

GEORGE MASON UNIVERSITY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014



-TABLE OF CONTENTS-

	<u>Pages</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-12
FINANCIAL STATEMENTS:	
Statement of Net Position	13
Component Units Combined Statements of Financial Position	14
Statement of Revenues, Expenses, and Changes in Net Position	15
Component Units Combined Statements of Activities	16
Statement of Cash Flows	17-18
NOTES TO FINANCIAL STATEMENTS	19-53
INDEPENDENT AUDITOR'S REPORT	
Report on Financial Statements	54-56
UNIVERSITY OFFICIALS	57

MANAGEMENT'S DISCUSSION AND ANALYSIS

George Mason University

Financial Statements for the Year Ended June 30, 2014

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, 2014 (FY 2014). Comparative numbers are included for the fiscal year ended June 30, 2013 (FY 2013). 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 \$43.7 million, or 7 percent. Revenue provided by the Commonwealth for equipment and capital projects, which totaled \$25.2 million for FY 2014, continues to be a major factor in the University's net position growth.

Total operating revenues increased by \$25.5 million, or 5 percent.

Total operating expenses increased by \$27.5 million, or 4 percent.

Income before other revenues, expenses, gains, and losses increased by \$21.1 million.

Although at a slower pace than in the last several years, the University continued, during FY 2014, 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. Two examples of this ongoing investment are set forth below.

The University completed a \$10 million, 33,200 square foot, renovation of the Music/Theater Building (formerly the Fine Arts Building) on the Fairfax campus. This project provides additional music teaching studios and practice rooms to support enrollment growth in the School of Music. It also provides additional theater rehearsal and instructional space, and an updated scene shop and lighting design studio to meet new technologies in theater production. In addition, the project also provides University classrooms that include updated technology standards to meet faculty pedagogical needs.

The University began a \$4 million transformation of the Mason Inn and Conference Center into the Mason Global Center. The Mason Global Center will provide housing, dining, and classroom facilities for international students enrolled in the INTO Mason program, and other Mason students, who will live and go to class at the Mason Global Center. The INTO Mason program will offer pathways programs that combine academic coursework and English language training to prepare the international students for future success as degree-seeking students at the University. The Mason Global Center was completed and opened for the Fall semester of academic year 2014-2015.

The University began capital leasing a 31,879 square foot office building located in Fairfax City, close to the Fairfax Campus. This office building will accommodate several research programs.

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 was 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 draw on this fund from FY 2010 through FY 2014. During FY 2014 the remaining funds were added to the University's reserves.

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

The University's 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 the University's 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 discretely reported by separate page display in other sections of the University's 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 amount 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.

During FY 2014, the University implemented GASBS 65- “Items Previously Reported as Assets and Liabilities”. Per GASBS 65, the University no longer reports unamortized bond issuance costs as a noncurrent asset on the Statement of Net Position. Bond issuance costs are now treated as a current expense. In addition, deferred losses and gains on bond refundings are now reported as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position rather than as a component of long term debt. In the summarized Statement of Net Position presented below, the FY 13 comparative data has been restated to conform to the FY 14 classifications required by GASBS 65.

A summary of the University’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2014, and June 30, 2013, follows.

Statement of Net Position*

	June 30, 2014	June 30, 2013**	Dollar Change	Percent Change
Assets:				
Current assets	\$ 218,274	\$ 188,413	\$ 29,861	16%
Capital assets, net	1,177,118	1,167,712	9,406	1%
Other noncurrent assets	37,960	33,109	4,851	15%
Total Assets	1,433,352	1,389,234	44,118	3%
Deferred Outflows of Resources	7,596	7,204	392	5%
Liabilities:				
Current liabilities	157,745	152,479	5,266	3%
Noncurrent liabilities	647,270	651,609	(4,339)	-1%
Total Liabilities	805,015	804,088	927	0%
Deferred Inflows of Resources	187	321	(134)	-42%
Net Position:				
Net investment in capital assets	537,292	524,098	13,194	3%
Restricted: nonexpendable	3,925	3,925	0	0%
Restricted: expendable	2,673	3,379	(706)	-21%
Unrestricted	91,856	60,627	31,229	52%
Total Net Position	\$ 635,746	\$ 592,029	\$ 43,717	7%

*In thousands

**As restated to conform to FY 2014 reclassifications

The University's financial position improved at the end of FY 2014 compared to the prior year. Total assets and deferred outflows of resources were \$1.441 billion compared to total liabilities and deferred inflows of resources of \$805.2 million. The difference between these two amounts, net position, was \$635.7 million. Total net position increased by \$43.7 million over FY 2013.

For FY 2014, current assets exceeded current liabilities by \$60.5 million. In FY 2013 current assets were \$35.9 million greater than current liabilities. This increasing differential represents a continuation of improving liquidity that began in FY 2011 and has continued through FY 2014. The current ratio, which is the ratio of current assets to current liabilities, and is a common measure of liquidity, improved to 1.38 in FY 2014 compared to 1.24 in FY 2013. This higher ratio still reflects a relatively weak level of liquidity, but there has been sustained improvement over the last four fiscal years.

Capital assets, net of accumulated depreciation of \$513.3 million, totaled \$1.177 billion, which represents an increase of \$9.4 million over FY 2013, and reflects the slowdown in the growth of equipment and facilities at the University that has been ongoing for the last several

years, The increases in capital assets, net for FY 2013, 2012, 2011, and 2010 were \$31.1 million, \$38.7 million, \$93.9 million, and \$171.1 million respectively.

The \$4.9 million, 15%, increase in Other noncurrent assets primarily reflects the increase in restricted bond proceeds used to pay for construction of capital assets, plus small increases in both investments and notes receivable.

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 expanding investment in capital assets, with total depreciable capital asset additions of \$32.1 million (excluding land, construction in progress, and works of art) and additions to construction in progress of \$56.3 million. Depreciation expense increased by \$3.5 million over the prior year to \$57.9 million.

Depreciable capital asset additions for FY 2014 included the following:

Asset Category	Amount (in millions)
Buildings	\$18.0
Equipment	\$6.3
Infrastructure	\$1.7
Improvements to land	\$1.2
Library Materials	\$4.9
Total	\$32.1

Completed building projects included the Fine Arts building renovation and Commerce building, acquired under a capital lease between the university and George Mason University Foundation. Infrastructure additions included \$1.7 million for Roanoke Road, and land improvements of \$1.2 million included a pedestrian path and crosswalk improvements, both on the Fairfax campus.

Major ongoing capital projects include: the Fenwick Library addition, dining renovations, the Fieldhouse renovation, Housing VIIB and the Campus Drive/West Campus Connector road and bridge, all at the Fairfax Campus, the Point of View facility at Belmont Bay and the Potomac Science Center.

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 \$36.5 million were issued during FY 2014, as follows:

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

Project	Amount (in millions)
Housing VIII	\$2.2
Housing V (Refunding)	\$6.3
Total	\$8.5

VCBA Notes were issued to finance the following project:

Project	Amount (in millions)
West Campus Connector & Campus Entrances	\$2.1
Ike's Dining	\$7.9
Johnson Center	\$2.6
Central Utility Plant	\$3.1
Fieldhouse Renovation	\$3.2
Patriot Center (Refundings)	\$9.1
Total	\$28.0

Total long-term debt outstanding, including revenue bonds, notes payable, capital leases payable, installment purchases, and bond premiums and discounts increased by \$3.2 million from the end of FY 2013 to the end of FY 2014, to a total of \$669.3 million. Deferred gains and losses on refundings were moved to the deferred inflows and outflows of resources lines as a result of a new GASB standard.

Contractual commitments for capital outlay projects under construction at year end increased from \$32.6 million in FY 2013 to \$49.0 million in FY 2014. 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 each year.

