	$ 3,313,431		

NOTE G—FAIR VALUE MEASUREMENT—Continued

The following table presents the nature and risk of assets with fair values estimated using NAV held at June 30, 2015:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds –Multi-strategies [a]	$ 14,402,208	$ N/A	Quarterly, Annually	60 days, 90 days
Hedge funds –Directional [b]	7,487,289	N/A	Quarterly, Annually	90 days, 105 days
Hedge funds – Credit [c]	1,366,915	N/A	Quarterly	90 days
Managed futures [d]	2,604,688	N/A	Daily	1 day
Private equity and real assets [e]	5,915,035	3,937,145	N/A	N/A
Total	$ 31,776,135	$ 3,937,145		

(a) Hedge funds- Multi-strategies: This class includes investments that use multiple strategies to obtain absolute returns. Direct and indirect investments are made using capital structure arbitrage, distressed debt, equity long/short, multi-strategy credit, multi-strategy event driven, value and other trading strategies. The investments in this class are redeemable based on the redemption frequencies and notice periods described above.

(b) Hedge funds – Directional: This class includes investments that use directional strategies, primarily long/short strategies. Investments held by this fund primarily consist of equities. The investments in this class are redeemable based on the redemption frequency and notice period described above.

(c) Hedge funds – Credit: This class includes investments with the principal objective to achieve superior risk-adjusted total returns by investing primarily in public and private non-investment grade and nonrated debt securities. The investments in this class are redeemable based on the redemption frequency and notice period described above.

(d) Managed futures: This class includes investments with the objective to seek long-term capital appreciation. This is a multi-manager fund traded by approximately 20 commodity trading advisors (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.

(e) Private equity and real assets: 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 9 years.

NOTE H—PROPERTY AND EQUIPMENT

The following summarizes the Foundation's property and related direct financing leases and bonds and notes payable at June 30, 2016:

Property	Description	Net Book Value, Property and Equipment June 30, 2016	Net Investment in Direct Financing Leases June 30, 2016	Debt Issuer	Long-Term Debt June 30, 2016
University Park	Graduate student townhomes and commercial office space, City of Fairfax, VA	$ 959,941	$ —	FCEDA	$ 953,750
Potomac Heights	Dormitory, main campus, Fairfax County, VA	15,768,004	—	FCEDA	17,912,500
GMUF Arlington Campus, LLC	Commercial office building, Arlington County, VA	51,175,262	—	Bank Notes	60,000,000
GMUF Mason Administration, LLC	Merten Hall, administration building, main campus, Fairfax County, VA	—	29,461,466	FCEDA	29,898,403
GMUF Prince William Housing, LLC	Beacon Hall, graduate student housing, Science and Technology Campus, Prince William County, VA	—	15,434,035	IDA-PW	15,560,000
GMUF Prince William Life Sciences Lab, LLC	Research and office space, Science and Technology Campus, Prince William County, VA	—	30,414,797	IDA-PW	31,575,000
GMUF Commerce Buildings, LLC	Research and office space, City of Fairfax, VA	—	5,328,388	Bank Notes	5,330,683
Kelley Drive Properties	Office space, Fairfax County, VA	47,171	—	N/A	—
Mathy House	Residential rental, Fairfax County, VA	387,986	—	N/A	—
Mathy Lodge	Residential rental, Fairfax County, VA	1,152,640	—	N/A	—
Franconia Land	5.6 acres of vacant land, Fairfax County, VA	5,000	—	N/A	—
Shirley Gate Park Land	0.77 acre vacant lot, Fairfax County, VA	27,500	—	N/A	—
Broadlands Land	36.73 acres of vacant land, Loudoun County, VA	13,049,828	—	N/A	—
Point of View Land	77.63 acres of vacant land, Fairfax County, VA	3,728,504	—	N/A	—
	Furniture and fixtures, system assets	58,283	—	N/A	—
	Unamortized net premium	—	—	N/A	516,372
	Debt issuance costs	—	—	N/A	(1,159,338)
	Total	$ 86,360,119	$ 80,638,686		$ 160,587,370

NOTE H—PROPERTY AND EQUIPMENT—Continued

The following comprises property and equipment at June 30, 2016 and 2015:

	2016	2015
Land	$ 27,125,291	$ 27,125,291
Buildings	88,119,586	87,770,066
Building improvements	4,904,765	5,627,117
Furniture and equipment	2,065,457	849,522
	122,215,099	121,371,996
Accumulated depreciation and amortization	(35,854,980)	(32,781,786)
Property and equipment, net	$ 86,360,119	$ 88,590,210

During fiscal year 2015, construction of the GMUF Prince William Life Sciences Lab, LLC building was completed and occupied by the University. As a result, the related construction in progress asset was removed and a net investment in a direct financing lease was created (see Note I).

