Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

George Mason University Foundation, Inc. and Subsidiaries

June 30, 2012 with Summarized Comparative Information for June 30, 2011

George Mason University Foundation, Inc. and Subsidiaries

Contents

Audit • Tax • Advisory

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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 statement of financial position of the George Mason University Foundation, Inc and Subsidiaries (the Foundation) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2011 consolidated financial statements and, in our report dated November 21, 2011 we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financing reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the George Mason University Foundation, Inc. and Subsidiaries, as of June 30, 2012 and the changes in net assets and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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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.

Grant Thornton LLP

McLean, Virginia
November 8, 2012

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position

June 30, 2012 (with comparative totals as of June 30, 2011)

	GMU Foundation, Inc.	Real Estate Subsidiaries	June 30, 2012	June 30, 2011
Assets				
Cash and cash equivalents	$ 6,010,219	$ 185,580	$ 6,195,799	$ 14,894,269
Restricted cash and cash equivalents	200,000	2,250,622	2,450,622	848,839
Inter-entity receivable	696,405	(696,405)	—	—
Contributions receivable, net	19,549,895	—	19,549,895	23,392,910
Derivative asset	—	—	—	29,258
Prepaids and other assets	145,095	686,334	831,429	358,899
Deposits held with trustees	—	37,524,275	37,524,275	—
Leasing commissions	—	1,533,952	1,533,952	1,896,350
Net investment in direct financing lease	—	31,636,683	31,636,683	—
Beneficial interest in perpetual trusts	10,260,229	—	10,260,229	10,657,112
Annuity benefit contract	434,677	—	434,677	403,559
Deferred loan costs, net	360,589	972,192	1,332,781	782,523
Investments	104,961,310	—	104,961,310	100,646,996
Property and equipment, net	41,367,984	69,312,606	110,680,590	128,450,720
Art and antiques	572,567	—	572,567	572,567
Total Assets	$ 184,558,970	$ 143,405,839	$ 327,964,809	$ 282,934,002
Liabilities				
Accounts payable and accrued expenses	$ 3,729,632	$ 2,402,965	$ 6,132,597	$ 10,566,166
Unearned rent	—	19,020	19,020	3,444,711
Trust liabilities	1,080,428	—	1,080,428	1,271,621
Other liabilities	50,573	34,894	85,467	85,180
Accrued annuity benefit	434,677	—	434,677	403,559
Derivative obligations	3,104,925	6,020,384	9,125,309	5,042,796
Long-term debt	26,745,000	146,493,402	173,238,402	120,716,585
Amounts held for others	8,949,641	—	8,949,641	8,456,844
Total Liabilities	44,094,876	154,970,665	199,065,541	149,987,462
Net Assets				
Unrestricted	9,810,582	—	9,810,582	11,532,590
Temporarily restricted	60,538,096	—	60,538,096	66,802,803
Permanently restricted	70,115,416	—	70,115,416	62,724,741
GMUF Arlington Campus, LLC	—	(6,012,805)	(6,012,805)	(5,279,750)
GMUF Mason Administration, LLC	—	(5,533,089)	(5,533,089)	(2,833,844)
GMUF Prince William Housing, LLC	—	(6,164)	(6,164)	—
GMUF Prince William Life Sciences Lab, LLC	—	(12,768)	(12,768)	—
Total Net Assets	140,464,094	(11,564,826)	128,899,268	132,946,540
Total Liabilities and Net Assets	$ 184,558,970	$ 143,405,839	$ 327,964,809	$ 282,934,002

The accompanying notes are an integral part of these statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities

For the year ended June 30, 2012 (with comparative totals for the year ended June 30, 2011)

	GMU Foundation, Inc.					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Real Estate Subsidiaries	Year Ended June 30, 2012	Year Ended June 30, 2011
Support and Revenue						
Contributions	$ 366,299	$ 27,303,965	$ 8,101,921	$ —	$ 35,772,185	$ 28,163,358
Income from Perpetual Trusts	35,169	321,133	—	—	356,302	452,973
Investment return, net	(1,291,136)	257,805	—	18,792	(1,014,539)	8,802,642
Change in value of perpetual trusts	—	—	(396,883)	—	(396,883)	1,496,403
Change in charitable trusts and gift annuities	—	(11,672)	(318,375)	—	(330,047)	377,401
Service fees	757,575	—	—	—	757,575	1,022,811
Rental income	3,573,258	—	—	8,498,408	12,071,666	12,841,242
Interest on direct financing lease	—	—	—	2,100,411	2,100,411	—
(Loss) gain on derivatives	(908,344)	—	—	(3,203,427)	(4,111,771)	80,595
Trust and other income	26,420	48,862	—	1,457	76,739	116,376
Total support and revenue	2,559,241	27,920,093	7,386,663	7,415,641	45,281,638	53,353,801
Operating Expenses						
Accounting and legal	144,865	—	—	11,970	156,835	242,578
Administrative	1,688,317	—	—	1,339,016	3,027,333	2,620,375
Depreciation and amortization	1,479,036	—	—	2,091,837	3,570,873	3,759,121
Insurance	62,064	—	—	82,537	144,601	151,689
Interest expense	1,045,463	—	—	6,003,640	7,049,103	5,724,431
Utilities and other	1,390,805	—	—	1,337,873	2,728,678	2,437,901
	5,810,550	—	—	10,866,873	16,677,423	14,936,095
Fundraising	352,407	—	—	—	352,407	205,398
Total Operating Expenses	6,162,957	—	—	10,866,873	17,029,830	15,141,493
Operating (Deficit) Surplus	(3,603,716)	27,920,093	7,386,663	(3,451,232)	28,251,808	38,212,308
Reclassification Per Donor Request	(25,000)	20,988	4,012	—	—	—
Net Assets Released from Restriction	34,205,788	(34,205,788)	—	—	—	—
Support and Revenue, Net of Operating Expenses	30,577,072	(6,264,707)	7,390,675	(3,451,232)	28,251,808	38,212,308
Program Service Benefits for George Mason University						
Scholarships	1,809,192	—	—	—	1,809,192	1,646,207
Academic program support	26,560,689	—	—	—	26,560,689	22,833,040
Eminent scholars	440,000	—	—	—	440,000	211,481
Administrative support	1,020,787	—	—	—	1,020,787	1,220,821
Total Program Service Benefits	29,830,668	—	—	—	29,830,668	25,911,549
Impairment Loss on Land	(2,468,412)	—	—	—	(2,468,412)	—
Change in Net Assets	(1,722,008)	(6,264,707)	7,390,675	(3,451,232)	(4,047,272)	12,300,759
Net Assets, beginning of period	11,532,590	66,802,803	62,724,741	(8,113,594)	132,946,540	120,645,781
Net Assets, end of period	$ 9,810,582	$ 60,538,096	$ 70,115,416	$ (11,564,826)	$ 128,899,268	$ 132,946,540

