GEORGE MASON UNIVERSITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2013

-TABLE OF CONTENTS-

MANAGEMENT’S DISCUSSION AND ANALYSIS

George Mason University

Financial Statements for the Year Ended June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Introduction

This unaudited *Management's Discussion and Analysis* (MD&A) is required supplementary information under the Governmental Accounting Standards Board's (GASB) reporting model. This discussion and analysis provides an overview of the financial condition, results of operations, and cash flows of George Mason University for the fiscal year ended June 30, 2013 (FY 2013). Comparative numbers are included for the fiscal year ended June 30, 2012 (FY 2012). MD&A includes highly summarized data and therefore should be read in conjunction with the financial statements and footnotes that follow this section. The University's management is responsible for all of the financial information presented, including this discussion and analysis.

The University is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. The Commonwealth prepares a separate financial report that incorporates all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth and is included in the financial statements of the Commonwealth.

Financial Highlights

The University's net position increased by $40.5 million, or 7 percent. The primary factor in the University's net position growth continues to be revenue provided by the Commonwealth for equipment and capital projects, which totaled $39.9 million for FY 2013.

Total operating revenues increased by $37 million, or 7 percent.

Total operating expenses increased by $41 million, or 6 percent.

During FY 2013, the University continued to invest in the development of facilities that will support and enhance the capacity to achieve its strategic goals. A key aspect of this investment is the development of facilities and systems that enhance the quality of teaching and learning, create operating efficiencies, and support the development of diversified revenue streams, all of which are essential for the University's continued movement to an economic model which is less reliant on state appropriations. Several examples of this ongoing investment are set forth below.

The University completed a $48.5 million addition to, and renovation of, the Science and Technology I and II buildings on the Fairfax campus. This project provides modern science teaching labs to meet science, technology, engineering and math (STEM) instructional needs and support science education across the University. The project also provides University classrooms that include updated technology standards to meet faculty pedagogical needs.

The University completed construction of a $13.9 million residence hall and dining facility to support the Smithsonian-Mason School of Conservation located in Front Royal, Virginia. The residential complex is a LEED Gold-certified Standard building. Some of its features include green-roof technology, geothermal heating and cooling, composting kitchen waste, reuse of rainwater, and storm-water management.

The University began capital leasing an 80,858 square foot residence hall located at the Prince William Campus. This residence hall will accommodate students attending two medical programs being conducted jointly with Georgetown University.

In FY 2010, the University recognized the need to develop a bridge strategy to create a pool of saved funds to carry forward several years into the future. The intent of the strategy is to avoid large tuition increases that would otherwise be needed to offset the loss of federal stimulus funds and lower state general fund appropriations. The University was able to repeat this bridge strategy in FY 2013 by obtaining re-appropriation of $22.0 million reverted in FY 2012 and reverting $19.6 million of saved general fund appropriations for re-appropriation in FY 2014. The University plans to draw on this bridge fund over the course of the next several years.

Overview of the Financial Statements and Financial Analysis

The University's financial report includes five financial statements and related notes:

1. The Statement of Net Position for the University
2. The Combined Statements of Financial Position for the Component Units of the University
3. The Statement of Revenues, Expenses, and Changes in Net Position for the University
4. The Combined Statements of Activities for the Component Units of the University
5. The Statement of Cash Flows for the University

These financial statements have been prepared in accordance with GASB principles which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. As stated above, these financial statements are summarized in MD&A. Please note that although some of the University's foundations are reported in the component unit financial statements, this MD&A excludes them except where specifically noted.

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources) of the University as of the end of the fiscal year. This statement is a point of time financial statement. The purpose of the Statement of Net Position is to present readers of the financial statements a fiscal snapshot of George Mason University at the end of the fiscal year. Assets, deferred outflows, liabilities, and deferred inflows are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

From the information presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University. They are also able to determine how much the institution owes vendors and creditors, and the nature of any deferred outflows of resources and deferred inflows of resources. In addition, the Statement of Net Position provides a picture of the net position (assets plus deferred outflows minus liabilities plus deferred inflows) and their availability for expenditure by the institution. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall condition has improved or worsened during the year.

Net position is divided into three major categories. The first category, “net investment in capital assets”, provides the University’s equity in the property, plant, and equipment that it owns or capital leases. The next category, “restricted net position,” is divided into two subcategories, expendable and nonexpendable. Expendable restricted net position is available for expenditure by the institution but must be spent as determined by donors and/or external entities that have placed purpose restrictions on the use of the assets. Nonexpendable restricted net position consists of endowments and similar funds where donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or placed in a reserve fund. The final category is “unrestricted net position”. Unrestricted net position is available to the University for any lawful purpose of the institution.

A summary of the University’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2013, and June 30, 2012, follows.

Statement of Net Position*

	June 30, 2013	June 30, 2012	Dollar Change	Percent Change
Assets:				
Current assets	$ 188,413	$ 169,316	$ 19,097	11%
Capital assets, net	1,167,712	1,136,544	31,168	3%
Other noncurrent assets	35,956	49,605	(13,649)	-28%
Total Assets	**1,392,081**	**1,355,465**	**36,616**	**3%**
Deferred Outflows of Resources	**0**	**0**	**0**	0%
Liabilities:				
Current liabilities	151,922	144,371	7,551	5%
Noncurrent liabilities	645,283	656,768	(11,485)	-2%
Total Liabilities	**797,205**	**801,139**	**(3,934)**	**0%**
Deferred Inflows of Resources	**0**	**0**	**0**	0%
Net Position:				
Net investment in capital assets	526,945	495,616	31,329	6%
Restricted: nonexpendable	3,925	3,925	0	0%
Restricted: expendable	3,379	4,083	(704)	-17%
Unrestricted	60,627	50,702	9,925	20%
Total Net Position	**$ 594,876**	**$ 554,326**	**$ 40,550**	**7%**

*In thousands

The University's financial position remained strong at the end of FY 2013. Total assets and deferred outflows of resources were $1.392 billion compared to total liabilities and deferred inflows of resources of $797.2 million. The difference between these two amounts, net position, amounted to $594.8 million. Total net position increased by $40.5 million over FY 2012.

For FY 2013, current assets exceeded current liabilities by $36.5 million. In FY 2012 current assets were $24.9 million greater than current liabilities. This increasing differential represents a continuation of improving liquidity that began in FY 2011 and has continued in FY 2012 and FY 2013. The current ratio, which is the ratio of current assets to current liabilities, and is a common measure of liquidity, improved to 1.24 in FY 2013 compared to 1.17 in FY 2012. Although this is still a relatively weak level of liquidity, there has been sustained improvement over the last three fiscal years.

Capital assets, net of accumulated depreciation of $459.6 million, totaled $1.168 billion, which represents an increase of $31.2 million over FY 2012, and reflects the ongoing expansion of facilities at the University, although at a slower rate of increase than in the FY 2012 when capital assets increased by $38.8 million.

The $13.6 million, 28%, reduction in Other noncurrent assets primarily reflects the reduction in restricted bond proceeds used to pay for construction of capital assets.

Capital Asset and Debt Administration

Development and renewal of capital assets is one of the critical factors in sustaining the high quality of the University's academic, research, and residential life functions. The University continues to maintain and upgrade current structures, and to add new facilities.

Note 5 of the Notes to Financial Statements describes the University's rapidly expanding investment in capital assets, with total depreciable capital asset additions of $114.5 million (excluding land, construction in progress, and works of art) and additions to construction in progress of $56.9 million. Depreciation expense increased by $3.0 million over the prior year to $54.4 million.

Depreciable capital asset additions for FY 2013 included the following:

Asset Category	Amount (in millions)
Buildings	$97.6
Equipment	$10.3
Infrastructure	$0.2
Library Materials	$6.4
Total	**$114.5**

Completed building projects included the Science and Technology II renovation and addition, University Commons residence halls renovation, Beacon Hall, a residence hall at the Prince William campus, and a residence and dining hall for the Smithsonian-Mason Conservation Studies Program at Front Royal. Infrastructure additions included $0.2 million for Aquia Creek Lane.

Major ongoing capital projects include: the Fenwick Library addition, the Fine Arts building renovation, Housing VIIIB and the Campus Drive/West Campus Connector road and bridge, all at the Fairfax Campus, and the Point of View facility at Belmont Bay.

Financial stewardship requires the effective management of resources, including the use of long-term debt to finance capital projects. Notes 7, 8 and 9 of the Notes to Financial Statements describe changes in the University's long-term debt. New capital revenue bonds and Virginia College Building Authority (VCBA) notes with a principal amount of $27.9 million were issued during FY 2013, as follows:

Virginia 9(c) Revenue Bonds were issued to finance the following projects:

Project	Amount (in millions)
Student Housing VII (Refundings)	$20.3

Housing VII-C and Entrance Road (Refunding)	$4.6
Total	**$24.9**

VCBA Notes were issued to finance the following project:

Project	Amount (in millions)
Fieldhouse Life/Safety/Code Renovations	$3.0
Total	**$3.0**

Total long-term debt outstanding, including revenue bonds, notes payable, capital leases payable, installment purchases, bond premiums and discounts, and deferred gains and losses on refundings decreased by $8.8 million from the end of FY 2012 to the end of FY 2013, to a total of $666.1 million.

Contractual commitments for capital outlay projects under construction at year end increased from $28.9 million in FY 2012 to $32.6 million in FY 2013. These obligations are for future efforts and therefore have not been accrued as expenses or liabilities on the University's financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the University's operating revenues earned, operating expenses incurred, and all other revenues, expenses, gains, and losses.

Generally speaking, operating revenues are earned for providing goods and services to the students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Salaries and fringe benefits for faculty and staff are the largest type of operating expense.

Nonoperating revenues are revenues received for which goods and services are not provided in exchange as part of a transaction. For example, state appropriations are nonoperating revenues because they are provided by the legislature without the legislature directly receiving commensurate goods and services for those revenues. State appropriations, which are included in nonoperating revenues, provide substantial support for paying operating expenses of the University. The University, like most public institutions, does not cover all operating expenses with operating revenues, and therefore expects to report an operating loss.

A summary of the University's Statement of Revenues, Expenses, and Changes in Net Position follows.