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, 2014	June 30, 2013**	Dollar Change	Percent Change
Operating Revenues:				
Student tuition and fees, net of allowances	\$ 302,303	\$ 287,178	\$ 15,125	5%
Grants and contracts	109,386	109,100	286	0%
Auxiliary enterprises and other	176,514	166,453	10,061	6%
Total operating revenues	588,203	562,731	25,472	5%
Operating Expenses:				
Educational and general	554,864	534,878	19,986	4%
Depreciation	57,880	54,366	3,514	6%
Auxiliary enterprises	125,044	121,069	3,975	3%
Total operating expenses	737,788	710,313	27,475	4%
Operating Income (loss)	(149,585)	(147,582)	(2,003)	1%
Nonoperating revenues and expenses (net)	160,449	137,316	23,133	17%
Income (loss) before other revenue/expense/gain/loss	10,864	(10,266)	21,130	206%
Other revenue/expense/gain/loss	32,853	50,986	(18,133)	-36%
Net increase in net position	43,717	40,720	2,997	7%
Net position at beginning of year	\$592,029	\$551,309	40,720	7%
Net position at end of year	\$ 635,746	\$ 592,029	\$ 43,717	7%

*in thousands

**As restated to conform to FY 2014 reclassifications

Operating revenue, consisting primarily of tuition and fees, grants and contracts, and auxiliary enterprises, increased by \$25.5 million, or 5%, over the prior year. Student tuition and fees, net of scholarship allowances, increased by \$15.1 million, or 5%, over the prior year. This increase is attributable to a combination of tuition and fee increases and moderate enrollment growth. Revenue from Grants and contracts, including a small amount of federal financial aid, increased by \$286 thousand, or less than 1%, over the prior year. This relatively small growth is

a reflection of the phasing out of federal stimulus funded grants. Auxiliary and other revenue increased by \$10.1 million, or 6%, primarily due to an increase in the number of students housed on campus, increased use of on-campus facilities and programs, increased mandatory fees, and increased room and board rates.

Total scholarships and fellowships, which is the sum of scholarship allowances and student aid expense, increased by \$5.3 million, or 6.2%.

Total operating expenses increased by \$27.5 million, or 4%. The major causes of this increase included an increase of \$17.4 million, or 3.8%, in compensation expenses, consisting of salaries, wages, and fringe benefits; an increase in the purchase of goods and services of \$7.7 million, or 4.4%; and an increase in depreciation expense of \$3.5 million, or 6.5%.

As a result of the operating expenses increasing by more than the increase in operating revenues, the operating loss increased by \$2.0 million, or 1%, to \$149.6 million.

Nonoperating revenues net of nonoperating expenses increased by \$23.1 million, or 17%, due primarily to a \$23.2 million increase in restricted and unrestricted state general fund appropriations (includes \$19.6 million re-appropriation of FY 2013 reversion), a \$.8 million increase in Pell receipts, a \$.5 million increase in non-capital private gifts, a \$.9 million decrease in investment income, a \$.2 million decrease in the Build America Bonds subsidy, and an increase in interest expense of \$.3 million.

In FY 2014 the University received a \$19.6 million re-appropriation of its FY 2013 reversion (referred to in the previous paragraph), but did not revert any unspent general fund appropriations for re-appropriation in FY 2015. This brought to an end the multi-year strategy of rolling forward each year an amount from a pool of saved funds. During FY 2014 the remaining funds from the pool of funds were added to University reserves.

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" (income before capital items) because this number is a better representation of the true operating results 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 2014 the income was \$10.9 million, which was an increase of \$21.1 million over the FY 2013 loss of \$10.2 million.

Although there were both increases and decreases in nonoperating revenues and expenses, the most significant factor causing the \$21.1 million increase in Income before other revenues, expenses, gains or losses in FY 2014 was the \$21.9 million increase in the unrestricted general fund appropriation from the Commonwealth, of which \$19.6 million was re-appropriation of the funds reverted in FY 2013, none of which was reverted in FY 2014.

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 decreased by \$18.1 million, or 36%, caused primarily by a decrease of \$14.2 million in capital appropriations from the Virginia College Building Authority 21st Century capital reimbursement program, a decrease of \$4.3 million in capital grants and gifts, and a decrease in capital reversions of \$.4 million.

Statement of Cash Flows

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, 2014	June 30, 2013	Dollar Change	Percent Change
Cash provided by operating activities	\$ 592,215	\$ 560,324	\$ 31,891	6%
Cash used by operating activities	(683,354)	(653,717)	(29,637)	5%
Net cash used by operating activities	(91,139)	(93,393)	2,254	-2%
Net cash provided by noncapital financing activities	186,908	165,976	20,932	13%
Net cash provided by (used by) capital financing activities	(63,316)	(72,595)	9,279	-13%
Net cash provided by (used by) investing activities	431	1,719	(1,288)	-75%
Net (decrease) increase in cash	32,884	1,707	31,177	1826%
Cash, beginning of year	156,526	154,819	1,707	1%
Cash, end of year	\$ 189,410	\$ 156,526	\$ 32,884	21%

* in thousands

The above summarized Statement of Cash Flows shows that during FY 2014 the University generated 87 percent (\$592.2 million of \$683.4 million expended) of its operating cash requirements from its own operations. This represents a small improvement over the 86% in FY 2013. The remainder (\$91.1 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.

Operating activities used \$29.6 million more cash in FY 2014 than in FY 2013, but generated \$31.9 million more cash than in FY 2013, resulting in a reduced need for operating cash to be obtained from sources other than operating activities. Overall, operating activities resulted in a net usage of cash of \$91.1 million which was \$2.3 million less than in FY 2013.

The major sources of the \$31.9 million increase in cash provided by operating activities in FY 2014 compared to FY 2013 were student tuition and fees (\$12.9 million increase), auxiliaries (\$16.8 million increase).

The major causes of the \$29.6 million increase in cash used by operations in FY 2014 compared to FY 2013 were payments to employees for salaries, wages, and fringe benefits (\$16.8 million increase), payments for supplies and services (\$13.5 million increase).

Cash provided by non-capital financing activities increased \$20.9 million in FY 2014 compared to FY 2013, primarily due to a \$23.3 million increase in state general fund appropriations, a \$.8 million increase in Pell Grant receipts, a \$.5 million increase in gifts and a \$3.7 million decrease 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 operating activities 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. They are, however, 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 \$95.8 million (negative \$91.1 and positive \$186.9).

From the net positive cash flow produced by this broader view of operations, \$61.6 million was used to pay debt service (principal and interest payments), which is treated as a capital financing activity although it is not financed by the cash flows provided by capital financing activities. An additional \$11.7 million 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 from the net positive cash flow provided by the broader view of operating cash flows described above.

The University's net cash used for capital financing activities decreased by \$9.3 million in FY 2014 compared to FY 2013. The primary components of the net decrease in cash used by capital financing activities include an increase in the proceeds received from the issuance of capital related debt, including premiums, net of refunding activity, (plus \$16.8 million), a decrease in the cash received from capital appropriations (minus \$13.1 million), a decrease in cash received from capital grants and gifts (minus \$3.2 million), a decrease in the purchase of capital assets (plus \$12.7 million), and an increase in debt service payments, net of refunding activity (minus \$3.9 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 2014, these activities produced \$1.3 million less cash than they did in FY 2013. The Commonwealth reduced the amount of interest paid for the University's cash balances held with the Treasurer.

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 recognized the need to develop a bridge strategy to create a pool of saved funds, enabled by federal stimulus funding, to carry forward several years into the future. The intent of the strategy was to avoid large tuition increases that would otherwise be needed to offset the loss of temporary federal stimulus funds and lower state general fund appropriations, while the University adopted and adjusted to a new financial model. The University was able to draw on the funds from FY 2010 through FY 2014. During FY 2014 the remaining funds were added to the University's reserves.

During FY 2014, the new strategic plan was approved by the Board of Visitors and provides the basis for the development of a new budgetary and financial model for the University during FY 2015. The new budgetary and financial model will support the implementation of the strategic plan, encourage innovation, enhance the ability to adapt more quickly to changing circumstances, and reduce reliance on state general fund appropriations.

Also, during FY 2014, the University began operations at its campus in Songdo, South Korea. The 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 and global profile.

In addition, during FY 2014, the University negotiated agreements with INTO University Partnerships 2 LLP (IUP), a limited liability partnership registered in England and Wales, to establish a new international student center located on the University's Fairfax Campus. 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 undergraduate and graduate degree programs at the University. IUP will provide marketing, student recruitment services, and management services. The international student center is a long-term strategic initiative that is expected to expand the University's revenue base and global profile.