The accompanying notes are an integral part of these statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidating Statement of Financial Position – Real Estate Subsidiaries

June 30, 2012 (with comparative totals as of June 30, 2011)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	June 30, 2012	June 30, 2011
Assets						
Cash and cash equivalents	$ 2,671	$ 182,909	$ —	$ —	$ 185,580	$ 3,304,903
Restricted cash and cash equivalents	1,050,622	1,200,000	—	—	2,250,622	848,839
Due to GMUF, Inc.	(259,227)	(437,178)	—	—	(696,405)	(236,485)
Contributions receivable, net	—	—	—	—	—	—
Derivative asset	—	—	—	—	—	—
Prepaids and other assets	649,156	37,178	—	—	686,334	153,918
Deposits held with trustees	—	—	8,213,218	29,311,057	37,524,275	—
Leasing commissions	1,533,952	—	—	—	1,533,952	1,896,350
Net investment in direct financing lease	—	31,636,683	—	—	31,636,683	—
Deferred loan costs, net	168,084	183,095	202,178	418,835	972,192	400,344
Property and equipment, net	57,093,620	—	7,570,824	4,648,162	69,312,606	88,678,595
Total Assets	$ 60,238,878	$ 32,802,687	$ 15,986,220	$ 34,378,054	$ 143,405,839	$ 95,046,464
Liabilities						
Accounts payable and accrued expenses	$ 573,535	$ 1,023,351	$ 258,902	$ 547,177	$ 2,402,965	$ 4,507,091
Unearned rent	19,020	—	—	—	19,020	3,004,531
Other liabilities	34,894	—	—	—	34,894	34,894
Derivative obligations	—	6,020,384	—	—	6,020,384	2,816,957
Long-term debt	65,624,234	31,292,041	15,733,482	33,843,645	146,493,402	92,796,585
Total Liabilities	66,251,683	38,335,776	15,992,384	34,390,822	154,970,665	103,160,058
Net Assets						
GMUF Arlington Campus, LLC	(6,012,805)	—	—	—	(6,012,805)	(5,279,750)
GMUF Mason Administration, LLC	—	(5,533,089)	—	—	(5,533,089)	(2,833,844)
GMUF Prince William Housing, LLC	—	—	(6,164)	—	(6,164)	—
GMUF Prince William Life Sciences Lab, LLC	—	—	—	(12,768)	(12,768)	—
Total Net Assets	(6,012,805)	(5,533,089)	(6,164)	(12,768)	(11,564,826)	(8,113,594)
Total Liabilities and Net Assets	$ 60,238,878	$ 32,802,687	$ 15,986,220	$ 34,378,054	$ 143,405,839	$ 95,046,464

The accompanying notes are an integral part of these statements.

George Mason University Foundation, Inc. and Subsidiaries

Consolidating Statement of Activities – Real Estate Subsidiaries

For the year ended June 30, 2012 (with comparative totals for the year ended June 30, 2011)

	GMUF Arlington Campus, LLC	GMUF Mason Administration, LLC	GMUF Prince William Housing, LLC	GMUF Prince William Life Sciences Lab, LLC	Year Ended June 30, 2012	Year Ended June 30, 2011
Revenue						
Investment return, net	$ 604	$ 18,188	$ —	$ —	$ 18,792	$ 429
Rental income	8,498,408	—	—	—	8,498,408	8,248,799
Interest on direct financing lease	—	2,100,411	—	—	2,100,411	—
Loss on derivatives	—	(3,203,427)	—	—	(3,203,427)	(154,351)
Other income	1,457	—	—	—	1,457	5,366
Total support and revenue	8,500,469	(1,084,828)	—	—	7,415,641	8,100,243
Operating Expenses						
Accounting and legal	11,745	225	—	—	11,970	7,029
Administrative	1,269,753	69,263	—	—	1,339,016	1,135,249
Depreciation and amortization	2,091,837	—	—	—	2,091,837	2,226,369
Insurance	82,537	—	—	—	82,537	88,649
Interest expense	4,439,779	1,544,929	6,164	12,768	6,003,640	4,587,073
Utilities and other	1,337,873	—	—	—	1,337,873	1,135,419
Total Operating Expenses	9,233,524	1,614,417	6,164	12,768	10,866,873	9,179,788
Change in Net Assets	(733,055)	(2,699,245)	(6,164)	(12,768)	(3,451,232)	(1,079,545)
Net Assets, beginning of period	(5,279,750)	(2,833,844)	—	—	(8,113,594)	(7,034,049)
Net Assets, end of period	$ (6,012,805)	$ (5,533,089)	$ (6,164)	$ (12,768)	$ (11,564,826)	$ (8,113,594)

The accompanying notes are an integral part of these statements.