Statement of Revenues, Expenses, and Changes in Net Position*				
	June 30, 2013	June 30, 2012	Dollar Change	Percent Change
Operating Revenues:				
Student tuition and fees, net of allowances	$ 287,178	$ 270,868	$ 16,310	6%
Grants and contracts	109,100	106,475	2,625	2%
Auxiliary enterprises and other	166,453	148,736	17,717	12%
Total operating revenues	**562,731**	**526,079**	**36,652**	**7%**
Operating Expenses:				
Educational and general	534,878	512,117	22,761	4%
Depreciation	54,366	51,411	2,955	6%
Auxiliary enterprises	121,069	105,300	15,769	15%
Total operating expenses	**710,313**	**668,828**	**41,485**	**6%**
Operating loss	**(147,582)**	**(142,749)**	**(4,833)**	**3%**
Nonoperating revenues and expenses (net)	**137,146**	**124,894**	**12,252**	**10%**
Income (loss) before other revenue/expense/gain/loss	**(10,436)**	**(17,855)**	**7,419**	**-42%**
Other revenue/expense/gain/loss	**50,986**	**41,448**	**9,538**	**23%**
Net increase in net position	**40,550**	**23,593**	**16,957**	**72%**
Net position at beginning of year	$554,326	$530,733	23,593	4%
Net position at end of year	**$ 594,876**	**$ 554,326**	**$ 40,550**	**7%**

*in thousands

Operating revenue, consisting primarily of tuition and fees, grants and contracts, and auxiliary enterprises, increased by $36.6 million, or 7%, over the prior year. Student tuition and fees, net of scholarship allowances, increased by $16.3 million, or 6%, over the prior year. This growth is attributable primarily to tuition and fee increases, while enrollment growth was modest. Grants and contracts revenue, which includes some federal financial aid, increased by $2.6 million, or 2%, over the prior year. This relatively small growth is a reflection of the gradual phasing out of federal stimulus funded grants. Auxiliary and other revenue increased by $17.7 million, or 12%, primarily due to an increase in the number of students housed on campus, increased use of on campus facilities and programs, increased mandatory fees, increased room and board rates, and a change in the management contract for the Mason Inn which brought recognition of the Mason Inn's revenue into the University's financial statements.

Total operating expenses increased by $41.5 million, or 6%. This increase included an increase of $25.4 million, or 5.9%, in compensation expenses, consisting of salaries, wages, and fringe benefits, an increase in the purchase of goods and services of $11.4 million, or 6.9%, an increase in student aid expense of $1.7 million, or 6.5%, and an increase in depreciation expense of $3.0 million, or 5.7%.

As a result of the operating expenses increasing by more than the increase in operating revenues, the operating loss increased by $4.8 million, or 3%, to $147.6 million.

Nonoperating revenues net of nonoperating expenses increased by $12.2 million, or 10%, due primarily to a $1.0 million increase in investment income, $14.7 million increase in unrestricted and restricted (non-capital) state general fund appropriations, a $.6 million decrease in Pell receipts, a $.4 million increase in non-capital private gifts, and an increase in interest expense of $3.3 million.

Consistent with its bridging strategy, the University reverted $19.6 million of unspent general fund appropriations for re-appropriation in FY 2014.

A key number to note in the Statement of Revenues, Expenses, and Changes in Net Position is “Income/(Loss) before other revenues, expenses, gains or losses” because this number is a better representation of the true operating loss than the Operating Loss line. This income number reflects other non-capital revenues used to fund operating expenses. These items are reported separately from other operating results due to GASB’s reporting requirements but from a financial perspective should be combined to understand operating results. In FY 2013 the loss was $10.4 million, which was a decrease of $7.4 million compared to FY 2012.

Although there were both increases and decreases in nonoperating revenues and expenses, the most significant factor in the smaller loss in FY 2013 was the $14.7 million increase in the general fund appropriation from the Commonwealth.

The final category on the Statement of Revenues, Expenses, and Changes in Net Position is called Other revenues, expenses, gains and losses and includes capital appropriations, capital grants and gifts, additions to permanent endowment, and gains/(losses) on the disposal of fixed assets. This category increased by $9.5 million, or 23%, caused primarily by the combined effect of a $3.3 million increase in capital appropriations through the Commonwealth’s General Obligation Bonds and Virginia College Building Authority 21st Century capital reimbursement programs and an increase of $6.2 million in capital grants and gifts.

<u>Statement of Cash Flows</u>

The final statement is the Statement of Cash Flows. This statement presents information about the cash activity of the University during the year. Cash flows from operations will always be different from the operating income/(loss) on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). This difference occurs because SRECNP is prepared on the accrual basis of accounting and includes non-cash items, such as depreciation expense, while the Statement of Cash Flows presents cash inflows and cash outflows without regard to accrual items. The Statement of Cash Flows provides information to assess the ability of the University to generate cash flows sufficient to meet its obligations.

The statement is divided into five parts. The first deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes such as the state appropriations for educational and general programs and financial aid. The third section reflects the cash flows from capital financing activities and shows the purchases, proceeds, and interest received from these activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. The fifth section reconciles the net cash used by operating activities to the operational loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The fifth section is not presented in this summary presentation.

A summary of the University's Statement of Cash Flows follows.

Statement of Cash Flows*

	June 30, 2013	June 30, 2012	Dollar Change	Percent Change
Cash provided from operations	$ 560,324	$ 524,118	$ 36,206	7%
Cash expended for operations	653,717	612,120	41,597	7%
Net cash used for operations	**(93,393)**	**(88,002)**	**(5,391)**	**6%**
Net cash provided by noncapital financing activities	**165,976**	**148,926**	**17,050**	**11%**
Net cash provided by (used for) capital financing activities	**(72,595)**	**(48,266)**	**(24,329)**	**50%**
Net cash provided by (used for) investing activities	**1,719**	**765**	**954**	**125%**
Net (decrease) increase in cash	**1,707**	**13,423**	**(11,716)**	-87%
Cash, beginning of year	154,819	141,396	13,423	9%
Cash, end of year	**$ 156,526**	**$ 154,819**	**$ 1,707**	1%

* in thousands

The above summarized Statement of Cash Flows shows that the University generated 86 percent ($560.3 million of $653.7 million expended) of its operating cash requirements from its own operations. This percentage is unchanged from FY 2012. The remainder ($93.4 million) was provided from noncapital financing activities which include non-capital appropriations from the Commonwealth of Virginia, non-capital private gifts, and Pell Grants, and from investing activities, which is its own category in the table above.

Operations expended $41.6 million more cash in FY 2013 than in FY 2012, but only generated $36.2 million more cash, resulting in an increased need for operating cash to be obtained from sources other than operations. Overall operations resulted in a net usage of cash of $93.4 million which was $5.4 million more than in FY 2012.

The major sources of the $36.2 million increase in cash provided from operations in FY 2013 compared to FY 2012 were student tuition and fees ($17.3 million increase), grants and contracts ($1.9 million increase), auxiliaries ($16.7 million increase), and other receipts ($.3 million increase).

The major causes of the $41.6 million increase in cash used by operations in FY 2013 compared to FY 2012 were payments to employees for salaries, wages, and fringe benefits ($25.6 million increase), payments for supplies and services ($13.7 million increase), student aid payments ($1.7 million increase) and Perkins loan disbursements ($.6 million increase).

Cash provided by non-capital financing activities increased $17.1 million in FY 2013 compared to FY 2012, primarily due to a $14.7 million increase in state general fund appropriations, a $.6 million decrease in Pell Grant receipts, a $.4 million increase in gifts and a $2.6 million increase in cash from agency transactions.

In order to better understand cash flow from operations it's helpful to combine the two GASB required reporting categories of cash from operations and cash from noncapital financing activities. The general fund appropriations from the Commonwealth, Pell grants, and unrestricted gifts are not considered to be exchange transactions and therefore are not included in cash flows from operations in the GASB reporting format. However, they are all used to pay operating expenses, so it is informative to combine the two categories for a more general understanding of cash flows from operations. The net positive cash flow generated by the two categories is $72.6 million (negative $93.4 plus positive $166.0).

From the net positive cash flow produced by this broader view of operations, $57.7 million was used to make principal and interest payments, which are treated as a capital financing activity although they are not financed by the cash flows provided by capital financing activities. The remainder was used to pay for unfinanced purchases of capital assets, also included in the capital financing section but not paid for from its cash flows.

Cash provided by capital financing activities included capital appropriations from the Commonwealth of Virginia, capital gifts and grants, and the sale of revenue bonds. Cash used by capital financing activities included the acquisition of capital assets and making debt principal and interest payments. Although making principal and interest payments are considered to be capital financing activities, the cash to make these payments is not provided by capital financing sources but rather from the net positive cash flow provided from the broader view of operating cash flows described above. In addition, the acquisition of capital assets is considered to be a capital financing activity but not all purchases of capital assets are funded by sources of cash included in the capital financing section. Unfinanced capital asset purchases are also paid for with the net positive cash flow from the broader view of operating cash flows described above.

The University's net cash used for capital financing activities increased by $24.3 million in FY 2013 compared to FY 2012. The primary components of the net increase in cash used by capital financing activities include a decrease in the proceeds received from the issuance of capital related debt, including premiums (net of refunding activity), of $50.9 million, an increase in the cash received from capital appropriations $5.1 million, an increase in cash received from capital grants and gifts of $6.2 million, a decrease of $21.6 million in the purchase of capital assets, an increase in debt service payments of $6.6 million (net of refunding activity), and a decrease in bond issuance costs of $.3 million.

The primary sources of cash from investing activities are interest on cash balances, interest on unspent bond proceeds, and endowment investment earnings. The primary cash outflow from investing activities is the purchase of investments. During FY 2013, these activities produced $.9 million more cash than they did in FY 2012 primarily due to the restoration of interest payments by the Commonwealth on auxiliary enterprise cash balances.

Economic Outlook

As part of the Commonwealth of Virginia's statewide system of higher education, the University's economic outlook is closely tied to that of the Commonwealth. The University receives substantial support from the Commonwealth in the form of operating and capital appropriations, and there are pressures on state appropriations. In addition, constraints on federal research funding pose challenges for growing the University's research program. Changes in student demographics and increasing student loan debt are external pressures impacting higher education institutions across the country. Addressing these challenges will require a proactive, innovative response combined with a strategic deployment of resources.

In FY 2010, the University adopted a bridge strategy to carry forward and gradually expend over several years the savings in general fund appropriations enabled by federal stimulus funding. As of the end of FY 2013 the University reverted to the Commonwealth $19.4 million of saved general fund appropriations to be carried forward for re-appropriation in FY 2014. This bridge strategy will assist the University for several more years as it moves forward with a new operational and financial model.

On July 1, 2012, Dr. Angel Cabrera succeeded Dr. Alan Merten as President of the University and immediately began to craft a new strategic vision for the University in collaboration with the faculty and other key internal and external stakeholders. During FY 2013, the new strategic vision was developed and approved by the Board of Visitors and will form the basis for the development of a new strategic plan for the University during FY 2014.

In conjunction with the development of the new strategic vision and strategic plan, the University has begun the development of a new budgetary model that will support the implementation of the strategic plan, and encourage innovation and the ability to adapt more quickly to changing circumstances.

During FY 2013, the University completed final planning for a campus in Songdo, South Korea, which is expected to begin operations in March 2014. The startup and operation of this campus will be subsidized for five years by the Korean government and a Korean foundation. The development of this campus is a long-term strategic initiative that is expected to expand the University's revenue base, research operations, and global profile.

Also during FY 2013, the University continued to expand its work with other Virginia public universities to share online educational programs as part of the 4-VA initiative. This initiative is intended to leverage technology to contain the costs of delivering instruction and improve learning outcomes.

The University is well positioned to continue attracting a strong student population. The fall 2013 freshman class was the largest in the University's history. Recent academic quality and affordability rankings by US News, Forbes, and Kiplinger's reflect the results of keeping core spending low and graduate success high.