NOTE I—LEASES

Rental Income on Operating Leases

The Foundation leases certain properties with a cost of $108,385,250 and $107,544,752 and accumulated depreciation of $35,165,741 and $32,130,409 as of June 30, 2016 and 2015, respectively, under operating lease agreements. A portion of the above properties, are leased to the University, and therefore subject to state appropriation. The expected future rental payments from the University are $44,538,959 and $44,454,571 as of June 30, 2016 June 30, 2015, respectively.

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

2017	$ 9,481,493
2018	9,699,251
2019	9,870,729
2020	9,585,912
2021	9,770,822
Thereafter	51,693,402
	$ 100,101,609

NOTE I—LEASES—Continued

During the years ended June 30, 2016 and 2015, rental income earned by the Foundation totaled $13,993,658 and $13,946,465, of which $4,591,672 and $4,571,974 was paid by the University for 2016 and 2015, respectively. Additionally, $3,659,137 and $3,779,432, was paid by University students for 2016 and 2015, respectively while $22,800 and $22,020 was paid for 2016 and 2015 respectively, by Capitol Connection, a separate 501(c)(3) organization associated with the University.

During fiscal year 2015, one tenant negotiated an early lease termination resulting in GMUF Arlington Campus, LLC recording lease termination revenue of $220,000. Rental income, included in total rental income above, for GMUF Arlington Campus, LLC was $9,497,606 and $9,330,718 for the years ended June 30, 2016 and 2015, respectively.

Leasing commissions related to the GMUF Arlington Campus, LLC project are capitalized. The Foundation amortizes these costs over the life of the related leases. Amortization expense totaled $409,546 for both years ended June 30, 2016 and 2015. Unamortized leasing commissions, a component of prepaids and other assets was $585,302 and $994,848 for the years ended June 30, 2016 and 2015, respectively.

Direct Financing Leases

In recent years, the Foundation has completed several construction projects for GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC, GMUF Prince William Life Sciences Lab, LLC, and the GMUF Commerce Buildings, LLC for subsequent leasing to the University. The GMUF Prince William Life Sciences Lab was occupied by the University on March 1, 2015. All of these leases meet the lessor's criteria to account for these building leases as direct financing leases.

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

Building	Loan Borrowing	Term	Final Fiscal Year of Payment
GMUF Mason Administration, LLC	$ 34,000,000	25 years	2036
GMUF Prince William Housing, LLC	$ 15,625,000	30 years	2042
GMUF Prince William Lab Sciences, LLC	$ 33,210,000	29.5 years	2042
GMUF Commerce Buildings, LLC	$ 5,720,000	15 years	2030

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

NOTE I—LEASES—Continued

The components of the net investment in the direct financing leases as of June 30, 2016 and 2015 are as follows:

	2016	2015
Total minimum lease payments to be received	$ 154,476,423	$ 160,881,689
Less: Unearned income	(73,837,737)	(78,886,263)
Net investment in direct financing lease	$ 80,638,686	$ 81,995,426

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

2017	$ 6,432,148
2018	6,540,237
2019	6,580,529
2020	6,603,533
2021	6,666,112
Thereafter	121,653,864
	$ 154,476,423

NOTE J—LONG-TERM DEBT

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

On October 7, 2003, the Foundation issued $35,125,000 of variable rate Fairfax County Economic Development Authority bonds to finance a housing project for the University and to refinance existing properties the Foundation owns and rents to the University. On May 1, 2013, the Foundation refinanced the remaining $25,520,000 of the Fairfax County Economic Development Authority bonds with the same commercial bank. These variable rate bonds mature on May 31, 2018. With the exception of $1,378,750, the interest rate on these bonds is effectively fixed through an interest rate swap (see Note K).

GMUF Mason Administration, LLC (Merten Hall) - Fairfax County Economic Development Authority 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.

NOTE J—LONG-TERM DEBT—Continued

GMUF Mason Administration, LLC (Merten Hall) - Fairfax County Economic Development Authority Bonds—Continued

The Series 2010A Bond is subject to mandatory repayment at the option of the commercial bank in December 2023. Proceeds were used in the acquisition, construction, renovation and equipping of a five-story administration building for classrooms, administrative office and retail space. The building was substantially completed in May 2011, with remaining construction for retail space completed in fiscal year 2014. The Foundation's 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 two forward floating-to-fixed interest rate swaps with a commercial bank to effectively fix the interest rates on the tax-exempt and taxable bonds. See Note K for discussion regarding the interest rate swaps.

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

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

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

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

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

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

NOTE J—LONG-TERM DEBT—Continued

GMUF Prince William Life Sciences Lab, LLC - Industrial Development Authority of the County of Prince William Bonds—Continued

Prior to completion, the unspent bond proceeds were held by a trustee and invested in money market funds. The trustee reimbursed third party vendors for expenditures related to the life science lab and housing projects Deposits held with trustees released for expenditure totaled $0 and $1,089,166 for the years ended June 30, 2016 and June 30, 2015, respectively.