George Mason University Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

For the year ended June 30,	**2012**	**2011**
Cash Flows from Operating Activities		
Changes in net assets	$ (4,047,272)	$ 12,300,759
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and leasing commissions	3,570,873	3,759,121
Amortization of loan financing costs	89,689	69,608
Amortization of bond premium	(45,497)	—
Discount on contributions receivable	(451,036)	(324,677)
Unrealized investment loss (gain)	4,270,070	(4,329,830)
Realized investment gain	(381,159)	(2,196,924)
Interest on direct financing lease	(2,100,411)	—
Change in value of perpetual trusts	396,883	(1,496,403)
Change in value of charitable trusts and gift annuities	330,047	(377,401)
Stock contributions	(284,470)	(256,461)
Contributions restricted for long-term purposes	(8,101,921)	(3,722,926)
Gain on sale of property and equipment	—	(6,500)
Impairment loss on land	2,468,412	—
Loss (gain) on derivative	4,111,771	(80,595)
Change in assets and liabilities:		
Restricted cash	(1,601,783)	(118,133)
Contributions receivable	4,294,051	10,684,230
Investment income receivable	—	179,810
Prepaids	(475,612)	83,279
Accounts payable and accrued expenses	(4,433,569)	4,850,119
Unearned rent	(3,425,691)	1,986,638
Other liabilities	287	36,868
Amounts held for others	492,797	2,030,007
Net Cash (Used in) Provided by Operating Activities	(5,323,541)	23,070,589
Cash Flows from Investing Activities		
Proceeds from sale of investments	45,638,448	68,749,178
Purchases of investments	(54,075,361)	(81,358,595)
Purchases of property and equipment	(20,709,684)	(31,429,925)
Payments received on direct financing lease	3,287,408	—
Net Cash Used in Investing Activities	(25,859,189)	(44,039,342)
Cash Flows from Financing Activities		
Proceeds from contributions in permanent endowments	8,101,921	3,722,926
Increase in deferred loan costs	(639,947)	—
Proceeds from long-term debt	55,308,675	21,190,266
Repayments on long-term debt	(2,741,361)	(1,885,004)
Increase in deposits with trustee	(37,524,275)	—
Payments of leasing commissions	(20,753)	(88,899)
Net Cash Provided by Financing Activities	22,484,260	22,939,289
(Decrease) Increase in Cash and Cash Equivalents	(8,698,470)	1,970,536
Cash and Cash Equivalents, beginning of year	14,894,269	12,923,733
Cash and Cash Equivalents, end of year	$ 6,195,799	$ 14,894,269
Supplemental Disclosure of Cash Flow Activities		
Interest paid and expensed	$ 6,158,973	$ 5,532,781
Noncash investing activities: Conversion of property and equipment to direct-financing lease	$ 32,674,904	$ —

The accompanying notes are an integral part of these statements.

NOTE A—ORGANIZATION

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of George Mason University Foundation, Inc., GMUF Arlington Campus, LLC, GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC, and GMUF Prince William Life Sciences Lab, 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, and GMUF Prince William Life Sciences Lab, 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.

Reclassifications

Certain 2011 amounts included in the 2012 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Endowment Policy

The Foundation's endowment policy seeks to maintain the growth of the present value of existing assets at a rate at least equal to the inflation rate plus the current spending rate of 4 percent based on an average of each endowment's fair value over the prior 12 quarters, net of investment fees. The allocation ranges for endowment assets during fiscal year 2012 are as follows:

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

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

On November 4, 2011, The Board of Trustees of the Foundation amended the endowment spending policy. Under the revised policy, the endowment spending rate will remain at 4 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 lease, 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 zero, as of June 30, 2012 and 2011.

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 accrued rent receivable. The impact of the straight-line adjustment decreased rental income by $4,365 and $7,270 as of June 30, 2012 and 2011.

The Foundation rents the GMUF Mason Administration, LLC building to the University through a direct financing lease with a lease term of 25 years. Interest on the direct financing lease 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.

Depreciation

Property and equipment having a cost in excess of $2,000 are capitalized at cost. Donated assets in excess of $2,000 are capitalized at the estimated fair value at the date received. Buildings, furniture, and equipment are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows: buildings, 25 to 45 years; building improvements, 3 to 27 years; and furniture and equipment, 3 to 7 years.

Leasing Commissions

Leasing commissions related to the GMUF Arlington Campus, LLC project are capitalized. The Foundation is amortizing these costs over the life of the related leases and amortization expense for the year ended June 30, 2012 and 2011, totaled $383,151 and $356,237 and is included in the consolidated statement of activities.