The University is confident that the new strategic plan, combined with a new operational and financial model to support it, will position the University to navigate a successful course through the changing landscape ahead.

FINANCIAL STATEMENTS

George Mason University
Statement of Net Position
As of June 30, 2013

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 137,842,401
Short-term investments (Note 2)	425,851
Accounts receivable, net of allowance of $1,156,415 (Note 4)	38,332,223
Notes receivable, net of allowance of $15,481 (Note 4)	684,745
Prepaid expenses	2,617,713
Inventories	1,331,802
Due from the Commonwealth of Virginia	7,177,933
Total Current Assets	**188,412,668**
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	26,480,356
Restricted cash and cash equivalents in custody of others (Note 2)	100,950
Notes receivable, net of allowance of $55,267 (Note 4)	2,425,845
Depreciable capital assets, net of accumulated depreciation (Note 5)	1,113,249,357
Nondepreciable capital assets (Note 5)	54,463,096
Long-term investments (Note 2)	4,102,292
Unamortized bond issuance costs	2,846,315
Total noncurrent assets	**1,203,668,211**
Total assets	**1,392,080,879**
DEFERRED OUTFLOWS OF RESOURCES	**0**
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses (Note 6)	62,732,994
Deferred revenue	39,296,789
Obligations under securities lending	8,324,032
Deposits held in custody for others	3,204,076
Long-term debt- current portion	32,824,854
Accrued compensated absences- current portion	5,539,833
Total current liabilities	**151,922,578**
Noncurrent liabilities (Notes 7-10)	
Long-term debt	633,287,973
Accrued compensated absences	8,874,791
Other noncurrent liabilities	3,119,838
Total noncurrent liabilities	**645,282,602**
Total liabilities	**797,205,180**
DEFERRED INFLOWS OF RESOURCES	**0**
NET POSITION	
Net investment in capital assets	526,944,634
Restricted: nonexpendable (Note 19)	3,925,326
Restricted: expendable (Note 19)	3,379,034
Unrestricted	60,626,705
Total net position	**$ 594,875,699**

The accompanying Notes to Financial Statements are an integral part of this statement.

George Mason University Component Units
Combined Statements of Financial Position
As of June 30, 2013

	Total Component Units
Assets	
Cash and cash equivalents	16,236,571
Security deposits	70,588
Restricted cash and cash equivalents	7,046,474
Tenant accounts receivable, net	28,046
Contributions receivable, net	17,720,060
Prepaids & Other Assets	1,195,846
Leasing commissions	1,813,939
Net investment in direct financing lease	46,569,256
Deposits held with trustees	5,362,155
Beneficial interest in perpetual trusts	10,803,294
Annuity benefit contract	465,534
Deferred loan costs, net	2,702,078
Investments	113,135,051
Property and equipment, net	157,269,957
Art and antiques	572,567
Total Assets	380,991,416
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	9,957,766
Accrued payroll and related expenses	23,569
Participation rent payable	246,075
Tenant security deposits liability	68,924
Unearned rent	2,536,787
Trust liabilities	1,260,757
Other liabilities	34,894
Accrued annuity benefit	465,534
Derivative obligations including interest rate swap liability	18,472,503
Long-term debt including note payable	214,451,154
Amounts held for others	9,683,161
Total Liabilities	257,201,124
Net Assets	
Unrestricted	(3,302,146)
Temporarily restricted	64,008,515
Permanently restricted	72,524,351
GMUF Arlington Campus, LLC	(6,455,755)
GMUF Mason Administration, LLC	(2,937,559)
GMUF Prince William Housing LLC	342,438
GMUF Prince William Life Sciences Lab LLC	(84,072)
GMUF Commerce Buildings, LLC	(305,480)
Total Net Assets	123,790,292
Total Liabilities and Net Assets	380,991,416

The accompanying Notes to Financial Statements are an integral part of this statement.

George Mason University
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

Operating revenues:		
Student tuition and fees (net of scholarship allowances of $44,138,658)	$	287,178,553
Federal grants and contracts		85,156,926
State, local, and nongovernmental grants and contracts		23,942,786
Auxiliary enterprises (net of scholarship allowances of $13,549,854)		158,125,388
Other operating revenue		8,327,372
Total operating revenue		**562,731,025**
Operating expenses (Note 12)		
Instruction		252,677,048
Research		68,837,824
Public service		20,636,171
Academic support		55,865,179
Student services		24,835,746
Institutional support		41,327,374
Operation and maintenance of plant		42,321,355
Depreciation and amortization		54,366,023
Student aid		28,377,496
Auxiliary enterprises		121,069,056
Total operating expenses		**710,313,272**
Operating income (loss)		**(147,582,247)**
Nonoperating revenues (expenses):		
State educational and general appropriation (Note 13)		119,353,475
State general fund appropriations - restricted		17,975,144
Pell Grant Receipts		23,318,807
Gifts		2,610,056
ARRA Build America Bonds Subsidy		877,453
Investment income		1,914,853
Interest expense (Note 14)		(28,903,622)
Net nonoperating revenues		**137,146,166**
Income before other revenues, expenses, gains, and losses		**(10,436,081)**
Other revenues, expenses, gains, and losses:		
Capital grants and gifts		15,637,914
Capital appropriations		36,001,682
Central capital planning appropriation reversion		(434,795)
Loss on disposal of capital assets		(219,238)
Net other revenues, expenses, gains, and losses		**50,985,563**
Increase in net position		**40,549,482**
Net position beginning of year		554,326,217
Net position end of year	**$**	**594,875,699**

The accompanying Notes to Financial Statements are an integral part of this statement.

George Mason University Component Units
Combined Statements of Activities
For the Year Ended June 30, 2013

	Total Component Units
Operating Revenue	
Contributions	38,838,023
Interest on direct financing lease	2,852,210
Investment and trust return	7,698,004
Miscellaneous & Other income	251,485
Rental income, net	15,703,432
Service fees	1,088,330
Total Operating Revenue	66,431,484
Operating Expenses	
Academic program support	36,446,789
Advertising and promotion	10,920
Depreciation	4,514,496
Fundraising	254,686
Insurance	252,096
Interest expense	9,459,206
Maintenance	131,593
Management fees	102,000
Office and other administrative expenses	3,381,024
Salaries and wages	303,414
Utilities	2,542,604
Total Operating Expenses	57,398,828
Change in Net Assets before Non-operating items and Other Changes	9,032,656
Non-operating Items	2,716,995
Payments to affiliates	(566,075)
Change in Net Assets	11,183,576
Beginning Net Assets	112,606,716
Ending Net Assets	123,790,292

The accompanying Notes to Financial Statements are an integral part of this statement.

George Mason University
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash flows from operating activities:	
Student tuition and fees	$ 287,127,349
Grants and contracts	106,558,139
Auxiliary enterprises	158,548,352
Perkins loan receipts	690,873
Other receipts	7,399,091
Payments to suppliers	(171,828,161)
Payments to employees	(452,947,381)
Payments for scholarships and fellowships	(28,377,496)
Perkins loan disbursements	(563,553)
Net cash used by operating activities	**(93,392,787)**
Cash flows from noncapital financing activities	
State appropriations	137,328,619
Federal Direct Loan Program receipts	169,960,863
Federal Direct Loan Program disbursements	(169,960,863)
Pell Grant receipts	23,318,807
Noncapital gifts	2,610,056
Agency transactions	2,718,370
Net cash provided by noncapital financing activities	**165,975,852**
Cash flows from capital and related financing activities	
Proceeds from capital appropriations available	35,845,968
Capital grants and contributions	14,114,992
Proceeds from sale of capital assets	123,643
Proceeds from issuance of capital related debt	4,904,355
Bond premium paid on capital related debt	667,518
Bond issuance costs on capital related debt	(41,288)
Principal paid on capital related debt	(27,712,333)
Interest paid on capital related debt	(29,949,633)
Purchases of capital assets	(70,547,937)
Net cash provided by capital and related financing activities	**(72,594,715)**
Cash flows from investing activities	
Interest on investments	1,914,853
Purchase of investments	(196,325)
Net cash provided by investing activities	**1,718,528**
Net increase in cash	**1,706,878**
Cash and cash equivalents - beginning of the year	161,741,814
Less: Securities Lending - Treasurer of Virginia	(6,923,166)
Cash and cash equivalents - beginning of the year (restated)	**154,818,648**
Cash and cash equivalents - end of the year	**$ 156,525,526**

The accompanying Notes to Financial Statements are an integral part of this statement.

George Mason University

Statement of Cash Flows

For the Year Ended June 30, 2013

RECONCILIATION OF STATEMENT OF CASH FLOWS, STATEMENT OF NET POSITION:

Statement of Net Position		
Cash and cash equivalents	$	164,423,707
Less: Securities lending - Treasurer of Virginia		(7,898,181)
Net cash and cash equivalents	**$**	**156,525,526**

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	**$**	**(147,582,247)**
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		54,366,023
Changes in assets and liabilities:		
Accounts receivable (net)		(1,016,290)
Restricted assets receivable (net)		(2,386,588)
Perkins loan receivable		100,290
Perkins loan liability		27,030
Inventory		527,298
Prepaid expenses		485,709
Due from Commonwealth		17,987
Accounts payable and accrued liabilities		1,339,073
Deferred revenue		224,784
Compensated absences		504,144
Net cash used by operating activities	**$**	**(93,392,787)**

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

George Mason University

Notes to Financial Statements
As of June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

George Mason University is a comprehensive, doctoral institution that is part of the Commonwealth of Virginia's statewide system of higher education. The Board of Visitors, appointed by the Governor, is responsible for overseeing the governance of the University. A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

The George Mason University Foundation, Inc. (GMUF) and Mason Housing, Inc. (MHI) qualify as component units of the University. GMUF was established to receive, hold, invest and administer property, and to make expenditures for the benefit of the University. During the year ended June 30, 2013, GMUF distributed $36,701,475 to, or on behalf of, the University for both restricted and unrestricted purposes. Separate financial information regarding GMUF may be obtained by writing to the GMUF Business Office at 4400 University Drive, MSN 1A3, Fairfax, VA 22030. MHI was established to build and manage the University's faculty and staff housing. Separate financial information for MHI may be obtained by writing to Mason Housing, Inc., Attn- Thomas Calhoun, 4400 University Drive, MSN 1E4, Fairfax, VA 22030. GMUF and MHI are discretely presented herein by separate page display.

B. Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), in the Codification of Governmental Accounting and Financial Reporting Standards. The University follows accounting and reporting standards for "reporting by special-purpose governments engaged only in business-type activities."

GMUF and MHI are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. Their financial statements included herein are presented in accordance with those standards.

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus considers all inflows, outflows, and balances affecting an entity's net position. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intra-agency transactions have been eliminated. The University's policy is to spend restricted resources before unrestricted resources when both are available for expenses that are properly chargeable to restricted resources.