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.

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

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 were 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 debt issuance 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.

On March 16, 2015, GMU Commerce Buildings, LLC modified its existing loan with the commercial bank resulting in a taxable loan of $5,720,000 at a fixed rate of 3.63%, maturing March 1, 2030. The Foundation leases the property to the University with a 15 year lease term (see Note I) and the rental payments made by the University service the notes' principal and interest payments as well as operating costs.

GMUF Arlington Campus, LLC Notes

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

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

NOTE J—LONG-TERM DEBT—Continued

The following represents the Foundation's bonds and notes payable at June 30, 2016 and 2015.

	2016	2015
Fairfax County Economic Development Authority Bonds (FCEDA):		
George Mason University Foundation, Inc. Bonds, variable rates maturing on May 31, 2018	$ 18,866,250	$ 20,303,750
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, variable rate maturing on June 1, 2036	29,898,403	30,788,403
Industrial Development Authority of the County of Prince William (IDA-PW):		
Prince William County Series 2011A Bonds, serial with interest rates ranging from 4.25% to 5.00%, maturing at various dates from September 1, 2022 to September 1, 2026	$ 1,895,000	$ 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 3.375%, maturing September 1, 2021	920,000	965,000
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	510,000	1,070,000
Bank Notes:		
GMUF Arlington Campus, LLC Notes A with interest rate of 6.24% maturing September 1, 2016	$ —	$ 58,630,271
GMUF Arlington Campus, LLC Notes B with interest rate of 10.50% maturing September 1, 2016	—	4,122,441
GMUF Arlington Campus, LLC Note with interest rate of 4.05% maturing June 1, 2033	60,000,000	—
GMUF Commerce Buildings, LLC Notes with interest rate of 3.63% maturing March 1, 2030	5,330,683	5,624,836
Notes and bonds payable at face value	161,230,336	167,209,701
Plus: Unamortized net premium	516,372	576,232
Less: Debt issuance costs, net	(1,159,338)	(945,015)
Total long-term debt	$ 160,587,370	$ 166,840,918

NOTE J—LONG-TERM DEBT—Continued

Scheduled maturities and sinking fund requirements are as follows:

Fiscal year ending June 30:	
2017	$ 5,924,285
2018	21,998,863
2019	4,866,987
2020	5,081,883
2021	10,488,187
Thereafter	112,870,131
	$ 161,230,336

Interest expense on notes, bonds and related swaps along with the amortization of deferred financing charges was $8,817,765 and $8,016,970, for the years ended June 30, 2016 and 2015, respectively.

The carrying value of long-term debt approximated the fair value as of June 30, 2016 and 2015, respectively. The Foundation estimated the fair value of bonds payable using valuations provided by an independent financial institution.

For certain debt issuances, on a periodic basis, the Foundation is required to comply with administrative reporting and debt covenant calculations. As of June 30, 2016 and 2015, the Foundation was in compliance with its required debt covenant calculations.

NOTE K—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. With the refinancing of the Fairfax County Economic Development Authority bonds (see Note J), 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, 2016 and 2015, the notional amount on the swap was $17,912,500 and $18,925,000, respectively, and on the cap was $10,225,000 and $10,475,000, respectively.

NOTE K—DERIVATIVE INSTRUMENTS—Continued

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

The fair value of the interest rate swap at June 30, 2016 and 2015 totaled a derivative liability of $2,664,192 and $2,030,866, respectively. The net change in value has been recorded as a loss on derivatives in the consolidated statement of activities. 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, 2016 and 2015, no collateral balance was required. The fair value of the interest rate cap totaled a derivative asset of $557 and $1,214 at June 30, 2016 and 2015, respectively, and is a component of prepaids and other assets. 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 the taxable swap was terminated on December 1, 2013. At June 30, 2016 and 2015, the notional amount on the tax-exempt swap was $29,935,000 and $30,825,000, respectively.

The fair value of the interest rate swaps at June 30, 2016 and 2015 totaled a derivative liability of $4,973,505 and $3,883,378, 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, 2016 and June 30, 2015, no collateral was required.

NOTE L—RETIREMENT ANNUITY

The Foundation, through a trust arrangement, purchased a joint and survivor, single-premium retirement annuity contract to provide supplemental retirement benefits to the former President of the University and his spouse. Through this trust arrangement, the Foundation receives 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. The related annuity benefit contract asset and liability are recorded as a component of prepaids and other assets and other liabilities, respectively, in the consolidated statements of financial position. The annuity benefit contract asset/liability was $564,586 and $531,157, respectively, as of June 30, 2016 and 2015.