Deferred Loan Costs

The Foundation's capitalized costs relate to the financing of a housing project for the University, refinancing of the University Park and University Drive properties occupied by the University and loans and bonds related to the GMUF Arlington Campus, LLC, GMUF Mason Administration, LLC, GMUF Prince William Housing, LLC and GMUF Prince William Life Sciences Lab, 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, 2012 and 2011, totaled $89,689 and $69,608, respectively.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

NOTE C—INVESTMENTS

Investments, which are reported at fair value, consisted of the following as of June 30, 2012 and 2011:

	2012	2011
Cash and money market funds	$ 3,868,712	$ 3,239,278
Certificates of deposit	50,573	303,827
Equities	24,230,332	26,673,466
Fixed income	51,173,485	41,144,377
Commodities	2,205,320	2,228,005
Real estate	237,996	250,533
Hedge funds	17,370,931	21,049,966
Managed futures	3,605,376	3,965,606
Private equity and real assets	2,218,585	1,791,938
	$ 104,961,310	$ 100,646,996

NOTE C—INVESTMENTS—Continued

Investment earnings are summarized as follows for the years ended June 30, 2012 and 2011:

	2012	2011
Interest and dividends, net of external management fees	$ 2,874,370	$ 2,275,888
Realized gain	381,159	2,196,924
Unrealized (loss) gain	(4,270,070)	4,329,830
Investment return, net	(1,014,539)	8,802,642
Investment return included with change in charitable trusts and gift annuities	67,075	284,198
	$ (947,465)	$ 9,086,840

For the years ended June 30, 2012 and 2011, the Foundation paid external management fees of $161,819 and $162,055, 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.

NOTE D—FAIR VALUE MEASUREMENT—Continued

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

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

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

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

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

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

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

- *Hedge funds, managed futures, private equity and real assets*: 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.

NOTE D—FAIR VALUE MEASUREMENT—Continued

- *Interest rate swaps and caps*: 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, 2012:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents	$ 3,868,712	$ —	$ —	$ 3,868,712
Certificates of deposit	50,573	—	—	50,573
Equities:				
Domestic large cap	13,196,532	—	—	13,196,532
Domestic small/mid cap	2,308,942	—	—	2,308,942
International (developed countries)	4,796,418	—	—	4,796,418
International (emerging markets)	3,928,440	—	—	3,928,440
Fixed income:				
Short-term bonds	17,062,891	1,976,006	—	19,038,897
Intermediate bonds	12,506,320	68,911	—	12,575,231
Long-term bonds	252,943	1,553,088	—	1,806,031
Multi-sector bonds	8,739,930	—	—	8,739,930
World bonds	6,240,056	—	—	6,240,056
Bank loans	2,773,340	—	—	2,773,340
Commodities	2,205,320	—	—	2,205,320
Real estate	237,996	—	—	237,996
Hedge funds:				
Multi-strategies	—	4,204,443	7,303,989	11,508,432
Directional equity	—	437,628	5,424,871	5,862,499
Managed futures	—	3,605,376	—	3,605,376
Private equity and real assets	—	—	2,218,585	2,218,585
Investments	78,168,413	11,845,452	14,947,445	104,961,310
Beneficial interest in perpetual trusts	—	—	10,260,229	10,260,229
Deposits held with trustees	37,524,275	—	—	37,524,275
Total financial assets	115,692,688	11,845,452	25,207,674	152,745,814
Financial Liabilities:				
Interest rate swaps	—	9,125,309	—	9,125,309
Total financial liabilities	$ —	$9,125,309	$ —	$ 9,125,309

NOTE D—FAIR VALUE MEASUREMENT—Continued

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

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

NOTE D—FAIR VALUE MEASUREMENT—Continued

The table below sets forth a summary of changes in fair value of the Foundation's level 3 assets for the year ended June 30, 2012.

	Balance at July 1, 2011	Net Gain (Loss) on Investments	Purchases	Sales	Transfers Out of Level 3	Balance at June 30, 2012
Hedge funds – Multi-strategies	$ 7,781,005	$ 23,653	$ 110,144	$ (610,813)	$ —	$ 7,303,989
Hedge funds – Directional	8,002,160	(201,013)	2,000,040	(3,938,688)	(437,628)	5,424,871
Private equity and real assets	1,791,938	313,972	208,117	(95,442)	—	2,218,585
Beneficial interest in perpetual trusts	10,657,112	(396,883)	—	—	—	10,260,229
	$ 28,232,215	$ (260,271)	$ 2,318,301	$ (4,644,943)	$ (437,628)	$ 25,207,674

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 2012 related to the redemption of a hedge fund with the remaining balance representing a cash hold-back received in July 2012.

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

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

The transfers out of level 3 during fiscal year 2011 are due to the expiration of redemption restrictions for certain hedge funds which were redeemable at NAV at June 30, 2011.

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, 2012:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds – Multi-strategies (a)	$ 11,508,432	$ N/A	Quarterly, Annually	60 days, 90 days, 95 days
Hedge funds – Directional (b)	5,862,499	N/A	Annually	100 days, 105 days
Managed futures (c)	3,605,376	N/A	Daily	1 day
Private equity and real assets (d)	2,218,585	1,699,929	N/A	N/A
Total	$ 23,194,892	$ 1,699,929		

(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, and other trading strategies. This class also includes approximately $75,000 of an investment in a hedge fund established for the purpose of liquidating illiquid assets of an affiliated fund; therefore, this investment is not redeemable and distributions are received upon the sale of the underlying assets. The remaining investments in this class are redeemable based on the redemption frequencies and notice periods described above. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

(b) This class includes investments in hedge funds and fund of hedge funds that use directional strategies, primarily long/short strategies. Investments held by these funds primarily consist of equities, and to a lesser extent, fixed income securities, natural resource securities and commodities. The fair values of the investments in this class have been estimated using the NAV per share of the investments. Currently, approximately $1.97 million of these investments are not redeemable, because the fund restricts redemption in the first two years after acquisition with subsequent redemption available on December 31st of each year. The remaining restriction on these investments is 21 months at June 30, 2012.

(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 as of June 30, 2012. The fair value of the investments in this class has been estimated using the NAV per share of the investments.