D. Investments

Purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts are recorded at fair value. All investment income, including changes in the fair value of investments (unrealized gains and losses), is reported as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

E. Capital Assets

Capital assets include land, buildings, library materials, works of art and historical treasures, equipment, improvements, infrastructure assets such as sidewalks, electrical and computer network cabling systems and intangible assets including computer software. Capital assets generally are defined by the University as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Library materials are valued using published average prices for library acquisitions. Other capital assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation, with the exception of intra-entity capital asset donations which are recorded at the carrying value of the asset on the transferor's books as of the date of transfer. Expenses for major capital assets and improvements are capitalized as projects are constructed (construction in progress). Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not enhance the use of an asset, or materially extend its useful life, are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset with no residual value. Depreciation is not allocated to the functional expense categories. Normal useful lives by asset categories are listed below:

Buildings	25-50 years*
Improvements and infrastructure	10-30 years
Equipment	5-20 years
Intangibles including computer software	5-10 years
Library materials	10 years

* Research buildings are depreciated using the component method. The estimated useful lives of research building components range from 10-50 years.

F. Inventory

Inventory is composed of four distinct categories of items. The first category includes computers and related items for resale to students, faculty and staff. The second category is natural gas, which is used to power the University's physical plant. The third category consists of the on-hand stock of materials, supplies, and parts for use in maintaining the University's physical plant. The fourth category is the on-hand stock of food and beverage items for the Mason Inn. All four categories of inventory are valued at cost using the first-in, first-out inventory methodology.

G. Noncurrent Cash and Investments

Cash and investments that are externally restricted for expenditure in the acquisition or construction of noncurrent assets, to make debt service payments, or maintain sinking or reserve funds are classified as noncurrent assets in the Statement of Net Position.

H. Deferred Revenue

Deferred revenue represents monies collected but not earned as of June 30, 2013. This is primarily composed of student tuition collected for courses that will be offered after June 30, 2013.

I. Accrued Compensated Absences

The amount of leave earned but not taken by salaried employees and administrative faculty members is recorded as a liability. The amount reflects, as of June 30, 2013, all unused vacation, overtime, compensatory, recognition and sick leave payable upon termination under University policy. The applicable share of employer related payroll taxes also is included.

J. Federal Financial Assistance Programs

The University participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Direct Loan, and the Perkins Loan programs. Federal programs are audited in accordance with generally accepted governmental auditing standards.

K. Net Position

The Statement of Net Position reports the difference between assets plus deferred outflows and liabilities plus deferred inflows as net position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints on the net position use are either externally imposed by creditors, grantors, or contributors; or imposed by law. Unrestricted net position consists of net position that does not meet the definitions above.

L. Revenue Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship allowances; and (3) federal, state, local and nongovernmental grants and contracts.

Governmental financial aid grants are treated as operating revenue, with the exception of Pell grants which are treated as nonoperating revenue in the University's financial statements.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and state appropriations. Nonoperating expenses include interest on debt related to the purchase of capital assets.

M. Scholarship Discounts and Allowances

Student tuition and fees revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf.

N. Prepaid Expenses

The University has recorded as a current asset certain expenses for fiscal year 2014 that were paid in advance as of June 30, 2013. These prepaid expenses consist primarily of facility rentals and insurance premiums.

O. Discounts, Premiums, and Bond Issuance Costs

Revenue bonds and notes payable on the Statement of Net Position are reported net of related discounts, premiums, and deferred gains and losses on debt refunding, which are recognized over the life of the bond. Similarly, bond issuance costs are reported as a noncurrent asset that is amortized over the life of the bond on a straight-line basis.

P. Commonwealth Equipment and Capital Project Reimbursement Programs

The Commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition of instructional and research equipment and facilities.

During Fiscal Year 2013, funding has been provided to the University from three programs:

- General Obligation Bonds (GOB) Program
- 21st Century Program
- Equipment Trust Fund (ETF) Program

The Commonwealth issues bonds and uses the proceeds to reimburse the University, and other institutions of higher education, for expenses incurred in the acquisition of equipment and facilities. The bond liability is assumed by the Commonwealth and is not reflected as a liability of the University.

The Statement of Net Position line item “Due from the Commonwealth of Virginia” includes pending reimbursements at year-end from these programs. The Statement of Revenues, Expenses, and Changes in Net Position line items “Capital grants and gifts” and “Capital appropriations” include the reimbursements from these programs.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The University’s deposits and investments are subject to the following risks:

<u>Custodial Credit Risk</u> - the custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University has “category 3” investments that are not registered in the University’s name, and which are held by the George Mason University Foundation (GMUF), a separate not-for-profit corporation under the laws of the Commonwealth of Virginia. GMUF was created to receive, hold, invest and administer property, and to make expenditures for the benefit of the University. GMUF holds corporate stocks on behalf of the University in the amount of $1,786,186, and corporate bonds in the amount of $1,147,840, both of which are subject to custodial credit risk. The other investments held for the University by GMUF are not subject to custodial credit risk.

<u>Credit Risk</u> - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are not required for U.S. government securities or other obligations explicitly guaranteed by the U.S. government. Information with respect to the University deposit exposure to credit risk is discussed below. The corporate bonds, in the amount of $1,147,840, held for the University by GMUF, are debt securities, and therefore subject to credit risk. Credit risk relative to these bonds is mitigated by GMUF’s investment policy guidelines on the credit quality of fixed income investments which state that the percentage of core fixed income assets rated below investment grade by one of the major reporting agencies (Standard and Poor’s and Moody’s) cannot exceed 25% of the total core fixed income allocation. The other investments held for the University by GMUF are not investments of a type that are subject to credit risk.

<u>Concentration of Credit Risk</u> - the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments with any one issuer that represent five percent or more of total investments constitute concentration of credit risk.

However, investments issued or explicitly guaranteed by the U.S. government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from the requirement. The University's investments are held by GMUF as a share of a larger investment pool managed by GMUF. In order to achieve a prudent level of portfolio diversification, not more than 5% of the portfolio may be invested in the securities of any one issuer, at cost, unless the issue is U.S. Government guaranteed, or an agency of the U.S. Government.

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. GMUF holds money market funds in the amount of $42,467 for the University. These money market funds have a maturity of less than one year. GMUF holds corporate bonds in the amount of $1,147,840 for the University. These corporate bonds are subject to interest rate risk. The interest rate risk relative to these bonds is mitigated by GMUF's investment policy guidelines on fixed income investments, which state that the weighted average portfolio duration of the core bond portfolio should not exceed 125% of the weighted average portfolio duration of the Barclays Aggregate Bond Index. The other investments held for the University by GMUF are not investments of a type that are subject to interest rate risk.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University had no foreign investments or foreign deposits for FY 2013.

A. Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et seq., Code of Virginia, the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds, maintains all state funds of the University. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., Code of Virginia. Cash represents cash with the Treasurer, cash on hand, and cash deposits including certificates of deposit and temporary investments with original maturities of three months or less.

B. Investments

The investment policy of the University is established by the Board of Visitors and monitored by the Finance and Land Use Committee of the Board. The University has cash and cash equivalents and investments as set forth in Section D.

C. Securities Lending Transactions

Investments and cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the *Commonwealth of Virginia's Comprehensive Annual Financial Report*. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies.

D. Summary of the University's Cash, Cash Equivalents, and Investments

	Market Value
Cash and cash equivalents:	
Local funds	$ 17,518,635
Treasurer of Virginia	112,425,585
Treasurer of Virginia (Securities Lending)	7,898,181
Subtotal	137,842,401
Restricted cash and cash equivalents:	
Treasurer of Virginia (State Nonarbitrage Program)	26,480,356
Held in custody of others	100,950
Subtotal	26,581,306
Total Cash and cash equivalents	$164,423,707

Investments:	
Short-term:	
Treasurer of Virginia (Securities Lending)	$425,851
Long-term:	
Corporate stocks	1,786,186
Corporate bonds	1,147,840
Money Market Funds & Cash	42,467
Alternative investments	1,125,799
Subtotal Long-term	4,102,292
Total Investments	$4,528,143

3. DONOR-RESTRICTED ENDOWMENTS

The University's endowment is managed by the George Mason University Foundation (GMUF). During FY 2013, the net appreciation on the investments of donor-restricted endowments was an overall investment gain of $192,575, which became available for expenditure by the governing board.

Net appreciation of donor restricted-endowments is recorded in the Net position of the University as an increase in Net position restricted- expendable to reflect the fact that the net appreciation must be spent in accordance with the stipulations set forth in the underlying endowment agreements.

The state law regarding the ability to spend net appreciation of donor-restricted endowments is the *Uniform Prudent Management of Institutional Funds Act*, Section 55-268.11 of the Code of Virginia.

The University'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 distribution rate of 5.75% based on a three year rolling twelve quarter average of each endowment's fair value.

4. ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consisted of the following at June 30, 2013:

Accounts Receivable:	
Student tuition and fees	$9,885,898
Grants and Contracts receivable (restricted)	25,059,535
Due from Foundations	2,786,979
Other accounts receivable	1,756,226
Total accounts receivable	$39,488,638
Less allowance for doubtful accounts	(1,156,415)
Net accounts receivable	$38,332,223
Notes Receivable:	
Current:	
Perkins loans receivable	$670,641
State and nursing loans	11,156
Local loans to students	18,429
Less allowance for doubtful accounts	(15,481)
Net current notes receivable	$684,745
Noncurrent:	
Perkins loans receivable	$2,394,128
State and nursing loans	48,847
Local loans to students	38,137
Less allowance for doubtful accounts	(55,267)
Net non-current notes receivable	$2,425,845

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	$19,032,502	-	-	$19,032,502
Construction-in-progress	63,185,654	56,947,137	85,603,649	34,529,142
Works of art and historical treasures	901,452	-	-	901,452
Total non-depreciable capital assets	83,119,608	56,947,137	85,603,649	54,463,096
Depreciable Capital Assets:				
Buildings	1,160,905,800	97,583,439	-	1,258,489,239
Improvements	33,327,892	-	-	33,327,892
Infrastructure assets	55,169,223	241,388	-	55,410,611
Equipment	108,301,748	10,306,819	2,801,362	115,807,205
Intangibles including computer software	12,885,833	29,500	-	12,915,333
Library materials	91,306,378	6,372,626	779,862	96,899,142
Total Depreciable Capital Assets	1,461,896,874	114,533,772	3,581,224	1,572,849,422
Less accumulated depreciation:				
Buildings	234,945,798	37,078,836	-	272,024,634
Improvements	20,785,395	1,584,488	-	22,369,883
Infrastructure assets	17,177,097	1,543,034	-	18,720,131
Equipment	60,119,066	8,690,006	2,458,481	66,350,591
Intangibles including computer software	11,244,847	756,769	-	12,001,616
Library materials	64,200,182	4,712,890	779,862	68,133,210
Total accumulated depreciation	408,472,385	54,366,023	3,238,343	459,600,065
Depreciable capital assets, net	1,053,424,489	60,167,749	342,881	1,113,249,357
Total capital assets, net	$1,136,544,097	$117,114,886	$85,946,530	$1,167,712,453

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2013:

Employee salaries, wages and fringe benefits payable	30,069,281
Vendors and suppliers accounts payable	16,118,893
Interest payable	6,324,777
Capital projects retainage payable	2,843,304
Capital projects accounts payable	7,376,739
Total accounts payable and accrued expenses	$ 62,732,994

7. NONCURRENT LIABILITIES

Noncurrent liabilities consist of long-term debt, accruals for compensated absences and other noncurrent liabilities. A summary of changes in noncurrent liabilities for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Long-term debt:						
Revenue Bonds	$241,989,065	$24,853,556	$35,576,764	$231,265,857	$11,990,322	$219,275,535
Notes Payable	361,005,000	3,060,000	14,965,000	349,100,000	16,335,000	332,765,000
Capital Lease Obligation	31,709,031	15,466,004	605,780	46,569,255	620,308	45,948,947
Installment Purchases	15,484,950	1,844,355	1,884,789	15,444,516	1,831,014	13,613,502
Bond Discount	(58,718)	-	(6,769)	(51,949)	(6,769)	(45,180)
Bond Premium	29,429,226	4,420,742	3,181,728	30,668,240	2,611,766	28,056,474
Deferred amount on refundings	(4,636,063)	(2,541,817)	(294,788)	(6,883,092)	(556,787)	(6,326,305)
Total Long-term Debt	674,922,491	47,102,840	55,912,504	666,112,827	32,824,854	633,287,973
Accrued Compensated Absences	13,910,480	13,604,581	13,100,437	14,414,624	5,539,833	8,874,791
Other noncurrent liabilities:						
Loan Funds	3,092,808	27,030	-	3,119,838	-	3,119,838
Total Long-term Liabilities	$691,925,779	$60,734,451	$69,012,941	$683,647,289	$38,364,687	$645,282,602

8. BONDS PAYABLE

A. Revenue Bonds

George Mason University bonds are issued pursuant to Section 9, Article X of the Constitution of Virginia. Section 9(c) bonds are backed by the full faith, credit, and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, are expected to generate revenue to repay the debt. Conversely, section 9(d) bonds are exclusively the limited obligations of the University to be repaid from pledged general revenues and other funds generated by the University. Net proceeds from the sale of revenue bonds are required to be invested in the Virginia State Non-Arbitrage program. The University's participation in the program is deemed to be involuntary as defined by GASB standards.

The following schedule describes each of the revenue bonds outstanding:

Bond Title	Year Issued	Original Amount	Interest Rate	Bond Term	Final Payment Due	Balance Outstanding at June 30, 2013
9 (c) Revenue Bonds:						
Commonwealth and Dominion	2004	2,340,000	3.75 to 5.0%	10 Years	2014	285,000
9(c) 2004 B Refunding (2001)	2004	9,939,875	2.0 to 5.0%	16 Years	2020	7,847,720
Student Housing VII	2005	25,800,000	3.75 to 5.0%	25 Years	2030	1,725,000
Student Housing VII RB#2	2006	39,080,000	4.0 to 5.0%	25 Years	2031	16,050,000
Renovate Housing Facilities-Dominion	2006	2,420,000	5.00%	10 Years	2016	930,000
Housing VIIC & Entrance Road	2007	15,495,000	4.0 to 5.0%	25 Years	2032	9,070,000
Presidents Park Renovation	2007	3,130,000	5.00%	10 Years	2017	1,560,000
Housing VII RB#3	2007	2,010,000	4.0 to 5.0%	25 Years	2032	1,145,000
Renovate Commonwealth & Dominion Ph II	2008	1,530,000	3.0 to 5.0%	10 Years	2018	930,000
Renovate Presidents Park Ph I	2008	3,095,000	3.0 to 5.0%	10 Years	2018	1,880,000
Student Housing VII	2008	1,955,000	3.0 to 5.0%	25 Years	2033	1,730,000
Student Housing VIIC	2008	23,870,000	3.0 to 5.0%	25 Years	2033	22,055,000
Renovate Presidents Park Ph II	2008	3,120,000	3.0 to 5.0%	20 Years	2028	2,770,000
Renovate Presidents Park Ph I	2009	1,790,000	3.0 to 5.0%	10 Years	2019	1,270,000
Student Housing VIIC	2009	8,255,000	3.0 to 5.0%	25 Years	2034	7,655,000
Student Housing VIII	2009	7,910,000	4.0 to 5.0%	25 Years	2034	7,705,000
9(c) 2009 C Refunding (2001)	2009	6,266,975	3.0 to 4.0%	15 Years	2024	6,266,975
9(c) 2009 C Refunding (2002)	2009	4,448,039	3.0 to 4.0%	13 Years	2022	4,448,039
9(c) 2009 D Refunding (2005)	2009	6,630,000	2.5 to 5.0%	13 Years	2022	6,630,000
9(c) 2009 D Refunding (2006B)	2009	8,230,000	2.5 to 5.0%	13 Years	2022	8,230,000
Renovate Presidents Park Ph II	2010	2,790,000	2.1 to 5.0%	10 Years	2020	2,240,000
Housing VIII	2010	39,420,000	2.1 to 5.0%	25 Years	2035	38,180,000
Smithsonian CRC - Housing	2010	5,415,000	2.1 to 5.0%	25 Years	2035	5,245,000
Renovate Commons	2010	1,325,000	2.1 to 5.0%	20 Years	2030	1,270,000
Student Housing VII-C	2011	1,045,000	2.0 to 5.0%	25 Years	2036	1,020,000
Presidential Park Renovation	2011	2,700,000	2.0 to 5.0%	10 Years	2021	2,425,000
Housing VIII	2011	20,230,000	2.0 to 5.0%	25 Years	2036	19,705,000
Smithsonian CRC - Housing	2011	4,070,000	2.0 to 5.0%	25 Years	2036	4,070,000
Renovate Commons	2011	14,350,000	2.0 to 5.0%	20 Years	2031	14,350,000
9(c) 2012 A Refunding (2002R)	2012	3,956,287	3.0 to 4.0%	3 Years	2015	3,255,527
9(c) 2012 A Refunding (2005)	2012	2,674,040	3.0 to 5.0%	12 Years	2024	2,674,040
9(c) 2013 B Refunding (2005)	2013	10,504,185	3.0 to 5.0%	17 Years	2030	10,504,185
9(c) 2013 B Refunding (2006)	2013	9,186,889	4.0 to 5.0%	13 Years	2026	9,186,889
9(c) 2013 B Refunding (2007)	2013	5,162,482	4.0 to 5.0%	12 Years	2025	5,162,482
Total 9 (c) bonds		300,143,772				229,470,857
9 (d) Revenue Bonds:						
Refunded Krasnow Institute for Advanced Study*	2003	2,677,686	5.2 to 6.375%	13 Years	2016	988,981
Refunded Warehouse	2003	2,182,314	5.2 to 6.375%	13 Years	2016	806,019
Total 9 (d) bonds		4,860,000				1,795,000
Total Bonds Payable		$305,003,772				$231,265,857

* The Krasnow Foundation has deposited funds with the George Mason University Foundation, which are used to reimburse the University for the debt service payments the latter is obligated to make.

Long-term debt from Revenue Bonds as of June 30, 2013 matures as follows:

Year	Principal	Interest	BAB Interest Subsidy*	Total Net of Subsidy
2014	11,990,322	10,145,611	(579,614)	21,556,319
2015	12,800,985	9,603,603	(579,614)	21,824,974
2016	11,702,564	9,005,461	(579,614)	20,128,411
2017	11,085,984	8,514,748	(564,877)	19,035,855
2018	11,108,074	8,023,497	(547,783)	18,583,788
2019-2023	55,365,958	33,021,925	(2,422,259)	85,965,624
2024-2028	56,046,970	20,989,343	(1,826,509)	75,209,804
2029-2033	50,110,000	8,650,563	(1,002,759)	57,757,804
2034-2038	11,055,000	808,355	(127,734)	11,735,621
Total	$231,265,857	$108,763,106	$(8,230,763)	$331,798,200

* The University expects the BAB (Build America Bonds) subsidy to occur as displayed. However, the subsidy is subject to intervening Congressional action and thus is not guaranteed.

B. 2013 Defeasance of Debt

In March 2013, the Treasury Board, on behalf of the University, issued $24,853,556 of General Obligation Bonds, Series 2013B to advance refund $25,320,000 of Series 2005A, 2006B, and 2007B bonds. As a result, these bonds are considered to be defeased and the liability has been removed from the noncurrent liabilities line in the Statement of Net Position. Any related assets in escrow have similarly been excluded. The resulting net loss of $2,541,817 will be amortized over the life of the new debt. The details of each bond issue refunded are below.

	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refunding Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain
Housing VII, Series 2005	$10,470,000	4.5 - 5.0%	$10,504,185	3.0 – 5.0%	($717,561)	$1,485,571	$1,281,936
Housing VII, Series 2006	9,500,000	4.0 - 5.0%	9,186,889	4.0 – 5.0%	(976,411)	744,838	654,985
Housing VII, Series 2007	605,000	4.0 - 4.5%	583,881	4.0 – 5.0%	(96,320)	42,622	37,496
Housing VIIC, Series 2007	4,745,000	4.0 – 4.5%	4,578,601	4.0 – 5.0%	(751,525)	334,098	293,978
Total	$25,320,000		$24,853,556		($2,541,817)	$2,607,129	$2,268,395

C. Prior Year Bond Defeasance

The Commonwealth of Virginia, on behalf of the University, issued bonds in previous fiscal years the proceeds of which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are therefore considered defeased. Accordingly, the trust account’s assets and liabilities for the defeased bonds are not included in the University’s financial statements. On June 30, 2013, $19,775,000 of Series 2005A, $17,730,000 of Series 2006B, and $5,350,000 of Series 2007B 9(c) general obligation bonds were considered defeased.