The University is well positioned to continue attracting a strong student population and, with the launch of the new Mason Global Center for the fall 2014 semester, the University anticipates strong growth in the international student population. 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, and the successful launch of the new strategic initiatives, 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, 2014

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 166,781,742
Short-term investments (Note 2)	249,439
Accounts receivable, net of allowance of \$1,324,336 (Note 4)	38,889,569
Notes receivable, net of allowance of \$13,173 (Note 4)	575,823
Prepaid expenses	5,349,631
Inventories	1,353,624
Due from the Commonwealth of Virginia	5,073,727
Total Current Assets	218,273,555

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	30,240,357
Restricted cash and cash equivalents in custody of others (Note 2)	92,638
Notes receivable, net of allowance of \$66,848 (Note 4)	2,988,025
Depreciable capital assets, net of accumulated depreciation (Note 5)	1,087,120,783
Nondepreciable capital assets (Note 5)	89,997,247
Long-term investments (Note 2)	4,639,112
Total noncurrent assets	1,215,078,162

Total assets	1,433,351,717
Deferred outflows of resources	7,595,907
Total assets and deferred outflows of resources	1,440,947,624

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses (Note 6)	64,026,718
Unearned revenue	42,786,676
Obligations under securities lending	7,953,717
Deposits held in custody for others	2,153,584
Long-term debt- current portion (Notes 7 - 10)	35,142,583
Accrued compensated absences- current portion (Notes 7 - 10)	5,681,191
Total current liabilities	157,744,469

Noncurrent liabilities (Notes 7 - 10)

Long-term debt	634,159,999
Accrued compensated absences	9,544,153
Other noncurrent liabilities	3,565,953
Total noncurrent liabilities	647,270,105

Total liabilities	805,014,574
Deferred inflows of resources	186,860
Total liabilities and deferred inflows of resources	805,201,434

NET POSITION

Net investment in capital assets	537,291,639
Restricted: nonexpendable (Note 19)	3,925,326
Restricted: expendable (Note 19)	2,673,016
Unrestricted	91,856,209
Total net position	\$ 635,746,190

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, 2014**

	Total Component Units
Assets	
Cash and cash equivalents	\$ 15,886,110
Security deposits	77,784
Restricted cash and cash equivalents	7,348,959
Accounts receivable, net	208,206
Contributions receivable, net	21,147,886
Prepays & Other Assets	1,181,982
Leasing commissions	1,404,393
Net investment in direct financing lease	52,328,945
Deposits held with trustees	1,089,166
Beneficial interest in perpetual trusts	11,788,420
Annuity benefit contract	497,801
Deferred loan costs, net	2,511,678
Inventory	45,769
Investments	138,595,799
Property and equipment, net	160,151,177
Art and antiques	572,567
Total Assets	<u><u>414,836,642</u></u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	11,666,000
Accrued payroll and related expenses	30,779
Participation rent payable	454,207
Tenant security deposits liability	68,001
Unearned revenue	8,591,026
Trust liabilities	1,182,747
Other liabilities	42,044
Accrued annuity benefit	497,801
Derivative obligations	15,112,891
Long-term debt including loan payable	213,430,444
Amounts held for others	11,239,670
Total Liabilities	<u><u>262,315,610</u></u>
 Net Assets	
Unrestricted	10,165,292
Temporarily restricted	71,437,635
Permanently restricted	79,235,065
GMUF Real Estate LLCs	(8,316,960)
Total Net Assets	<u><u>152,521,032</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 414,836,642</u></u>

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, 2014

Operating revenues:

Student tuition and fees (net of scholarship allowances of \$48,831,509)	\$ 302,303,269
Federal grants and contracts	80,627,566
State, local, and nongovernmental grants and contracts	28,758,480
Auxiliary enterprises (net of scholarship allowances of \$15,323,778)	168,093,412
Other operating revenue	8,419,851
Total operating revenue	588,202,578

Operating expenses (Note 12)

Instruction	266,207,841
Research	71,121,771
Public service	18,618,652
Academic support	57,586,665
Student services	25,641,424
Institutional support	43,530,303
Operation and maintenance of plant	44,936,358
Depreciation and amortization	57,880,201
Student aid	27,220,294
Auxiliary enterprises	125,044,394
Total operating expenses	737,787,903

Operating income (loss)	(149,585,325)
--------------------------------	----------------------

Nonoperating revenues (expenses):

State educational and general appropriation (Note 13)	141,335,583
State general fund appropriations - restricted	19,325,000
Pell Grant Receipts	24,149,235
Gifts	3,148,941
ARRA Build America Bonds Subsidy	743,369
Investment income	967,843
Interest expense (Note 14)	(29,220,784)
Net nonoperating revenues	160,449,187

Income before other revenues, expenses, gains, and losses	10,863,862
--	-------------------

Other revenues, expenses, gains, and losses:

Capital grants and gifts	11,294,057
Capital appropriations	21,832,821
Loss on Disposal of capital assets	(273,934)
Net other revenues, expenses, gains, and losses	32,852,944

Increase in net position	43,716,806
---------------------------------	-------------------

Net position beginning of year	594,875,699
Net effect of change in accounting principle (Note 20)	(2,846,315)
Net position beginning of year - restated	592,029,384

Net position end of year	\$ 635,746,190
---------------------------------	-----------------------

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, 2014**

	Total
	Component Units
Operating Revenue	
Contributions	\$ 46,527,274
Interest on direct financing lease	3,158,972
Investment and trust return	13,418,908
Miscellaneous & Other income	257,787
Rental income, net	17,626,297
Operating grants	580,849
Service fees	2,456,263
Total Operating Revenue	<u>84,026,350</u>
Operating Expenses	
Academic program support	40,141,384
Advertising and promotion	59,286
Depreciation	4,545,887
Fundraising	277,301
Insurance	285,168
Interest expense	9,690,404
Maintenance	139,099
Management fees and purchased services	685,116
Office and other administrative expenses	3,175,991
Salaries, wages and benefits	1,263,021
Utilities	2,744,763
Total Operating Expenses	<u>63,007,420</u>
Change in Net Assets before Non-operating items and Other Changes	21,018,930
Non-operating Items	<u>2,429,305</u>
Change in Net Assets	23,448,235
Beginning Net Assets	<u>129,072,797</u>
Ending Net Assets	<u><u>\$ 152,521,032</u></u>

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, 2014

Cash flows from operating activities:

Student tuition and fees	\$ 300,058,587
Grants and contracts	110,471,880
Auxiliary enterprises	175,385,286
Perkins loan receipts	999,834
Other receipts	5,299,366
Payments to suppliers	(185,361,944)
Payments to employees	(469,764,339)
Payments for student aid	(27,220,294)
Perkins loan disbursements	<u>(1,006,977)</u>

Net cash used by operating activities **(91,138,601)**

Cash flows from noncapital financing activities

State appropriations	160,660,583
Federal Direct Loan Program receipts	163,211,001
Federal Direct Loan Program disbursements	(163,211,001)
Pell Grant receipts	24,149,235
Noncapital gifts	3,148,941
Agency transactions	<u>(1,050,493)</u>

Net cash provided by noncapital financing activities **186,908,266**

Cash flows from capital and related financing activities

Proceeds from capital appropriations available	22,770,617
Capital grants and contributions	10,887,837
Proceeds from sale of capital assets	54,095
Proceeds from issuance of capital related debt	21,115,000
Bond premium paid on capital related debt	1,245,215
Principal paid on capital related debt	(31,177,439)
Interest paid on capital related debt	(30,426,576)
Purchases of capital assets	<u>(57,784,505)</u>

Net cash used by capital and related financing activities **(63,315,756)**

Cash flows from investing activities

Interest on investments	967,843
Purchase of investments	<u>(536,820)</u>

Net cash provided by investing activities **431,023**

Net increase in cash **32,884,932**

Cash and cash equivalents - beginning of the year	164,423,707
Less: Securities Lending - Treasurer of Virginia	<u>(7,898,181)</u>
Net cash and cash equivalents - beginning of the year	<u>156,525,526</u>

Cash and cash equivalents - end of the year **\$ 189,410,458**

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, 2014

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

Statement of Net Position	
Cash and cash equivalents	\$ 197,114,737
Less: Securities lending - Treasurer of Virginia	<u>(7,704,279)</u>
Net cash and cash equivalents	<u>\$ 189,410,458</u>

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

Operating loss	\$ (149,585,325)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	57,880,201
Changes in assets and liabilities:	
Accounts receivable (net)	(2,890,527)
Restricted assets receivable (net)	2,333,181
Perkins loan receivable	(453,258)
Perkins loan liability	446,115
Inventory	(21,822)
Prepaid expenses	(2,731,918)
Due from Commonwealth	992,962
Accounts payable and accrued liabilities	(1,408,817)
Unearned revenue	3,489,887
Compensated absences	<u>810,720</u>
Net cash used by operating activities	<u>\$ (91,138,601)</u>

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, 2014

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), Mason Housing, Inc. (MHI), George Mason University Instructional Foundation (GMUIF), and Mason Korea, LLC (MK) are private, independent organizations whose close relationships with the University require them to be reported as component units of the University. GMUF, MHI, GMUIF, and MK are discretely presented herein by separate page display.