NOTE D—FAIR VALUE MEASUREMENT—Continued

(d) This class includes investments in private equity and real asset funds. 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 fund makes direct and indirect investments in privately and publicly issued debt securities and privately issued equity securities that are currently experiencing financial and/or operational distress. These investments can never be redeemed with the funds. Instead, the nature of the investments in this 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 8 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, 2012 and 2011 are as follows:

	2012	2011
Due in less than one year	$ 3,578,832	$ 3,461,061
Due in one to five years	11,618,622	15,301,327
Due in more than five years	6,410,783	7,139,900
	21,608,237	25,902,288
Less discount present value	(2,058,342)	(2,509,378)
Total	$ 19,549,895	$ 23,392,910

Discount rates range from 0.23 percent to 5.69 percent.

As of June 30, 2012 and 2011, the Foundation has $5,372,244 and $6,972,454, respectively, of conditional promises to give, primarily matching funds for which the fundraising goals have not yet been achieved. These conditional promises to give are not recognized as assets in the consolidated statement of financial position.

NOTE F—SPLIT INTEREST AGREEMENTS

Beneficial Interest in Perpetual Trusts

The Foundation is a 50 percent beneficiary in two perpetual trusts, which are held and administered by independent trustees. The fair value of the Foundation's portion of these trusts at June 30, 2012 and 2011 totaled approximately $8.7 million and $9.0 million, respectively. Income from the trust totaled $332,457 and $415,263 for the years ended June 30, 2012 and 2011, respectively, and is included in unrestricted and temporarily restricted support and revenue. The change in value of the trust decreased $350,764 during the year ended June 30, 2012 and increased $1,121,421, for the year ended June 30, 2011. These amounts are included in permanently restricted support and revenue.

The Foundation is a 100% beneficiary in one perpetual trust, which is held and administered by an independent trustee. The fair value of the Foundation's portion of this trust at June 30, 2012 and 2011 totaled approximately $1.6 million and $1.7 million, respectively. Income from the trust totaled $23,845 and $37,710 for the years ended June 30, 2012 and 2011, respectively, and is included in temporarily restricted support and revenue. The change in value from the trust decreased $46,119 during the year ended June 30, 2012 and increased $374,982 during the year ended June 30, 2011. 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, 2012 and 2011 is summarized as follows:

	2012	2011
Cash and money market funds	$ 574,190	$ 215,757
Equities:		
Domestic large cap	5,356,252	4,900,153
Domestic small/mid cap	544,701	855,496
International (developed)	908,465	1,415,142
Fixed income:		
Short-term bonds	574,204	479,164
Intermediate bonds	1,073,516	1,158,359
Multi-sector bonds	215,934	216,120
World bonds	311,233	576,222
High yield bonds	225,404	—
Bank loans	133,538	464,428
Commodities	161,264	172,713
Real estate	181,528	203,558
Total	$ 10,260,229	$ 10,657,112

NOTE F—SPLIT INTEREST AGREEMENTS—Continued

Charitable Remainder Trusts and Charitable Gift Annuities

The Foundation has charitable remainder trusts and charitable gift annuities, which have been established and funded by various donors. Distributions are received by the Foundation over the agreements' terms. Upon termination of the agreements, the Foundation will receive or retain the remaining assets. Liabilities are recorded at the net present value of the estimated future annuity payments. Life expectancies range from 1 to 22 years and discount rates range from 4.2 to 8.0 percent. The market value of the assets at June 30, 2012 and 2011 was $1,877,438 and $2,398,678, respectively. Liabilities related to these agreements were $1,080,428 and $1,271,621 at June 30, 2012 and 2011, respectively. During fiscal years 2012 and 2011, the Foundation received no new charitable remainder trusts or gift annuities.

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

	2012	2011
Interest and dividends, net of external management fees	$ 43,969	$ 42,807
Realized gain	80,417	115,123
Unrealized (loss)/gain	(57,311)	126,268
Investment return included with change in split interest agreements	67,075	284,198
Non-investment activity, net	(397,122)	93,203
	$ (330,047)	$ 377,401

NOTE G—PROPERTY AND EQUIPMENT

The following comprises property and equipment at June 30, 2012 and 2011:

	2012	2011
Land	$ 29,121,652	$ 26,164,774
Buildings	91,353,059	119,607,357
Building improvements	4,281,098	4,183,849
Furniture and equipment	743,404	2,515,226
Construction in progress	12,218,986	—
	137,718,199	152,471,206
Accumulated depreciation and amortization	(27,037,609)	(24,020,486)
Property and equipment, net	$ 110,680,590	$ 128,450,720

NOTE G—PROPERTY AND EQUIPMENT—Continued

The GMUF Administration building was occupied in May 2011. Construction costs and lease payments to be paid by the University were subsequently finalized in fiscal year 2012. The final transaction, completed during fiscal year 2012, resulted in a direct financing lease with the removal of the related building, furniture, and equipment from the Foundation's consolidated statement of financial position and the creation of a net investment in direct financing lease (see Note L). Construction in progress at June 30, 2012 represents costs associated with the construction of a new life sciences lab and housing project in Prince William County (see Note H).

During fiscal year 2010, the Foundation received a donation for three adjacent parcels of land located in Loudon County for future development on behalf of the University. The first two parcels of land were deeded to the Foundation in fiscal years 2011 and 2010. Title transferred to the Foundation for the third parcel of land during fiscal year 2012, at which time an appraisal was performed. As a result of a decline in the land's fair value, the Foundation recorded an impairment loss of $2,468,412 during fiscal year 2012.