9. NOTES PAYABLE

A. VCBA Notes

The University participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The following schedule describes each of the notes outstanding:

Bond Title	Year Issued	Original Amount	Interest Rate	Bond Term	Final Payment Due	Balance Outstanding at June 30, 2013
Parking Deck II	2003	13,455,000	2.5 to 5.0%	21 Years	2025	605,000
Fairfax Research I	2004	10,005,000	3.0 to 5.0%	21 Years	2026	870,000
Aquatic Fitness Center	2004	6,785,000	3.0 to 5.0%	16 Years	2021	900,000
VCBA 2004B Refunding (1997A)	2004	13,470,000	3.0 to 5.0%	12 Years	2017	7,345,000
VCBA 2004B Refunding (1999A)	2004	2,720,000	3.0 to 5.0%	15 Years	2020	1,970,000
Krasnow Institute	2005	4,495,000	3.5 to 5.0%	21 Years	2027	1,445,000
Student Union III	2005	4,890,000	3.5 to 5.0%	21 Years	2027	1,585,000
Student Union III RB#2	2006	5,190,000	3.0 to 5.0%	21 Years	2028	4,320,000
PE Addition/Renovation	2006	6,035,000	3.0 to 5.0%	22 Years	2029	5,250,000
PE Building Addition, Phase II	2006	2,800,000	3.0 to 5.0%	22 Years	2029	2,430,000
Krasnow Institute Addition	2006	1,955,000	3.0 to 5.0%	20 Years	2027	1,550,000
Patriot Center Addition/Renovation	2006	8,200,000	3.0 to 5.0%	21 Years	2028	6,830,000
PW Bio Containment Lab	2006	13,260,000	3.0 to 5.0%	22 Years	2029	11,525,000
PW Performing Arts Center	2006	10,790,000	3.0 to 5.0%	22 Years	2029	9,375,000
Fairfax Surge Space Fit Out	2006	1,515,000	3.0 to 5.0%	21 Years	2028	1,260,000
Fairfax Surge Space Building	2006	6,340,000	3.0 to 5.0%	21 Years	2028	5,280,000
PW Performing Arts Center RB#2	2007	8,565,000	4.5 to 5.0%	20 Years	2028	7,365,000
Student Union I Renovation	2007	5,085,000	4.5 to 5.0%	20 Years	2028	4,370,000
Student Union III RB#3	2007	6,130,000	4.5 to 5.0%	25 Years	2033	5,420,000
PE Addition/Renovation RB#2	2007	8,555,000	4.5 to 5.0%	20 Years	2028	7,360,000
PE Building Addition Phase II, RB#2	2007	3,820,000	4.5 to 5.0%	20 Years	2028	3,285,000
Fairfax Surge Space Bldg RB#2	2007	2,965,000	4.5 to 5.0%	20 Years	2028	2,555,000
Academic VI/Research II	2007	4,945,000	4.5 to 5.0%	20 Years	2028	4,255,000
Parking Deck III	2007	20,750,000	4.5 to 5.0%	25 Years	2033	18,740,000
Softball Field Improvement	2007	1,510,000	5.00%	10 Years	2018	850,000
Hotel & Conference Center	2007	18,000,000	4.5 to 5.0%	30 Years	2038	16,750,000
Student Union II Renovation	2007	1,490,000	5.00%	10 Years	2018	910,000
VCBA 2007B Refunding (1997A)	2007	3,555,000	4 to 4.25%	10 Years	2018	2,155,000
VCBA 2007B Refunding (2005A)	2007	1,675,000	4.0 to 4.5%	12 Years	2020	1,425,000
Patriot Center Renovation, Phase II	2009	1,860,000	2.1 to 5.0%	20 Years	2029	1,650,000
Arlington Phase II	2009	7,945,000	2.1 to 5.0%	25 Years	2034	7,345,000
PW Performing Arts Center RB#3	2009	17,960,000	2.1 to 5.0%	20 Years	2029	16,000,000
Parking Deck III Phase I	2009	9,790,000	2.1 to 5.0%	25 Years	2034	9,055,000
PE Building Phase I	2009	2,750,000	2.1 to 5.0%	20 Years	2029	2,450,000
Surge Space & Fit-Out	2009	10,730,000	2.1 to 5.0%	20 Years	2029	9,560,000
Academic VI/Research II, RB#2	2009	20,335,000	2.1 to 5.0%	20 Years	2029	18,120,000
PE Building Phase II	2009	5,245,000	2.1 to 5.0%	20 Years	2029	4,675,000
Biomedical Research Lab, RB#2	2009	6,405,000	2.1 to 5.0%	20 Years	2029	5,710,000
Hotel & Conference Center	2009	25,190,000	2.1 to 5.0%	30 Years	2039	23,845,000
Student Union I Addition/Renovation	2009	7,980,000	2.1 to 5.0%	20 Years	2029	7,115,000
Student Union II Renovation	2009	585,000	2.1 to 5.0%	10 Years	2019	410,000
Parking Deck III Phase II	2009	13,885,000	2.1 to 5.0%	25 Years	2034	12,850,000
W. Campus Connector & Campus Entrances	2009	6,010,000	2.1 to 5.0%	20 Years	2029	5,360,000
PW Loop Road and Entrance	2009	575,000	3.0 to 5.0%	7 Years	2017	400,000
Arlington Phase II	2009	5,010,000	3.0 to 5.0%	25 Years	2035	4,780,000
PW Performing Arts Center	2009	3,390,000	3.0 to 5.0%	20 Years	2030	3,165,000
Fairfax Surge Space Fit Out Data Center	2009	1,685,000	2.0 to 5.0%	20 Years	2030	1,525,000

Bond Title	Year Issued	Original Amount	Interest Rate	Bond Term	Final Payment Due	Balance Outstanding at June 30, 2013
PW Regional Biomedical Laboratory	2009	1,950,000	2.0 to 5.0%	20 Years	2030	1,765,000
Hotel & Conference Center	2009	8,300,000	3.0 to 5.0%	30 Years	2040	8,025,000
Student Union I Addition/Renovation	2009	7,725,000	3.0 to 5.0%	20 Years	2030	7,205,000
Student Union II Renovation	2009	4,830,000	3.0 to 5.0%	20 Years	2030	4,505,000
Arlington Phase II	2010	3,570,000	5.00%	7 Years	2018	3,045,000
Student Union II Renovation	2010	2,935,000	3.75 to 5.5%	20 Years	2031	2,830,000
Student Union I Addition/Renovation	2010	5,390,000	3.75 to 5.5%	20 Years	2031	5,195,000
Smithsonian CRC-Dining	2010	2,395,000	3.75 to 5.6%	25 Years	2036	2,335,000
Krasnow Institute Addition II	2010	5,215,000	2.0 to 5.5%	20 Years	2031	4,860,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 to 5.5%	20 Years	2031	1,345,000
Repair Aquatic & Fitness Center HVAC	2010	2,325,000	2.0 to 5.0%	10 Years	2021	1,940,000
VCBA 2010B Refunding (2003A)	2010	2,990,000	2.0 to 5.0%	10 Years	2021	2,990,000
Fairfax Campus Dining	2011	6,090,000	5.00%	10 Years	2022	6,090,000
Smithsonian CRC-Dining	2011	2,690,000	3.0 to 5.0%	25 Years	2037	2,690,000
VCBA 2012A Refunding (2003A)	2012	5,525,000	3.0 to 5.0%	12 Years	2025	5,525,000
VCBA 2012A Refunding (Aquatic Ctr 2004A)	2012	3,130,000	5.00%	8 Years	2021	3,130,000
VCBA 2012A Refunding (Research I 2004A)	2012	6,310,000	2.75 to 5.0%	13 Years	2026	6,310,000
VCBA 2012A Refunding (2005A)	2012	4,260,000	3.0 to 5.0%	12 Years	2025	4,260,000
Fieldhouse Life/Safety/Code Renovation	2012	3,060,000	4.0 to 5.0%	10 Years	2023	3,060,000
Total Notes Payable		$426,365,000				$349,100,000

Long-term debt from Notes Payable as of June 30, 2013 matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy*	Total Net of Subsidy
2014	16,335,000	15,995,129	(221,246)	32,108,883
2015	17,330,000	15,215,656	(221,246)	32,324,410
2016	18,075,000	14,391,143	(221,246)	32,244,897
2017	18,985,000	13,515,737	(221,246)	32,279,491
2018	19,810,000	12,611,181	(221,246)	32,199,935
2019-2023	92,445,000	49,717,676	(991,225)	141,171,451
2024-2028	99,595,000	27,064,868	(622,276)	126,037,592
2029-2033	46,015,000	9,337,241	(159,713)	55,192,528
2034-2038	17,930,000	2,520,553	(12,544)	20,438,009
2039-2043	2,580,000	84,750	0	2,664,750
Total	$349,100,000	$160,453,934	$(2,891,988)	$506,661,946

* The University expects the BAB (Build America Bonds) subsidy to occur as displayed. However, the subsidy is subject to intervening Congressional action and thus is not guaranteed.

B. Prior Year Debt Defeasance

The Virginia College Building Authority (VCBA) issued 9(d) VCBA pooled bonds in previous fiscal years the proceeds of which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The notes representing that other debt are therefore considered defeased. Accordingly, the trust account's assets and liabilities for the defeased notes are not included in the University's financial statements. On June 30, 2013, $8,885,000 of notes from Series 2003A, $9,890,000 from Series

2004A and $5,225,000 from the Series 2005A 9(d) VCBA pooled bonds were considered defeased.

10. INSTALLMENT PURCHASES PAYABLE & CAPITAL LEASE OBLIGATION

A. Installment Purchases

The University has entered into various installment purchase contracts to finance the acquisition of photocopiers, pianos, the equipment necessary for the implementation of the Energy Performance Contract Agreements and other equipment. The remaining lengths of the purchase agreements range from one to twelve years with varying rates of interest.

Principal and interest payments on these commitments for fiscal years subsequent to June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	1,831,014	219,893	2,050,907
2015	1,686,386	189,867	1,876,253
2016	1,627,685	166,318	1,794,003
2017	1,617,153	142,958	1,760,111
2018	1,569,889	120,080	1,689,969
2019-2023	6,084,245	276,086	6,360,331
2024-2025	1,028,144	22,106	1,050,250
Total	$15,444,516	$1,137,308	$16,581,824

B. Capital Leases

During FY 2011, the University entered into a twenty-five year capital lease with George Mason University Foundation (GMUF) for the provision of a 150,000 square foot administration building at the Fairfax campus.

The University has accounted for the acquisition of the administration building and its furniture and equipment as a capital lease, and therefore has recorded the building and its furniture and equipment as Depreciable capital assets, net, and has also recorded a corresponding lease liability in Long-term debt, both on its Statement of Net Position as of June 30, 2013.

During FY 2013, the University began a 30 year capital lease with George Mason University Foundation (GMUF) for the provision of an 80,858 square foot residence hall at the Prince William campus.

The University has accounted for the acquisition of the residence hall as a capital lease, and therefore has recorded the building as a Depreciable capital asset, net, and has also recorded a corresponding lease liability in Long-term debt, both on its Statement of Net Position as of June 30, 2013.

Payments of principal, interest, and executory costs on the capital leases for fiscal years subsequent to June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Executory	Totals
2014	620,308	2,768,914	82,014	3,471,236
2015	634,144	2,784,613	84,791	3,503,548
2016	711,065	2,740,134	87,980	3,539,179
2017	781,039	2,691,453	90,806	3,563,298
2018	846,762	2,639,640	92,504	3,578,906
2019-2023	5,692,137	12,202,537	508,325	18,402,999
2024-2028	8,782,481	9,903,866	589,601	19,275,948
2029-2033	12,606,686	6,520,992	637,278	19,764,956
2034-2038	10,988,268	2,374,034	635,882	13,998,184
2039-2043	4,906,366	170,420	507,679	5,584,465
Total	$46,569,256	$44,796,603	$3,316,860	$94,682,719

11. COMPONENT UNITS

Component unit combining financial statements and additional disclosures in accordance with FASB standards are presented below.