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, 2014, GMUF distributed \$40,347,665 to, or on behalf of, the University for both restricted and unrestricted purposes. Separate financial information for 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.

GMUIF was established to transmit educational and public affairs programming to the greater Washington, DC metropolitan area for a program fee under licenses issued by the Federal Communications Commission. During FY 14 the University and GMUIF agreed that GMUIF would establish, and be the sole member of, Mason Global Pathways, LLC. The purpose of Mason Global Pathways LLC is to invest in, and own 50% of, INTO Mason, LLC. INTO Mason, LLC was established to manage a new program to recruit international students and create pathways programs, providing the students the opportunity to become degree seeking students at the University. Separate financial information for GMUIF may be obtained by writing to GMUIF, Attn- CFO, Kelley II - 10716 Kelley Drive, MSN 1D2, Fairfax, VA 22030.

MK was established to develop and operate a campus for the University on the Songdo Global University Campus in Songdo, South Korea. Separate financial information for MK may be obtained by writing to Mason Korea, LLC, Attn- General Accounting, 4400 University Drive, MSN 4B2, Fairfax, VA 22030.

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, MHI, GMUIF, and MK 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 three 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. All three 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. Unearned Revenue

Unearned revenue represents monies collected but not earned as of June 30, 2014. This is primarily composed of student tuition collected for courses that will be offered after June 30, 2014.

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, 2014, 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 less 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 2015 that were paid in advance as of June 30, 2014. 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 and premiums, which are recognized over the life of the bond. Deferred gains and losses on debt refundings are recorded as deferred inflows of resources and deferred outflows of resources, respectively. The deferred inflows and outflows are recognized as a component of interest expense over the remaining life of the old bond or the life of the new bond, whichever is shorter. Bond issuance costs are expensed.

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 2014, funding has been provided to the University from two programs:

- 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:

Custodial Credit Risk - 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 \$1,959,420, and corporate bonds in the amount of \$1,339,410, 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.

Credit Risk - 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 \$1,339,410, 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.

Concentration of Credit Risk - 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 \$71,918 for the University. These money market funds have a maturity of less than one year. GMUF holds corporate bonds in the amount of \$1,339,410 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 2014.

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

	<u>Market Value</u>
Cash and cash equivalents:	
Local funds	\$ 13,737,656
Treasurer of Virginia	145,339,807
Treasurer of Virginia (Securities Lending)	<u>7,704,279</u>
Subtotal	166,781,742
Restricted cash and cash equivalents:	
Treasurer of Virginia (State Nonarbitrage Program)	30,240,357
Held in custody of others	<u>92,638</u>
Subtotal	<u>30,332,995</u>
 Total Cash and cash equivalents	 <u>\$197,114,737</u>
 Investments:	
Short-term:	
Treasurer of Virginia (Securities Lending)	<u>\$249,439</u>
Long-term:	
Corporate stocks	1,959,420
Corporate bonds	1,339,410
Money Market Funds & Cash	71,918
Alternative investments	<u>1,268,364</u>
Subtotal Long-term	<u>4,639,112</u>
 Total Investments	 <u>\$4,888,551</u>

3. DONOR-RESTRICTED ENDOWMENTS

The University's endowment is managed by the George Mason University Foundation (GMUF). During FY 2014, the net appreciation on the investments of donor-restricted endowments was an overall investment gain of \$439,265, 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 5.5% 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, 2014:

Accounts Receivable:

Student tuition and fees	\$9,810,711
Grants and Contracts receivable (restricted)	22,726,354
Due from Foundations	5,603,644
Other accounts receivable	<u>2,073,196</u>

Total accounts receivable	<u>\$40,213,905</u>
---------------------------	---------------------

Less allowance for doubtful accounts	<u>(1,324,336)</u>
--------------------------------------	--------------------

Net accounts receivable	<u>\$38,889,569</u>
-------------------------	---------------------

Notes Receivable:

Current:

Perkins loans receivable	\$568,082
Nurse faculty loan	20,914
Less allowance for doubtful accounts	<u>(13,173)</u>

Net current notes receivable	<u>\$575,823</u>
------------------------------	------------------

Noncurrent:

Perkins loans receivable	\$2,882,762
Nurse faculty loan	106,127
Doctoral nursing loan	25,000
Local loans to students	40,984
Less allowance for doubtful accounts	<u>(66,848)</u>

Net non-current notes receivable	<u>\$2,988,025</u>
----------------------------------	--------------------

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$19,032,502	1,724,865	-	\$20,757,367
Construction-in-progress	34,529,142	56,291,845	22,482,559	68,338,428
Works of art and historical treasures	<u>901,452</u>	<u>-</u>	<u>-</u>	<u>901,452</u>
Total non-depreciable capital assets	<u>54,463,096</u>	<u>58,016,710</u>	<u>22,482,559</u>	<u>89,997,247</u>
Depreciable Capital Assets:				
Buildings	1,258,489,239	18,044,475	-	1,276,533,714
Improvements	33,327,892	1,167,277	-	34,495,169
Infrastructure assets	55,410,611	1,738,609	-	57,149,220
Equipment	115,807,205	6,252,157	3,465,732	118,593,630
Intangibles including computer software	12,915,333	11,665	-	12,926,998
Library materials	<u>96,899,142</u>	<u>4,865,473</u>	<u>1,036,234</u>	<u>100,728,381</u>
Total Depreciable Capital Assets	<u>1,572,849,422</u>	<u>32,079,656</u>	<u>4,501,966</u>	<u>1,600,427,112</u>
Less accumulated depreciation:				
Buildings	272,024,634	40,096,186	-	312,120,820
Improvements	22,369,883	1,624,902	-	23,994,785
Infrastructure assets	18,720,131	1,587,505	-	20,307,636
Equipment	66,350,591	9,204,435	3,137,703	72,417,323
Intangibles including computer software	12,001,616	451,945	-	12,453,561
Library materials	<u>68,133,210</u>	<u>4,915,228</u>	<u>1,036,234</u>	<u>72,012,204</u>
Total accumulated depreciation	<u>459,600,065</u>	<u>57,880,201</u>	<u>4,173,937</u>	<u>513,306,329</u>
Depreciable capital assets, net	<u>1,113,249,357</u>	<u>(25,800,545)</u>	<u>328,029</u>	<u>1,087,120,783</u>
Total capital assets, net	<u>\$1,167,712,453</u>	<u>\$32,216,165</u>	<u>\$22,810,588</u>	<u>\$1,177,118,030</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2014:

Employee salaries, wages and fringe benefits payable	29,503,720
Vendors and suppliers accounts payable	15,437,146
Interest payable	6,230,420
Capital projects retainage payable	3,148,211
Capital projects and equipment accounts payable	<u>9,707,221</u>
Total accounts payable and accrued expenses	<u>\$ 64,026,718</u>