NOTE H—LONG-TERM DEBT

George Mason University Foundation, Inc. Bonds

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

As a security for the payment of the bonds, the Foundation entered into an irrevocable letter of credit with a commercial bank in the initial amount of $35,593,333. Due to the reduction of the commercial bank's credit rating below investment grade, the Foundation replaced the letter of credit facility with that of another commercial bank on October 7, 2009. The substitute commercial bank simultaneously assumed the related interest rate swap derivative instrument (See Note I). The letter of credit is renewable annually and was scheduled to expire October 7, 2012. The letter of credit has been extended to October 7, 2013. As of June 30, 2012 and 2011, no draws had been taken against the letter of credit; however, the letter of credit amount is contingent upon the principal balance outstanding on the related bonds. The letter of credit amount as of June 30, 2012 and 2011 was $ 27,101,600 and $28,292,267, respectively.

On October 7, 2009, as a result of the substitution of the letter of credit facility with another commercial bank, restrictive covenants related to the bonds included unrestricted liquidity of not less than $1,100,000 and a property debt service coverage ratio of not less than 1.2 to 1. As of June 30, 2012 and 2011, the Foundation was in compliance with the required restrictive covenants.

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.

NOTE H—LONG-TERM DEBT—Continued

GMUF Mason Administration, LLC Bonds

On April 21, 2010 the Fairfax County Development Authority issued its $36,100,000 Revenue Bond Series 2010A (Tax Exempt - GMUF Mason Administration, LLC Project) and its $1,900,000 Revenue Bond Series 2010B (Taxable - GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated April 1, 2010. 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 to be completed in fiscal year 2013. The Foundation's loan obligation is limited to that portion of the bond issuance which it draws upon pursuant to the Bond Purchase and Loan Agreement.

As 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 Project

On August 10, 2011, the Industrial Development Authority of the County of Prince William issued its $14,640,000 Revenue Bond Series 2011A (Tax-Exempt 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 will be 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 will lease the property to the University, and the rental payments made by the University will 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 Project

On August 10, 2011, the Industrial Development Authority of the County of Prince William issued its $31,065,000 Revenue Bond Series 2011AA (Tax-Exempt 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 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 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.

NOTE H—LONG-TERM DEBT—Continued

The following represents the Foundation's bonds and notes payable at June 30, 2012 and 2011.

	2012	2011
Fairfax County Economic Development Authority Bonds:		
George Mason University Foundation, Inc. Bonds with variable interest rate maturing at various dates through February 1, 2029	$ 26,745,000	$ 27,920,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, variable rate maturing on June 1, 2036	30,371,821	26,345,991
GMUF Mason Administration, LLC Taxable Revenue Bond, variable rate maturing on December 1, 2013	920,220	—
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	—
Prince William County Series 2011A Bonds, term		
interest rate 5.50%, maturing September 1, 2031	3,190,000	—
interest rate 5.125%, maturing September 1, 2041	9,555,000	—
Prince William County Series 2011 B Bonds, term interest rate 2.50%, maturing September 1, 2021	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	—
Prince William County Series 2011AA Bonds, term		
interest rate 5.50%, maturing September 1, 2031	5,705,000	—
interest rate 5.50%, maturing September 1, 2034	4,275,000	—
interest rate 5.125%, maturing September 1, 2041	13,075,000	—
Prince William County Series 2011BB Bonds, term interest rate of 3.00%, maturing September 1, 2016	2,145,000	—

NOTE H—LONG-TERM DEBT—Continued

	2012	2011
Bank Notes:		
GMUF Arlington Campus, LLC Notes A with interest rate of 6.24% maturing September 1, 2016	$ 61,313,153	$ 62,085,227
GMUF Arlington Campus, LLC Notes B with interest rate of 10.50% maturing September 1, 2016	4,311,081	4,365,367
Notes and bonds payable at face value	172,496,275	120,716,585
Plus: unamortized net premium	742,127	—
Total long-term debt	$ 173,238,402	$ 120,716,585

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.

Scheduled maturities and sinking fund requirements are as follows:

Fiscal year ending June 30:	
2013	$ 2,894,811
2014	3,331,009
2015	3,760,922
2016	3,999,067
2017	64,778,644
Thereafter	93,731,822
	$ 172,496,275

Interest expense on notes, bonds and related swaps along with the amortization of deferred financing charges was $7,049,103 and $5,724,431, as of June 30, 2012 and June 20, 2011, respectively.

The carrying value of long-term debt approximated the fair value as of June 30, 2012 and 2011, respectively.

NOTE I—DERIVATIVE INSTRUMENTS

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

In October 2003, the Foundation entered into an interest rate swap agreement with a financial institution against the floating rate bonds in the notional amount of $22,425,000 at a fixed interest rate of 4.045%, including all costs, on a 20-year amortization schedule. Concurrently, the Foundation entered into a 20-year interest rate cap agreement with the same financial institution in the notional amount of $12,700,000, at a rate of 10%. The interest rate swap was used as a cash flow hedge to synthetically fix the rate of the bonds and to eliminate changes in the market interest rates. As described in Note H, the interest rate swap agreement was assumed by a another financial institution in October 2009 in conjunction with the assumption of the letter of credit securing the Fairfax County Economic Development Authority bonds, which adjusted the interest rate to 4.345%. At June 30, 2012 and 2011, the notional amount on the swap was $15,800,000 and $16,800,000 and on the cap was $11,075,000 and $11,250,000, respectively.