Combining Statement of Financial Position
As of June 30, 2013

	George Mason University Foundation	Mason Housing, Inc. *	Component Units Total
Assets			
Cash and cash equivalents	$16,176,675	$59,896	$16,236,571
Security deposits	-	70,588	70,588
Restricted cash and cash equivalents	1,713,057	5,333,417	7,046,474
Tenant accounts receivable, net	-	28,046	28,046
Contributions receivable, net	17,720,060	-	17,720,060
Prepaids and other assets	1,170,171	25,675	1,195,846
Leasing commissions	1,813,939	-	1,813,939
Net investment in direct financing lease	46,569,256	-	46,569,256
Deposits held with trustees	5,362,155	-	5,362,155
Beneficial interest in perpetual trusts	10,803,294	-	10,803,294
Annuity benefit contract	465,534	-	465,534
Deferred loan costs, net	1,141,648	1,560,430	2,702,078
Investments	113,135,051	-	113,135,051
Property and equipment, net	129,462,052	27,807,905	157,269,957
Art and antiques	572,567	-	572,567
Total Assets	346,105,459	34,885,957	380,991,416
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	9,918,558	39,208	9,957,766
Accrued payroll and related expenses	-	23,569	23,569
Participation rent payable	-	246,075	246,075
Tenant security deposits liability	-	68,924	68,924
Unearned rent	2,486,921	49,866	2,536,787
Trust liabilities	1,260,757	-	1,260,757
Other liabilities	34,894	-	34,894
Accrued annuity benefit	465,534	-	465,534
Derivative obligations including interest rate swap liability	5,876,718	12,595,785	18,472,503
Long-term debt including notes payable	174,771,154	39,680,000	214,451,154
Amounts held for others	9,683,161	-	9,683,161
Total Liabilities	204,497,697	52,703,427	257,201,124
Net Assets			
Unrestricted	14,515,324	(17,817,470)	(3,302,146)
Temporarily restricted	64,008,515	-	64,008,515
Permanently restricted	72,524,351	-	72,524,351
GMUF Arlington Campus, LLC	(6,455,755)	-	(6,455,755)
GMUF Mason Administration, LLC	(2,937,559)	-	(2,937,559)
GMUF Prince William Housing LLC	342,438	-	342,438
GMUF Prince William Life Sciences Lab LLC	(84,072)	-	(84,072)
GMUF Commerce Buildings, LLC	(305,480)	-	(305,480)
Total Net Assets	141,607,762	(17,817,470)	123,790,292
Total Liabilities and Net Assets	$346,105,459	$34,885,957	$380,991,416

** March 31, 2013 year-end*

Combining Statement of Activities
For the Year Ended June 30, 2013

	George Mason University Foundation	Mason Housing, Inc. *	Component Units Total
Operating Revenue:			
Contributions	$38,838,023	-	$38,838,023
Interest on direct financing lease	2,852,210	-	2,852,210
Investment and trust return	7,698,004	-	7,698,004
Miscellaneous & other income	181,251	70,234	251,485
Rental income, net	12,488,155	3,215,277	15,703,432
Service fees	1,088,330	-	1,088,330
Total Operating Revenue	63,145,973	3,285,511	66,431,484
Operating Expenses:			
Academic program support	36,446,789	-	36,446,789
Advertising and promotion	-	10,920	10,920
Depreciation	3,455,109	1,059,387	4,514,496
Fundraising	254,686	-	254,686
Insurance	148,773	103,323	252,096
Interest expense	7,347,483	2,111,723	9,459,206
Maintenance	-	131,593	131,593
Management fees	-	102,000	102,000
Office and other administrative expenses	3,266,014	115,010	3,381,024
Salaries and wages	-	303,414	303,414
Utilities	2,511,035	31,569	2,542,604
Total Operating Expenses	53,429,889	3,968,939	57,398,828
Change in Net Assets before Non-operating items and Other Changes	9,716,084	(683,428)	9,032,656
Non-operating Items	2,992,410	(275,415)	2,716,995
Payments to affiliates	-	(566,075)	(566,075)
Change in Net Assets	12,708,494	(1,524,918)	11,183,576
Beginning Net Assets	128,899,268	(16,292,552)	112,606,716
Ending Net Assets – end of year	$141,607,762	$(17,817,470)	$123,790,292

** March 31, 2013 year-end*

A. Investments - GMUF

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

	GMUF
Cash and money market funds	$3,954,528
Equities	33,974,762
Fixed income	48,318,237
Commodities	1,023,774
Real estate	223,436
Hedge funds	21,196,475
Managed futures	2,111,479
Private equity and real assets	2,332,360
Total Investments	$113,135,051

B. Contributions Receivable – GMUF

GMUF's pledges receivable as of June 30, 2013 are as follows:

Due in less than one year	$3,665,205
Due in one to five years	14,970,760
Due in more than five years	615,000
Less discount present value	(1,530,905)
Total	$17,720,060

Discount rates range from 0.23 percent to 5.69 percent.

As of June 30, 2013, the Foundation has $4,607,000 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.

C. Property and Equipment

The following comprises property and equipment for the component units at June 30, 2013:

	GMUF	MHI *
Land	$29,121,652	$ -
Buildings and building improvements	95,641,601	31,267,734
Furniture and equipment	764,013	93,963
Construction in progress	33,993,970	-
Total	159,521,236	31,361,697
Accumulated depreciation and amortization	(30,059,184)	(3,553,792)
Net property and equipment	$129,462,052	$27,807,905

** March 31, 2013 year-end*

D. Long-Term Debt – GMUF

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.

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. The letter of credit is renewable annually and was scheduled to expire October 7, 2012.

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

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.

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.

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 began leasing the property to the University in fiscal year 2013, and the rental payments made by the University service the bonds' principal and interest payments.

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 unspent bond proceeds for both of the Industrial Development Authority of the County of Prince William Series 2011 Bonds are held by a trustee and invested in money market funds. The trustee reimburses third party vendors for expenditures related to the life science lab and housing projects.

Industrial Development Authority of the Town of Clifton, VA – GMUF Commerce Buildings, LLC Project, Series 2013

On May 24, 2013, the Industrial Development Authority of the Town of Clifton, VA issued its $6,500,000 Revenue Bond Series 2013 (GMUF Commerce Buildings, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated May 24, 2013. Proceeds are to be used for the purposes of (a) refinancing $2,260,000 of the Fairfax County Development Authority bonds, (b) renovating existing office buildings owned by the Foundation in the City of Fairfax, Virginia, and (c) paying certain other expenditures associated with the bond issuance, such as deferred loan costs. The Foundation will lease the property to the University, and the rental payments made by the University will service the bonds’ principal and interest payments. As of June 30, 2013, the Foundation had drawn $4,809,312 of the loan with the commercial bank.

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

	2013
Fairfax County Economic Development Authority Bonds:	
George Mason University Foundation, Inc. Bonds with variable interest rate maturing at various dates through February 1, 2029	$23,260,000
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, variable rate maturing on June 1, 2036	32,063,403
GMUF Mason Administration, LLC Taxable Revenue Bond, variable rate maturing on December 1, 2013	385,000

	2013
Industrial Development Authority of the County of Prince William:	
Prince William County Series 2011A Bonds, serial with interest rates ranging from 4.25% to 5.00%, maturing at various dates from September 1, 2022 to September 1, 2026	1,895,000
Prince William County Series 2011A Bonds, term	
interest rate 5.50%, maturing September 1, 2031	3,190,000
interest rate 5.125%, maturing September 1, 2041	9,555,000
Prince William County Series 2011B Bonds, term	
interest rate 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 3.00%, maturing September 1, 2016	2,145,000
Bank Notes:	
GMUF Arlington Campus, LLC Notes A with interest rate of 6.24% maturing September 1, 2016	60,477,124
GMUF Arlington Campus, LLC Notes B with interest rate of 10.50% maturing September 1, 2016	4,252,298
Industrial Development Authority of the Town of Clifton, VA:	
Industrial Development Authority of the Town of Clifton, VA, Revenue bond series 2013, variable rate maturing May 10, 2031	4,809,312
Notes and bonds payable at face value	174,082,137
Plus: unamortized net premium	689,016
Total long-term debt	$174,771,153

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:	
2014	$4,477,780
2015	4,078,262
2016	4,311,556
2017	65,105,232
2018	19,398,391
Thereafter	76,710,916
	$174,082,137

Interest expense on notes, bonds and related swaps along with the amortization of deferred financing charges was $7,686,481 as of June 30, 2013.

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

E. Derivative Instruments – GMUF

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. The interest rate swap agreement was assumed by another financial institution in October 2009 in conjunction with the assumption of the letter of credit securing the Fairfax County Economic Development Authority bonds, which adjusted the interest rate to 4.345%. With the refinancing of the Fairfax County Economic Development Authority bonds, the interest rate swap was amended on April 30, 2013 resulting in a notional amount of $20,818,750 at a fixed interest rate of 3.032% and a termination date of February 1, 2029. The interest rate cap agreement remained in place.

At June 30, 2013, the notional amount on the swap was $20,818,750 and on the cap was $10,875,000.

The fair value of the interest rate swap at June 30, 2013 totaled a derivative liability of $2,051,738. 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, 2013, no collateral balance was required. The fair value of the interest rate cap totaled a derivative asset of $82,817 at June 30, 2013. The net change in value has been recorded as gains or losses on derivatives in the consolidated statement of activities. Additionally, all assets or liabilities related to the interest rate swap and interest rate cap convert to zero at contract maturity.

GMUF Mason Administration, LLC Interest Rate Swaps

In March 2010, as part of the GMUF Mason Administration, LLC Project, the Foundation entered into a forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $32,100,000 tax-exempt notional amount and a second forward floating-to-fixed interest rate swap to effectively fix the interest rate on the $1,900,000 taxable notional amount with a commercial bank. The swap transactions became effective on June 1, 2011. The termination date is June 1, 2036 for the tax-exempt notional amount and December 1, 2013 for the taxable notional amount. The tax-exempt swap has an option to terminate at no risk at the end of the 13^{th} year. The fair value of the interest rate swaps were $3,824,980 for June 30, 2013. The net change in value has been recorded as gains or losses 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, 2013, $500,000 was held as collateral by a third party.

F. Long-Term Debt – MHI

In October 2008, the Fairfax County Economic Development Agency (EDA) issued $39,760,000 of variable rate bonds (the Bonds) in order to provide financing for the development of the Organization. Bank of America (the Bond Purchaser) purchased these bonds and the proceeds received from the purchase were deposited to U.S. Bank National Association (the Trustee). Concurrently, the Organization entered into a loan agreement with EDA to borrow the proceeds received from the sale of the Bonds. EDA entered into a Trust Indenture with the Trustee to secure the repayment of the Bonds by the assignment of its rights under the loan agreement. In addition, the Organization entered into two interest rate swap agreements with Bank of America which exchanged the variable rate borne by the Organization with a fixed rate.