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, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Long-term debt:						
Revenue Bonds	\$231,265,857	\$8,541,209	\$18,851,172	\$220,955,894	\$12,430,673	\$208,525,221
Notes Payable	349,100,000	28,005,000	24,425,000	352,680,000	17,470,000	335,210,000
Capital Lease Obligation	46,569,255	6,380,996	855,008	52,095,243	794,969	51,300,274
Installment Purchases	15,444,516	-	1,831,014	13,613,502	1,686,386	11,927,116
Bond Discount	(51,949)	-	(6,768)	(45,181)	(6,769)	(38,412)
Bond Premium	<u>30,668,240</u>	<u>2,172,395</u>	<u>2,837,511</u>	<u>30,003,124</u>	<u>2,767,324</u>	<u>27,235,800</u>
Total Long-term Debt	<u>672,995,919</u>	<u>45,099,600</u>	<u>48,792,937</u>	<u>669,302,582</u>	<u>35,142,583</u>	<u>634,159,999</u>
Accrued Compensated Absences	14,414,624	14,158,189	13,347,469	15,225,344	5,681,191	9,544,153
Other noncurrent liabilities:						
Loan Funds	<u>3,119,838</u>	<u>446,115</u>	<u>-</u>	<u>3,565,953</u>	<u>-</u>	<u>3,565,953</u>
Total Long-term Liabilities	<u>\$690,530,381</u>	<u>\$59,703,904</u>	<u>\$62,140,406</u>	<u>\$688,093,879</u>	<u>\$40,823,774</u>	<u>\$647,270,105</u>

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:

<u>Bond Title</u>	<u>Year Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Final Payment Due</u>	<u>Balance Outstanding at June 30, 2014</u>
9 (c) Revenue Bonds:						
Student Housing VII	2005	25,800,000	3.75 to 5.0%	25 Years	2030	885,000
Student Housing VII RB#2	2006	39,080,000	4.0 to 5.0%	25 Years	2031	14,825,000
Renovate Housing Facilities-Dominion	2006	2,420,000	5.00%	10 Years	2016	635,000
Housing VIIC & Entrance Road	2007	15,495,000	4.0 to 5.0%	25 Years	2032	8,595,000
Presidents Park Renovation	2007	3,130,000	5.00%	10 Years	2017	1,200,000
Housing VII RB#3	2007	2,010,000	4.0 to 5.0%	25 Years	2032	1,085,000
Renovate Commonwealth & Dominion Ph II	2008	1,530,000	3.0 to 5.0%	10 Years	2018	760,000
Renovate Presidents Park Ph I	2008	3,095,000	3.0 to 5.0%	10 Years	2018	1,540,000
Student Housing VII	2008	1,955,000	3.0 to 5.0%	25 Years	2033	1,680,000
Student Housing VIIC	2008	23,870,000	3.0 to 5.0%	25 Years	2033	21,390,000
Renovate Presidents Park Ph II	2008	3,120,000	3.0 to 5.0%	20 Years	2028	2,640,000
Renovate Presidents Park Ph I	2009	1,790,000	3.0 to 5.0%	10 Years	2019	1,080,000
Student Housing VIIC	2009	8,255,000	3.0 to 5.0%	25 Years	2034	7,440,000
Student Housing VIII	2009	7,910,000	4.0 to 5.0%	25 Years	2034	7,485,000
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	4,366,728
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	1,950,000
Housing VIII	2010	39,420,000	2.1 to 5.0%	25 Years	2035	36,890,000
Smithsonian CRC – Housing	2010	5,415,000	2.1 to 5.0%	25 Years	2035	5,065,000
Renovate Commons	2010	1,325,000	2.1 to 5.0%	20 Years	2030	1,210,000
Student Housing VII-C	2011	1,045,000	2.0 to 5.0%	25 Years	2036	1,005,000
Presidential Park Renovation	2011	2,700,000	2.0 to 5.0%	10 Years	2021	2,225,000
Housing VIII	2011	20,230,000	2.0 to 5.0%	25 Years	2036	19,170,000
Smithsonian CRC – Housing	2011	4,070,000	2.0 to 5.0%	25 Years	2036	3,960,000
Renovate Commons	2011	14,350,000	2.0 to 5.0%	20 Years	2031	13,805,000
9(c) 2012 A Refunding (2002R)	2012	3,956,287	3.0 to 4.0%	3 Years	2015	1,658,386
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
Housing VIII	2014	2,235,000	2.0 to 5.0%	20 Years	2034	2,235,000
9(c) 2014 B Refunding (2004B)	2014	<u>6,306,209</u>	2.0 to 5.0%	6 Years	2020	<u>6,306,209</u>
Total 9 (c) bonds		<u>296,405,106</u>				<u>219,740,894</u>
9 (d) Revenue Bonds:						
Refunded Krasnow Institute for Advanced Study*	2003	2,677,686	5.2 to 6.375%	13 Years	2016	669,422
Refunded Warehouse	2003	<u>2,182,314</u>	5.2 to 6.375%	13 Years	2016	<u>545,578</u>
Total 9 (d) bonds		<u>4,860,000</u>				<u>1,215,000</u>
Total Bonds Payable		<u>\$301,265,106</u>				<u>\$220,955,894</u>

* 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, 2014 matures as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>BAB Interest Subsidy*</u>	<u>Total Net of Subsidy</u>
2015	12,430,673	9,718,913	(579,614)	21,569,972
2016	11,758,201	9,112,200	(579,614)	20,290,787
2017	11,134,805	8,630,133	(564,877)	19,200,061
2018	11,155,076	8,136,441	(547,783)	18,743,734
2019	10,885,573	7,645,225	(527,908)	18,002,890
2020-2024	56,579,554	30,961,695	(2,312,777)	85,228,472
2025-2029	57,157,012	18,765,785	(1,681,099)	74,241,698
2030-2034	44,000,000	6,477,005	(814,461)	49,662,544
2035-2039	<u>5,855,000</u>	<u>318,705</u>	<u>(43,017)</u>	<u>6,130,688</u>
Total	<u>\$220,955,894</u>	<u>\$99,766,102</u>	<u>\$(7,651,150)</u>	<u>\$313,070,846</u>

* 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. 2014 Defeasance of Debt

In April 2014, the Treasury Board, on behalf of the university, issued \$6,306,209 of General Obligation Bonds, Series 2014B, with interest rates of 2.0 to 5.0 percent to refund \$6,860,850 of outstanding bonds payable with interest rates of 4.0 to 5.0 percent. The Series 2014B bonds issued to refund the GMU Housing Building V, Series 2004B, were advance refunded, where the net proceeds of \$7,163,753 (after payment of \$18,316 in issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 2004B bonds. As a result, the 2004B GMU Housing Building V bonds are considered to be defeased and the liability for those bonds has been removed from the noncurrent liabilities line in the Statement of Net Position. Any related assets in escrow have similarly been excluded.

Although the advance refunding resulted in the recognition of an accounting loss of \$302,903 for the year ended June 30, 2014, the university in effect decreased its aggregate debt service payments by \$575,629 over the next six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$562,606.

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, 2014, \$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:

<u>Bond Title</u>	<u>Year Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Final Payment Due</u>	<u>Balance Outstanding at June 30, 2014</u>
Fairfax Research I	2004	10,005,000	3.0 to 5.0%	21 Years	2026	445,000
Aquatic Fitness Center	2004	6,785,000	3.0 to 5.0%	16 Years	2021	460,000
VCBA 2004B Refunding (1997A)	2004	13,470,000	3.0 to 5.0%	12 Years	2017	5,645,000
VCBA 2004B Refunding (1999A)	2004	2,720,000	3.0 to 5.0%	15 Years	2020	1,725,000
Krasnow Institute	2005	4,495,000	3.5 to 5.0%	21 Years	2027	1,260,000
Student Union III	2005	4,890,000	3.5 to 5.0%	21 Years	2027	1,385,000
Student Union III RB#2	2006	5,190,000	3.0 to 5.0%	21 Years	2028	4,120,000
PE Addition/Renovation	2006	6,035,000	3.0 to 5.0%	22 Years	2029	5,025,000
PE Building Addition, Phase II	2006	2,800,000	3.0 to 5.0%	22 Years	2029	2,325,000
Krasnow Institute Addition	2006	1,955,000	3.0 to 5.0%	20 Years	2027	1,470,000
PW Bio Containment Lab	2006	13,260,000	3.0 to 5.0%	22 Years	2029	11,035,000
PW Performing Arts Center	2006	10,790,000	3.0 to 5.0%	22 Years	2029	8,975,000
Fairfax Surge Space Fit Out	2006	1,515,000	3.0 to 5.0%	21 Years	2028	1,200,000
Fairfax Surge Space Building	2006	6,340,000	3.0 to 5.0%	21 Years	2028	5,035,000
PW Performing Arts Center RB#2	2007	8,565,000	4.5 to 5.0%	20 Years	2028	7,025,000
Student Union I Renovation	2007	5,085,000	4.5 to 5.0%	20 Years	2028	4,170,000
Student Union III RB#3	2007	6,130,000	4.5 to 5.0%	25 Years	2033	5,255,000
PE Addition/Renovation RB#2	2007	8,555,000	4.5 to 5.0%	20 Years	2028	7,020,000
PE Building Addition Phase II, RB#2	2007	3,820,000	4.5 to 5.0%	20 Years	2028	3,135,000
Fairfax Surge Space Bldg RB#2	2007	2,965,000	4.5 to 5.0%	20 Years	2028	2,440,000
Academic VI/Research II	2007	4,945,000	4.5 to 5.0%	20 Years	2028	4,060,000
Parking Deck III	2007	20,750,000	4.5 to 5.0%	25 Years	2033	18,175,000
Softball Field Improvement	2007	1,510,000	5.00%	10 Years	2018	695,000
Hotel & Conference Center	2007	18,000,000	4.5 to 5.0%	30 Years	2038	16,395,000
Student Union II Renovation	2007	1,490,000	5.00%	10 Years	2018	745,000
VCBA 2007B Refunding (1997A)	2007	3,555,000	4 to 4.25%	10 Years	2018	2,150,000
VCBA 2007B Refunding (2005A)	2007	1,675,000	4.0 to 4.5%	12 Years	2020	1,355,000
Arlington Phase II	2009	7,945,000	2.1 to 5.0%	25 Years	2034	7,130,000
PW Performing Arts Center RB#3	2009	17,960,000	2.1 to 5.0%	20 Years	2029	15,290,000
Parking Deck III Phase I	2009	9,790,000	2.1 to 5.0%	25 Years	2034	8,790,000
PE Building Phase I	2009	2,750,000	2.1 to 5.0%	20 Years	2029	2,340,000
Surge Space & Fit-Out	2009	10,730,000	2.1 to 5.0%	20 Years	2029	9,135,000
Academic VI/Research II, RB#2	2009	20,335,000	2.1 to 5.0%	20 Years	2029	17,315,000
PE Building Phase II	2009	5,245,000	2.1 to 5.0%	20 Years	2029	4,470,000
Biomedical Research Lab, RB#2	2009	6,405,000	2.1 to 5.0%	20 Years	2029	5,455,000
Hotel & Conference Center	2009	25,190,000	2.1 to 5.0%	30 Years	2039	23,355,000
Student Union I Addition/Renovation	2009	7,980,000	2.1 to 5.0%	20 Years	2029	6,800,000
Student Union II Renovation	2009	585,000	2.1 to 5.0%	10 Years	2019	350,000
Parking Deck III Phase II	2009	13,885,000	2.1 to 5.0%	25 Years	2034	12,475,000
W. Campus Connector & Campus Entrances	2009	6,010,000	2.1 to 5.0%	20 Years	2029	5,120,000
PW Loop Road and Entrance	2009	575,000	3.0 to 5.0%	7 Years	2017	305,000
Arlington Phase II	2009	5,010,000	3.0 to 5.0%	25 Years	2035	4,655,000
PW Performing Arts Center	2009	3,390,000	3.0 to 5.0%	20 Years	2030	3,045,000
Fairfax Surge Space Fit Out Data Center	2009	1,685,000	2.0 to 5.0%	20 Years	2030	1,465,000
PW Regional Biomedical Laboratory	2009	1,950,000	2.0 to 5.0%	20 Years	2030	1,695,000
Hotel & Conference Center	2009	8,300,000	3.0 to 5.0%	30 Years	2040	7,880,000
Student Union I Addition/Renovation	2009	7,725,000	3.0 to 5.0%	20 Years	2030	6,930,000
Student Union II Renovation	2009	4,830,000	3.0 to 5.0%	20 Years	2030	4,330,000

<u>Bond Title</u>	<u>Year Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Final Payment Due</u>	<u>Balance Outstanding at June 30, 2014</u>
Arlington Phase II	2010	3,570,000	5.00%	7 Years	2018	2,495,000
Student Union II Renovation	2010	2,935,000	3.75 to 5.5%	20 Years	2031	2,720,000
Student Union I Addition/Renovation	2010	5,390,000	3.75 to 5.5%	20 Years	2031	4,995,000
Smithsonian CRC-Dining	2010	2,395,000	3.75 to 5.6%	25 Years	2036	2,270,000
Krasnow Institute Addition II	2010	5,215,000	2.0 to 5.5%	20 Years	2031	4,670,000
Fieldhouse Life/Safety/Code Renovation	2010	1,395,000	3.75 to 5.5%	20 Years	2031	1,295,000
Repair Aquatic & Fitness Center HVAC	2010	2,325,000	2.0 to 5.0%	10 Years	2021	1,735,000
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	5,540,000
Smithsonian CRC-Dining	2011	2,690,000	3.0 to 5.0%	25 Years	2037	2,625,000
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
W Campus Connector & Campus Entr	2013	2,135,000	2.0 to 5.0%	10 Years	2024	2,135,000
Ike's Dining	2013	7,830,000	2.0 to 5.0%	20 Years	2034	7,830,000
Johnson Center	2013	2,620,000	2.0 to 5.0%	8 Years	2022	2,620,000
Central Utility Plant	2013	3,065,000	2.0 to 5.0%	20 Years	2034	3,065,000
Renovate Fieldhouse	2013	3,230,000	1.0 to 3.5%	10 Years	2024	3,230,000
VCBA 2013B Refunding (2006A)	2013	7,280,000	1.0 to 4.0%	14 Years	2028	7,280,000
VCBA 2013B Refunding (2009A)	2013	1,845,000	1.0 to 4.0%	15 Years	2029	1,845,000
Total Notes Payable		<u>\$430,855,000</u>				<u>\$352,680,000</u>

Long-term debt from Notes Payable as of June 30, 2014 matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>BAB Interest Subsidy*</u>	<u>Total Net of Subsidy</u>
2015	17,470,000	15,822,573	(213,281)	33,079,292
2016	19,455,000	14,992,504	(221,246)	34,226,258
2017	20,390,000	14,082,348	(221,246)	34,251,102
2018	21,265,000	13,132,391	(221,246)	34,176,145
2019	19,350,000	12,205,273	(221,246)	31,334,027
2020-2024	100,950,000	47,102,842	(927,727)	147,125,115
2025-2029	100,315,000	23,673,672	(532,092)	123,456,580
2030-2034	38,305,000	7,791,175	(99,059)	45,997,116
2035-2039	14,675,000	1,745,350	(5,635)	16,414,715
2040-2044	<u>505,000</u>	<u>11,363</u>	<u>0</u>	<u>516,363</u>
Total	<u>\$352,680,000</u>	<u>\$150,559,491</u>	<u>\$(2,662,778)</u>	<u>\$500,576,713</u>

* 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. 2014 Defeasance of Debt

In October 2013, the VCBA, on behalf of the University, issued \$9,125,000 of VCBA Pooled Bonds, Series 2013B to advance refund \$8,090,000 of Series 2006A and 2009A 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 \$822,523 will be amortized over the life of the

new debt. The details of each bond issue refunded are below. VCBA Pooled Bonds are reported as Notes Payable by the university.

	Bonds Refunded	Interest Rate (Bonds Refunded)	Refunding Bonds Issued	Interest Rate (Refunding Bonds)	Accounting Gain (Loss)	Reduction in Debt Service	Economic Gain/Loss
Patriot Ctr, Series 2006A	\$6,515,000	3.0 - 5.0%	\$7,280,000	1.0 - 4.0%	\$(645,184)	\$(494,186)	\$(371,947)
Patriot Ctr, Series 2009A	<u>1,575,000</u>	2.25 - 5.0%	<u>1,845,000</u>	1.0 - 4.0%	<u>(177,339)</u>	<u>(127,171)</u>	<u>(95,399)</u>
Total	\$8,090,000		\$9,125,000		(\$822,523)	\$(621,357)	\$(467,346)

C. 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, 2014, \$9,890,000 from Series 2004A, \$5,035,000 from Series 2005A, \$6,515,000 from Series 2006A and 1,575,000 from Series 2009A 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 eleven years with varying rates of interest.