NOTE M—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 solicited 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, agreed to fulfill the commitment should there exist a shortfall in the University Advancement's fundraising efforts. The grant ended on September 30, 2015 and all matching funds and grant reports have been completed. As of June 30, 2016, the Foundation paid $466,166 to fulfill the matching funds shortfall and has no further commitments related to this grant.

NOTE N—CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in several commercial banks that are in excess of the Federal Deposit Insurance Corporation (FDIC) maximum of $250,000 per depositor per institution. At June 30, 2016, the Foundation had approximately $23,400,000 of uninsured balances in checking and money market 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 $3,663,173 at June 30, 2016. Historically, losses from federal government securities have not occurred.

In fiscal year 2016, 17 donors collectively contributed approximately 72 percent of the total contributions, and approximately 83 percent of total contributions receivable were due from 10 contributors.

NOTE O—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, 2016 and 2015:

	2016	2015
Institutional program support	$ 52,053,009	$ 40,365,128
Scholarships	1,806,585	1,783,511
	$ 53,859,594	$ 42,148,639

NOTE P—NET ASSETS AVAILABLE

Restricted net assets consisted of the following at June 30, 2016:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 10,859,302	$ 27,168
Academic support	33,629,383	6,786,056
Athletics	714,086	160,936
Community/public service	3,109,133	5,901,515
Eminent scholars	2,775,292	22,699,314
Eminent scholars – perpetual trust	—	8,539,012
Facilities	15,716,129	59,193
Library	692,640	844,543
Research	21,250,694	5,922,522
Student financial aid	11,534,624	32,066,317
Student financial aid – perpetual trust	—	1,809,460
Time restricted without purpose restriction	32,834	279,002
	$ 100,314,117	$ 85,095,038

Restricted net assets consisted of the following at June 30, 2015:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 10,907,198	$ 9,673
Academic support	25,942,884	5,503,546
Athletics	755,639	140,371
Community/public service	3,198,035	5,865,024
Eminent scholars	3,477,982	24,517,770
Eminent scholars – perpetual trust	—	9,407,042
Facilities	16,324,330	59,142
Library	667,621	733,549
Research	13,145,886	4,057,789
Student financial aid	7,985,492	31,001,709
Student financial aid – perpetual trust	—	1,821,059
Time restricted without purpose restriction	36,855	295,216
	$ 82,441,922	$ 83,411,890

NOTE Q—RELATED PARTY TRANSACTIONS

The Foundation outsources its payroll processing to the University and reimburses the University for payroll costs incurred. As of June 30, 2016 and 2015, the Foundation had salaries payable to the University totaling $133,490 and $133,357, respectively.

The Foundation remits to the University the excess cash flow of the Foundation Potomac Heights housing project one fiscal year later. As of June 30, 2016 and 2015, the Foundation had $1,107,694 and $662,932 payable to the University, respectively.

The Foundation receives donated space located on the main campus in Fairfax, Virginia from the University. In both fiscal years 2016 and 2015, $91,328, 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 I). In some instances, rates charged to the University are substantially below market.

During fiscal year 2015, the Foundation gifted approximately 5.7 acres of land in Fairfax County, with a value of $271,495, to the University.

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

NOTE R—INCOME TAXES

The Foundation follows FASB Accounting Standards Codification (ASC) Topic 740-10, Income Taxes, which requires the recognition of deferred tax liabilities and deferred tax assets, net of applicable valuation allowances, for certain temporary differences and net operating loss carry forwards. FASB ASC Topic 740-10 requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized. As of June 30, 2016, based on changes in facts and circumstances surrounding the GMUF Arlington Campus, LLC building, the Foundation determined that it was more likely than not that all of the net operating loss carryforwards related to this project would be realized in future years and recorded a deferred tax asset. As of June 30, 2015, the Foundation had not recorded a deferred tax asset for net operating loss carryforwards, as realization was uncertain.

NOTE R—INCOME TAXES—Continued

The components of the provisions for income taxes are as follows for the fiscal years ending June 30, 2016 and 2015:

	2016	2015
Current:		
Federal income tax	$ (635,493)	$ (150,499)
State income tax	(119,304)	(28,576)
Valuation allowance	—	179,075
Current income tax (benefit)	$ (754,797)	$ —
Deferred:		
Federal income tax	$ (1,705,690)	$ (2,342,898)
State income tax	(293,846)	(411,435)
Valuation allowance	—	2,754,333
Deferred income tax (benefit)	$ (1,999,536)	$ —
Net income tax (benefit)	$ (2,754,333)	$ —

The components of the deferred tax assets as of June 30, 2016 and 2015, are as follows:

	2016	2015
Deferred income tax asset	$ 2,754,333	$ 2,933,408
Valuation allowance	—	(2,933,408)
Net deferred income tax asset	$ 2,754,333	$ —

No income taxes were paid by the Foundation during fiscal years 2016 and 2015.

NOTE S—SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through November 4, 2016, 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