The fair value of the interest rate swap at June 30, 2012 and 2011 totaled a derivative liability of $3,104,925 and $2,225,839, respectively. The interest rate swap has a liability threshold of $3,000,000. Should the derivative obligation exceed $3,000,000 the Foundation is required to post collateral in excess of the threshold amount. As of June 30, 2012, $200,000 was held as collateral by a third party and no collateral amounts were required as of June 30, 2011. The fair value of the interest rate cap totaled a derivative asset of $29,258 at June 30, 2011. There was no related derivative asset at June 30, 2012. 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 in 2024.

GMUF Mason Administration, LLC Interest Rate Swaps

In March 2010, as part of the GMUF Mason Administration, LLC Project, the Foundation entered into a forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $32,100,000 tax-exempt notional amount and a second forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $1,900,000 taxable notional amount with a commercial bank. The swap transactions became effective on June 1, 2011. The termination date is June 1, 2036 for the tax-exempt notional amount and December 1, 2013 for the taxable notional amount. The tax-exempt swap has an option to terminate at no risk at the end of the 13th year. The fair value of the interest rate swaps were $6,020,384 and $2,816,957 for June 30, 2012 and 2011, respectively. The net change in value has been recorded as a loss on derivatives in the consolidated statement of activities. The combined interest rate swaps have a liability threshold of $5,000,000. Should the derivative obligations exceed $5,000,000, GMUF Mason Administration, LLC is required to post collateral in excess of the threshold amount. As of June 30, 2012 $1,200,000 was held as collateral by a third party and no collateral amounts were required as of June 30, 2011.

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, 2012 and 2011:

	2012	2011
Amounts held for others, beginning of year	$ 8,456,844	$ 6,426,837
Other income	860,038	882,282
Conferences	77,896	114,475
Advertising	619,558	635,680
Royalties	213,037	299,938
Membership fees	221,448	274,760
Credit card sales	1,388,735	1,244,937
University contributions	1,175,762	823,152
Investment (expense) earnings	(112,541)	545,743
Endowment contribution expense	(42,661)	(86,253)
Scholarships	(41,435)	(99,767)
Program support	(3,867,040)	(2,604,940)
Amounts held for others, end of year	$ 8,949,641	$ 8,456,844

NOTE L—LEASES

Rental Income on Operating Leases

The Foundation leases certain properties with a cost of $ 111,454,981 and $139,114,627 and accumulated depreciation of $26,579,950 and $23,643,724 as of June 30, 2012 and 2011, respectively, under operating lease agreements. A portion of the above properties, with a cost of $16,376,291 and $44,108,215 and accumulated depreciation of $7,717,540 and $7,572,156 as of June 30, 2012 and 2011, respectively, is subject to annual state appropriation. GMUF Arlington Campus, LLC property has one lease for university parking rental which is also subject to state appropriation.

In May 2011, the Foundation substantially completed the construction of the GMUF Administrative building and entered into a long-term agreement to lease the entire building to the University. However, several uncertainties regarding the transaction still existed as of June 30, 2011 including the final costs of the project and lease payments to be made by the University to cover the debt service costs of the related loan. Therefore, the lease was treated as an operating lease during fiscal year 2011. In fiscal year 2011, the University paid $2,555,000 for rent. As of June 30, 2011, $315,675 was recognized as rental income on the consolidated statement of activities and $2,980,833 was included in unearned rent on the consolidated statement of financial position. As noted in the direct financing lease section which follows, the terms of the lease were finalized during fiscal year 2012 which triggered the criteria to record the leasing transaction as a direct financing lease in accordance with GAAP.

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

2013	$ 8,029,962
2014	8,043,783
2015	7,637,993
2016	7,641,608
2017	876,546
Thereafter	721,133
Total	$ 32,951,025

During the years ended June 30, 2012 and 2011, rental income earned by the Foundation totaled $12,071,666 and $12,841,242, of which $815,429 and $1,830,508 was paid by the University for 2012 and 2011, respectively. Additionally, $2,735,809 and $3,430,491, was paid by University students for 2012 and 2011, respectively while $22,020 was paid for both years by Capitol Connection, a separate 501(c)(3) organization associated with the University.

NOTE L—LEASES—Continued

Rental income recognized during the years ended June 30, 2012 and 2011 was comprised of the following:

	2012	2011
Office space	$ 7,183,314	$ 6,595,581
Operating recoveries	251,134	258,863
Parking	755,198	746,040
Retail space	261,017	281,212
Storage	47,745	51,428
Total rental income for GMUF Arlington Campus, LLC	$ 8,498,408	$ 7,933,124

Direct Financing Lease

As previously stated, 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. Under the terms of the lease agreement, the rent payments are calculated based on the annual debt service costs of the building as well as additional rents to ensure the Foundation has sufficient funding to pay the principal, interest, carrying costs and development costs of the project. The future minimum rentals 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 components of the net investment in the direct financing lease as of June 30, 2012 and 2011 are as follows:

	2012	2011
Total minimum lease payments to be received	$ 60,766,888	$ —
Less: Unearned income	(29,130,205)	—
Net investment in direct financing lease	$ 31,636,683	$ —

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

2013	$ 2,569,624
2014	2,569,087
2015	2,570,846
2016	2,571,395
2017	2,564,433
Thereafter	47,921,503
Total	$ 60,766,888

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, 2012 and 2011:

	2012	2011
Academic program support	$ 26,536,596	$ 22,833,040
Scholarships	1,809,192	1,646,207
Eminent scholars	440,000	211,481
Time restricted expired for general support	5,420,000	7,180,000
Total	$ 34,205,788	$ 31,870,728

NOTE N—NET ASSETS AVAILABLE

Restricted net assets consisted of the following at June 30, 2012:

	Temporarily Restricted	Permanently Restricted
Administrative support	$ 9,485,623	$ 24,118
Academic support	20,799,381	4,548,622
Athletics	613,490	76,239
Community/public service	3,858,615	3,619,211
Eminent scholars	2,473,562	20,053,774
Eminent scholars – perpetual trust	—	8,653,543
Facilities	10,753,951	65,959
Library	510,086	329,162
Research	6,249,373	3,450,286
Student financial aid	5,754,303	27,414,625
Student financial aid – perpetual trust	—	1,606,687
Time restricted without purpose restriction	39,712	273,190
	$ 60,538,096	$ 70,115,416

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

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

NOTE 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, 2012 and 2011, the Foundation had salaries payable to the University totaling $124,715 and $125,432, respectively.