Principal and interest payments on these commitments for fiscal years subsequent to June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,588,042	97,219	1,685,261
2020-2024	5,006,625	193,570	5,200,195
2025	<u>517,722</u>	<u>7,403</u>	<u>525,125</u>
Total	<u>\$13,613,502</u>	<u>\$917,415</u>	<u>\$14,530,917</u>

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, 2014.

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, 2014.

During FY 2014, the University began a 20 year capital lease with George Mason University Foundation (GMUF) for the provision of an 31,879 square foot office building and land in downtown Fairfax, close to the Fairfax campus.

The University has accounted for the acquisition of the office building as a capital lease, and therefore has recorded land as a Nondepreciable capital asset, the building as a Depreciable capital asset, net, and has also recorded a corresponding lease liability in Long-term debt, all on its Statement of Net Position as of June 30, 2014.

Payments of principal, interest, and executory costs on the capital leases for fiscal years subsequent to June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Executory</u>	<u>Totals</u>
2015	794,969	3,142,465	331,216	4,268,650
2016	881,222	3,088,653	334,405	4,304,280
2017	961,136	3,030,032	337,231	4,328,399
2018	1,037,358	2,967,720	338,929	4,344,007
2019	1,145,775	2,897,802	342,535	4,386,112
2020-2024	7,426,930	13,213,299	1,754,970	22,395,199
2025-2029	11,367,871	10,286,930	1,838,604	23,493,405
2030-2034	15,586,827	6,034,830	1,643,211	23,264,868
2035-2039	9,097,943	1,711,784	635,626	11,445,353
<u>2040-2044</u>	<u>3,795,212</u>	<u>12,079</u>	<u>380,729</u>	<u>4,188,020</u>
<u>Total</u>	<u>\$52,095,243</u>	<u>\$46,385,594</u>	<u>\$7,937,456</u>	<u>\$106,418,293</u>

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, 2014

	George Mason University Foundation	Mason Housing, Inc. *	GMU Instructional Foundation	Mason Korea, LLC ^	Component Units Total
Assets					
Cash and cash equivalents	\$12,920,511	\$68,915	\$1,873,802	\$1,022,882	\$15,886,110
Security deposits	-	77,784	-	-	77,784
Restricted cash and cash equivalents	1,804,012	5,544,947	-	-	7,348,959
Accounts receivable, net	-	321	207,885	-	208,206
Contributions receivable, net	21,147,886	-	-	-	21,147,886
Prepays and other assets	1,055,580	23,866	99,365	3,171	1,181,982
Leasing commissions	1,404,393	-	-	-	1,404,393
Net investment in direct financing lease	52,328,945	-	-	-	52,328,945
Deposits held with trustees	1,089,166	-	-	-	1,089,166
Beneficial interest in perpetual trusts	11,788,420	-	-	-	11,788,420
Annuity benefit contract	497,801	-	-	-	497,801
Deferred loan costs, net	1,040,303	1,471,375	-	-	2,511,678
Inventory	-	-	45,769	-	45,769
Investments	138,595,799	-	-	-	138,595,799
Property and equipment, net	126,352,875	26,779,886	7,018,416	-	160,151,177
Art and antiques	572,567	-	-	-	572,567
Total Assets	370,598,258	33,967,094	9,245,237	1,026,053	414,836,642
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	10,237,648	215,869	1,034,735	177,748	11,666,000
Accrued payroll and related expenses	-	11,821	-	18,958	30,779
Participation rent payable	-	454,207	-	-	454,207
Tenant security deposits liability	-	68,001	-	-	68,001
Unearned revenue	6,941,446	49,785	774,875	824,920	8,591,026
Trust liabilities	1,182,747	-	-	-	1,182,747
Other liabilities	38,644	-	3,400	-	42,044
Accrued annuity benefit	497,801	-	-	-	497,801
Derivative obligations	5,850,106	9,262,785	-	-	15,112,891
Long-term debt including loans payable	172,041,228	39,600,000	1,789,216	-	213,430,444
Amounts held for others	11,239,670	-	-	-	11,239,670
Total Liabilities	208,029,290	49,662,468	3,602,226	1,021,626	262,315,610
Net Assets					
Unrestricted	20,213,228	(15,695,374)	5,643,011	4,427	10,165,292
Temporarily restricted	71,437,635	-	-	-	71,437,635
Permanently restricted	79,235,065	-	-	-	79,235,065
Real Estate LLCs	(8,316,960)	-	-	-	(8,316,960)
Total Net Assets	162,568,968	(15,695,374)	5,643,011	4,427	152,521,032
Total Liabilities and Net Assets	\$370,598,258	\$33,967,094	\$9,245,237	\$1,026,053	\$414,836,642

* March 31, 2014 year-end

^ December 31, 2013 year-end

**Combining Statement of Activities
For the Year Ended June 30, 2014**

	George Mason University Foundation	Mason Housing, Inc. *	GMU Instructional Foundation	Mason Korea, LLC ^	Component Units Total
Operating Revenue:					
Contributions	\$46,527,274	-	-	-	\$46,527,274
Interest on direct financing lease	3,158,972	-	-	-	3,158,972
Investment and trust return	13,394,165	-	24,743	-	13,418,908
Miscellaneous and other income	174,759	78,950	-	4,078	257,787
Rental income, net	13,445,516	3,355,181	825,600	-	17,626,297
Operating grants	-	-	273,586	307,263	580,849
Service fees	996,383	-	1,459,880	-	2,456,263
Total Operating Revenue	77,697,069	3,434,131	2,583,809	311,341	84,026,350
Operating Expenses:					
Academic program support	40,070,364	-	-	71,020	40,141,384
Advertising and promotion	-	12,033	34,076	13,177	59,286
Depreciation	3,410,273	1,065,543	70,071	-	4,545,887
Fundraising	277,301	-	-	-	277,301
Insurance	164,526	101,777	18,214	651	285,168
Interest expense	7,529,859	2,068,385	92,160	-	9,690,404
Maintenance	-	139,099	-	-	139,099
Management fees and purchased services	-	104,424	396,228	184,464	685,116
Office and other administrative expenses	2,650,820	111,653	409,781	3,737	3,175,991
Salaries, wages and benefits	-	285,445	942,711	34,865	1,263,021
Utilities	2,689,915	30,786	24,062	-	2,744,763
Total Operating Expenses	56,793,058	3,919,145	1,987,303	307,914	63,007,420
Change in Net Assets before Non-operating items and other changes	20,904,011	(485,014)	596,506	3,427	21,018,930
Non-operating items	57,195	2,607,110	(235,000)	-	2,429,305
Change in Net Assets	20,961,206	2,122,096	361,506	3,427	23,448,235
Beginning Net Assets	141,607,762	(17,817,470)	5,281,505	1,000	129,072,797
Ending Net Assets – end of year	\$162,568,968	\$(15,695,374)	\$5,643,011	\$4,427	\$152,521,032

* March 31, 2014 year-end

^ December 31, 2013 year-end

A. Investments

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

	GMUF
Cash and money market funds	\$3,399,523
Equities	39,200,318
Fixed income	64,648,904
Commodities	1,105,106
Real estate	69,774
Hedge funds	24,363,186
Managed futures	2,011,930
Private equity and real assets	3,797,058
Total Investments	<u>\$138,595,799</u>

B. Contributions Receivable – GMUF

GMUF's contributions receivable as of June 30, 2014 are as follows:

Due in less than one year	\$4,311,190
Due in one to five years	17,490,552
Due in more than five years	<u>766,250</u>
Less allowance for doubtful accounts	(136,375)
Less discount present value	<u>(1,283,731)</u>
Total	<u>\$21,147,886</u>

Discount rates range from 0.15 percent to 5.69 percent.