The Bonds are secured by a Trust Indenture dated October 1, 2008. Principal payments are due annually on August 1 from 2011 to 2039. The Bonds bear interest at a variable rate, not to exceed 12 percent, which is determined by the Remarketing Agent, Bank of America Securities LLC, on a weekly index floating rate and flexible rate basis. Initially the Bonds shall bear interest at the initial index floating rate, which is 1.10% plus the Securities Industries and Financial Market Association (SIFMA) index and expires on October 31, 2013. Commencing November 1, 2013, the Organization may select an interest rate, as defined, pursuant to the terms of the trust indenture. The interest rate on the Bonds as of March 31, 2013 was 1.22%.

In October 2008, an interest rate swap agreement was entered into on a notional amount of $38,400,000. The swap went into effect December 1, 2008, and is set to expire on August 1, 2039. Per the agreement, the Organization pays a fixed rate of 3.97% and Bank of America pays a variable rate of the one-month LIBOR-BBA for each month (.14243% at March 31, 2013).

In October 2008, an interest rate swap agreement was entered into on a notional amount of $1,360,000. The swap went into effect December 1, 2008, and is set to expire on August 1, 2039. Per the agreement, the Organization pays a fixed rate of 3.035% and Bank of America pays a variable rate of the one-month LIBOR-BBA for each month (.14243% at March 31, 2013).

The loan payable is secured by the Organization's building and improvements and future rental income. Interest is payable monthly on a loan payable, commencing in November 2008. Annual principal payments commenced in August 2011. Pursuant to the master covenant agreement with the bond purchaser, the Organization is required to maintain a debt service coverage ratio.

During the year ended March 31, 2013, interest expense of $2,001,439 was incurred and included in interest expense on the statement of activities. As of March 31, 2013, the outstanding principal balance was $39,680,000.

Aggregate maturities of the loan payable over the next five years and thereafter is as follows:

2014	$80,000
2015	140,000
2016	160,000
2017	190,000
2018	245,000
Thereafter	38,865,000
Total	$39,680,000

12. EXPENSES BY NATURAL CLASSIFICATION

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statement of Cash Flows.

	Salaries and Wages	Fringe Benefits	Goods and Services	Student Aid	Depreciation	Total
Instruction	$181,851,276	$43,892,733	$26,933,039	-	-	$252,677,048
Research	40,385,620	7,998,486	20,453,718	-	-	68,837,824
Academic Support	33,349,138	10,028,575	12,487,466	-	-	55,865,179
Student Services	15,439,116	4,486,638	4,909,992	-	-	24,835,746
Public Service	8,313,591	1,968,620	10,353,960	-	-	20,636,171
Operation and Maintenance	15,883,267	5,630,694	20,807,394	-	-	42,321,355
Institutional Support	28,858,343	8,927,756	3,541,275	-	-	41,327,374
Depreciation Expense	-	-	-	-	54,366,023	54,366,023
Student Aid	-	-	-	28,377,496	-	28,377,496
Auxiliary Enterprises	36,428,883	9,186,390	75,453,783	-	-	121,069,056
Totals	$360,509,234	$92,119,892	$174,940,627	$28,377,496	$54,366,023	$710,313,272

13. STATE APPROPRIATIONS- CURRENT UNRESTRICTED FUNDS

George Mason University receives appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements. The following is a summary of General Fund appropriations received by the institution including all supplemental appropriations and reversions:

Original Appropriation	$112,149,834
Adjustments:	
Re-appropriation of FY 2012 E&G budget reversion	22,007,226
FY 2013 E&G budget reversion	(19,639,911)
Central Appropriations Adjustment	4,800,736
Funds for VIVA Program	35,590
Total	$119,353,475

14. INTEREST EXPENSE

During fiscal year 2013, the University incurred interest expense totaling $31,155,284. Of this amount, $2,251,662 was capitalized as part of the cost of construction and $28,903,622 was expensed.

15. COMMITMENTS

A. Operating Leases

The University is committed under various operating leases for rental of off-campus facilities. The future lease terms are for periods of one to twelve years. Facility rental expenses for the fiscal year ended June 30, 2013 were $5,754,982. The University had, as of June 30, 2013, the following total future minimum rental payments due under the above leases:

Year Ended June 30,	
2014	$ 5,565,123
2015	4,796,053
2016	4,883,825
2017	3,496,962
2018	3,335,237
Total	$22,077,200

B. Construction

Outstanding commitments for capital outlay projects that were under construction at June 30, 2013 were $32,579,588.

16. RETIREMENT AND PENSION SYSTEMS

A. Virginia Retirement System (VRS)

Substantially all full-time classified salaried employees of George Mason University participate in the defined benefit retirement plan administered by VRS. The VRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). Because the employees of the University are also employees of the Commonwealth, the Commonwealth of Virginia and not the University has the overall responsibility for contributions to this plan. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2013. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

The University's expenses include the amount assessed by the Commonwealth for contributions to the retirement plan, which totaled $10,336,499 for the year ended June 30, 2013.

For FY 2013, the employer's retirement contribution rate was 8.76% for all plan participants. All participants are required to contribute 5% to the plan.

Contributions to the plan were calculated using the plan's covered payroll of $117,996,561 for the year ended June 30, 2013.

The University's law enforcement officers participate in the Virginia Law Officers' Retirement System (VaLORS). The University's expenses include the amount assessed by the Commonwealth for contributions to VaLORS, which totaled $445,330 for the year ended June 30, 2013.

For FY 2013, the VaLORS retirement contribution rate was 14.8% for all participants. All participants are required to contribute 5% to the plan.

Contributions to VaLORS were calculated using the plans covered payroll of approximately $3,008,985 for the year ended June 30, 2013.

B. Faculty Retirement Plans

Most full-time faculty and certain administrative staff participate in one faculty retirement plan with two investment providers rather than the VRS. These are defined contribution plans where the retirement benefits received are based upon the employer's contribution plus interest and dividends.

For plan participants hired prior to July 1, 2010, the employer's contribution was 10.4% and the participant was not required to make contributions to the plan. Plan participants hired after June 30, 2010 received an employer contribution of 8.5% and were required to contribute 5%. The plan structure for participants hired after June 30, 2010 is designated in the table below with a 2 following the investment providers' names.

Individual contracts issued under the plan provide for full and immediate vesting of the University's contributions. Total pension costs under these plans were $15,956,052 for the fiscal year ended June 30, 2013. Contributions were calculated using the plan's covered payroll of $158,988,221 for Fiscal Year 2013.

The following table summarizes the cost and participation in the optional retirement plans:

Faculty Retirement Plan	Retirement Pension Cost	Plan's Covered Payroll	Contribution Percentage
TIAA-CREF*	$9,574,379	$92,061,333	10.4%
TIAA-CREF 2	1,275,096	15,001,126	8.5%
Fidelity Investments	3,792,649	36,467,779	10.4%
Fidelity Investments 2	1,313,928	15,457,983	8.5%
Total	$15,956,052	$158,988,221	

*Teachers Insurance and Annuity Association/College Retirement Equities Fund

C. Deferred Compensation

Employees of the University are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount match can change depending on the funding available in the Commonwealth's budget. The Commonwealth's Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code.

Employees may also participate in a University sponsored 403(b) plan or Roth plan, and receive Employer matching contributions on the same basis as the Commonwealth's plan.

Employer contributions under these Deferred Compensation Plans were $1,240,855 for the fiscal year ended June 30, 2013.

17. POST-RETIREMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the State health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

18. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The University is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The Department of Human Resource Management administers the Commonwealth employee health care and worker's compensation plans, and the Department of Treasury, Division of Risk Management, administers the risk management insurance plans. Risk management insurance includes property, general liability, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

19. RESTRICTED NET POSITION

At June 30, 2013 restricted net position included the following purpose restrictions:

Restricted, nonexpendable:	
Student aid	$1,178,566
Instruction	1,620,000
Research	1,126,760
Total restricted, nonexpendable	$3,925,326
Restricted, expendable:	
Instruction	$ 221,350
Research	3,157,684
Total restricted, expendable	$3,379,034

20. SUBSEQUENT EVENTS

On September 18, 2013, the University signed an $8.6 million construction contract with Balfour Beatty Construction for the Shenandoah Dining facility.

On September 23, 2013, the University signed a $40.5 million construction contract with Whiting Turner for Fenwick Library Phase II.

On September 25, 2013, the University signed a five year contract with Sodexo to manage and operate campus dining services. Under the contract Sodexo made an upfront payment to the University of $6.3 million. Sodexo is guaranteed minimum annual revenue of $15.2 million.

On October 10, 2013, Peter Stearns, Provost of George Mason University and Chair of Mason Korea, LLC, signed an Operation Support Agreement by and between Mason Korea, LLC, the Incheon Free Economic Zone Authority, and the Songdo Global University Foundation. George Mason University is the sole member of Mason Korea, LLC, a Virginia LLC. The Operation

Support Agreement sets forth the terms and conditions for the support of a branch campus of George Mason University in Songdo, South Korea. The campus will be part of the Songdo Global University Campus. Undergraduate programs in management and economics begin spring 2014.

During October 2013, the University issued $18.9 million in new long term debt for several Fairfax campus projects including Field House renovations, Campus Drive construction, campus dining enhancements, and the central utility plant.

On November 18, 2013, the University signed a $3.9 million construction contract with Sumter Contracting Corporation for renovation of the Field House.

On February 18, 2014, the University signed a $1.6 million construction contract with ASIL Construction for Johnson Center Dining Renovations.

During February 2014, the University signed a 30 year International Student Center Services Agreement by and among the University, IUP 2 LLP, and INTO George Mason, LLC. The purpose of the agreement is to establish a new international student center located on the University's Fairfax campus pursuant to which the University will offer a range of academic preparatory courses and English language programs which, when successfully completed, will enable qualified international students the ability to progress to certain undergraduate and graduate degree programs at the University.

During April 2014, the University issued $2.2 million in new long term debt for the Housing VIII project on the Fairfax campus.

INDEPENDENT AUDITOR'S REPORT

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 7, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
George Mason University

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the **George Mason University**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise George Mason University's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of George Mason University, which are discussed in Note 1 and Note 11. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of George Mason University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of George Mason University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of George Mason University as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2014, on our consideration of George Mason University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering George Mason University's internal control over financial reporting and compliance.

Martha S. Mavredes

AUDITOR OF PUBLIC ACCOUNTS

GDS/alh

UNIVERSITY OFFICIALS

GEORGE MASON UNIVERSITY

BOARD OF VISITORS
As of June 30, 2013

C. Daniel Clemente, Rector

Nancy Mitchell Pfotenhauer, Vice Rector

Edward J. Newberry, Secretary

Karen Alcalde
B.G. Beck
Reginald J. Brown
Kathleen M. deLaski
Kimberly O. Dennis
John Jacquemin
Anthony R. Jimenez
Carol Kirby
Mark F. McGettrick
Stuart Mendelsohn
Steven P. Mullins
Robert F. Pence
M. Siddique Sheikh

June Tangney, Faculty Representative
Steven Scott, Student Representative
Alexander Williams, Student Representative

UNIVERSITY OFFICIALS
As of June 30, 2013

Angel Cabrera, President

Jennifer Davis, Senior Vice President for Administration and Finance

Elizabeth A. Brock, Associate Vice President and Controller