The Foundation remits to the University the excess cash flow of the Foundation housing project one fiscal year after the fact. As of June 30, 2012 and 2011, the Foundation had $1,239,708 and $1,021,619 payable to the University, respectively.

The Foundation receives donated space located on the University property in Fairfax, Virginia from the University. In fiscal years 2012 and 2011, $125,866 and $74,928, respectively, is reflected in the consolidated statement of activities as unrestricted contribution revenue and administrative expenses. In addition, the Foundation leases certain properties at rates substantially below market to the University and earns rental income on leases.

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, 2012, the Foundation had approximately $7,558,514 in checking and savings accounts and an additional $50,573 in certificates of deposit, for a combined uninsured balance of $7,609,087 at three institutions.

Cash equivalents referred to above include cash that is swept into overnight repurchase accounts, which are invested in U.S. government or agency securities. Amounts included in cash and cash equivalents that were invested in the overnight repurchase accounts totaled $2,503,314 at June 30, 2012. Historically, losses from federal government securities have not occurred.

In fiscal year 2012, 13 donors collectively contributed approximately 52 percent of the total contributions, and approximately 72 percent of total contributions receivable were due from five contributors.

NOTE Q—ENDOWMENT

The Foundation's endowment consists of approximately 370 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.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,525,806)	$ 401,431	$ 59,230,007	$ 55,105,632
Board-designated endowment funds	59,337	—	—	59,337
Total funds	$ (4,466,469)	$ 401,431	$ 59,230,007	$ 55,164,969

NOTE Q—ENDOWMENT—Continued

Changes in Endowment Net Assets for the Year Ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (1,911,163)	$ 1,630,042	$ 51,124,074	$ 50,842,953
Investment return:				
Investment income	950,536	115,869	—	1,066,405
Net depreciation (realized and unrealized)	(1,688,564)	(619,195)	—	(2,307,759)
External management fees	(139,220)	(16,971)	—	(156,191)
Total investment return	(877,248)	(520,297)	—	(1,397,545)
Contributions	—	—	8,101,921	8,101,921
Appropriation of endowment assets for expenditure	(1,678,058)	(716,005)	—	(2,394,063)
Other changes	—	7,691	4,012	11,703
Endowment net assets, end of year	$ (4,466,469)	$ 401,431	$ 59,230,007	$ 55,164,969

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

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

NOTE Q—ENDOWMENT—Continued

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

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

	2012	2011
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 59,230,007	$ 51,124,074
Total endowment funds classified as permanently restricted net assets	$ 59,230,007	$ 51,124,074

	2012	2011
The portion of perpetual endowment funds subject to a time restriction under UPMIFA		
Without purpose restrictions	$ 55	$ 1,864
Academic support	643	79,894
Athletics	5,873	8,859
Community/public service	16,760	21,785
Eminent scholars	338,490	1,287,911
Facilities	—	1,280
Library	—	5,145
Research	382	7,490
Student financial aid	39,228	215,814
Total endowment funds classified as temporarily restricted net assets	$ 401,431	$ 1,630,042

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, 2012 and 2011, $4,525,806 and $1,973,347, 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:

	2012	2011
Permanently Restricted Net Assets, end of year	$ 70,115,416	$ 62,724,741
Beneficial interest in perpetual trusts	(10,260,229)	(10,657,112)
Charitable remainder trusts and charitable gift annuities	(625,180)	(943,555)
Permanently Restricted Endowments, end of year	$ 59,230,007	$ 51,124,074

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that emphasizes total return while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.75 percent annually, net of investment fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

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 5.75 percent of its endowment fund's average fair value over the prior 12 quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

NOTE R—COMMITMENTS AND CONTINGENCIES

George Mason University was selected by the U.S. Department of Education, Office of Innovation and Improvement to receive a grant of $28,455,346 for a Virginia Initiative for Science Teaching and Achievement program (VISTA). As a condition of receipt, the University had to demonstrate a commitment of a 20% match from the private sector of $5,691,070. The University Development and Alumni Affairs Department will solicit the required matching funds specifically for the VISTA program over the five year grant period. The Foundation, to ensure the University's eligibility for the award, has agreed to fulfill the commitment should there exist a shortfall in the University Development's fundraising efforts. Required matching funds are due each year in proportion to the expenditures made during the grant period. The grant year ends on September 30 and the report is due by the following November 30. As of September 30, 2012 and 2011 the matching funds shortfall is $16,000 and $55,000. All grant year reports have been and will be filed timely.

NOTE S—SUBSEQUENT EVENTS

In November 2012, George Mason University Foundation, Inc. formed an additional single member limited liability company. George Mason University Foundation Intellectual Property, LLC (GMUF-IP, LLC) will accept donations of intellectual property patents for monetization for the benefit of George Mason University and its programs. George Mason University Foundation and GMUF-IP, LLC will work in conjunction with a newly organized center within the George Mason University School of Law dedicated to the study of intellectual property protection.

The Foundation evaluated subsequent events through November 8, 2012, which is the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.