As of June 30, 2014, the Foundation has \$7,138,000 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, 2014:

	GMUF	MHI *	GMUIF
Land	\$27,396,787	\$ -	\$6,435,556
Buildings and building improvements	93,110,394	31,267,734	600,000
Furniture and equipment	834,920	131,487	2,132,564
Construction in progress	34,784,351	-	-
Total	156,126,452	31,399,221	9,168,120
Accumulated depreciation and amortization	(29,773,577)	(4,619,335)	(2,149,704)
Net property and equipment	\$126,352,875	\$26,779,886	\$7,018,416

* March 31, 2014 year-end

D. Long-Term Debt – GMUF

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

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

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

On April 30, 2013 the interest rate swap was amended resulting in a change to the notional balance to \$20,818,750, and changes to the fixed interest rate and termination date. 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.

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

On April 21, 2010 the Fairfax County Development Authority issued its \$36,100,000 Revenue Bond Series 2010A (Tax Exempt – GMUF Mason Administration, LLC Project) and its \$1,900,000 Revenue Bond Series 2010B (Taxable – GMUF Mason Administration, LLC Project) and sold such bonds to a commercial bank pursuant to a Bond Purchase and Loan Agreement dated April 1, 2010. The Series 2010A Bond is subject to mandatory repayment at the option of the commercial bank in December 2023. Proceeds are to be used in the acquisition, construction, renovation and equipping of a five-story administration building consisting of approximately 140,000 square feet for classrooms, administrative office and retail space. The building was substantially completed in May 2011, with remaining construction for retail space completed in fiscal year 2014. The Foundation's loan obligation is limited to that portion of the bond issuance which it drew upon pursuant to the Bond Purchase and Loan Agreement.

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

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

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$14,640,000 Revenue Bond Series 2011A (Tax-Exempt George Mason University Foundation Prince William Housing LLC Project) and its \$985,000 Revenue Bond Series 2011B (Taxable George Mason University Foundation Prince William Housing LLC Project) pursuant to a Trust Indenture, dated August 1, 2011. Proceeds were used to finance the acquisition, construction and equipping of a student residence hall consisting of 152 beds in 112 units in approximately 80,858 total square feet of space, university program space of approximately 10,000 square feet, and approximately 15,000 square feet of unimproved "shell space" designated for retail tenants. The Series 2011A and Series 2011B Bonds are special, limited obligations of the Issuer, payable solely from the revenues pledged therefore under the indenture. Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation began leasing the property to the University in fiscal year 2013 with a 30 year lease term, 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

On August 11, 2011, the Industrial Development Authority of the County of Prince William issued its \$31,065,000 Revenue Bond Series 2011AA (Tax-Exempt George Mason University Foundation Prince William Life Sciences Lab LLC Project) and its

\$2,145,000 Revenue Bond Series 2011BB (Taxable George Mason University Foundation Prince William Life Sciences Lab LLC Project) pursuant to a Trust Indenture dated August 1, 2011. Proceeds will be used to finance the acquisition, construction and equipping of life sciences lab facilities consisting of approximately 58,056 square feet, and the acquisition and construction of approximately 17,615 square feet of unimproved "shell space" designated for commercial laboratory use. The project is expected to be completed in fiscal year 2015. The Series 2011AA and Series 2011BB Bonds are special, limited obligations of the Issuer, payable solely from the revenues pledged therefore under the indenture.

Neither the Foundation nor the University is liable for payments of the principal or redemption price of interest on the Bonds. The Foundation will lease the property to the University, and the rental payments made by the University will service the bonds' principal and interest payments.

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

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

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

GMUF Arlington Campus, LLC Notes

On August 18, 2006, GMUF Arlington Campus, LLC secured a permanent 10-year \$68.5 million loan by executing a deed of trust on real property located at 3434 North Washington Street with a book value of \$58,810,080 with a financial institution.

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

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

	2014
Fairfax County Economic Development Authority Bonds:	
George Mason University Foundation, Inc. Bonds, variable rates maturing at various dates through May 31, 2018	\$21,653,750
GMUF Mason Administration, LLC Tax-Exempt Revenue Bond, variable rate maturing on June 1, 2036	31,638,403
GMUF Mason Administration, LLC Taxable Revenue Bond, variable rate maturing on December 1, 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
Prince William County Series 2011A Bonds, term 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
Prince William County Series 2011AA Bonds, term interest rate 5.50%, maturing September 1, 2034	4,275,000
Prince William County Series 2011AA Bonds, term interest rate 5.125%, maturing September 1, 2041	13,075,000
Prince William County Series 2011BB Bonds, term interest rate of 3.00%, maturing September 1, 2016	1,615,000
Industrial Development Authority of the Town of Clifton, VA:	
Industrial Development Authority of the Town of Clifton, VA, revenue bond series 2013, variable rate maturing May 10, 2031	6,036,695
Bank Notes:	
GMUF Arlington Campus, LLC Notes A with interest rate of 6.24% maturing September 1, 2016	59,584,124
GMUF Arlington Campus, LLC Notes B with interest rate of 10.50% maturing September 1, 2016	4,189,509
Notes and bonds payable at face value	171,407,481
Plus: unamortized net premium	633,747
Total long-term debt	<u>\$172,041,228</u>

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

Scheduled maturities and sinking fund requirements are as follows:

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

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

The carrying value of long-term debt approximated the fair value as of June 30, 2014. 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, 2014, the notional amount on the swap was \$19,887,500 and on the cap was \$10,675,000.

The fair value of the interest rate swap at June 30, 2014 totaled a derivative liability of \$2,018,029. The interest rate swap has a liability threshold of \$3,500,000. Should the derivative obligation exceed \$3,500,000 the Foundation is required to post collateral in excess of the threshold amount. As of June 30, 2014, no collateral balance was required. The fair value of the interest rate cap totaled a derivative asset of \$20,731 at June 30, 2014. The net change in value has been recorded as gains or losses on derivatives in the consolidated statement of activities. Additionally, all assets or liabilities

related to the interest rate swap and interest rate cap convert to zero at contract maturity.

GMUF Mason Administration, LLC Interest Rate Swaps

In March 2010, as part of the GMUF Mason Administration, LLC Project, the Foundation entered into a forward floating-to-fixed interest rate swap to effectively fix the interest rate on the \$32,100,000 tax-exempt notional amount and a second forward floating-to-fixed interest rate swap to effectively fix the interest rate on the \$1,900,000 taxable notional amount with a commercial bank. The swap transactions became effective on June 1, 2011. The termination date is June 1, 2036 for the tax-exempt notional amount and December 1, 2013 for the taxable notional amount. The tax-exempt swap has an option to terminate at no risk at the end of the 13th year.

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

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

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.

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 bore interest at the initial index floating rate, which is 1.10% plus the Securities Industries and Financial Market Association (SIFMA) index which expired on October 31, 2013. The Index floating rate period was extended and the Bonds bear interest at 1.10% plus SIFMA through January 31, 2018. Commencing February 1, 2018, 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, 2014 was 1.15%. The Bonds are secured by a Trust Indenture dated October 1, 2008. The trust indenture was supplemented on October 1, 2013 to reflect the Bonds as directly held by the bond purchaser. During 2013, the Organization expensed consulting fees related to the supplement totaling \$118,413.

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 (.10913% at March 31, 2014).

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 (.10913% at March 31, 2014).

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 of at least 1.20.

During the year ended March 31, 2014, interest expense of \$1,979,330 was incurred and included in interest expense on the statement of activities and changes in restricted net deficit. As of March 31, 2014, the outstanding principal balance was \$39,600,000.

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

2015	\$140,000
2016	160,000
2017	190,000
2018	245,000
2019	320,000
Thereafter	<u>38,545,000</u>
Total	<u>\$39,600,000</u>

G. Long-Term Debt – GMUIF

GMUIF has a note payable with a bank, in the original amount of \$2,850,000 that commenced on March 1, 2010; collateralized by a deed of trust on 50 acres of land owned by GMUIF. The note bears interest at a fixed rate of 5.75% per annum with monthly payments of principal and interest of \$18,483. The note matures on March 1, 2025.

The minimum five years payments for the years ending June 30 are as follow:

2015	\$130,388
2016	137,046
2017	144,043
2018	151,397
2019	159,127
Thereafter	<u>1,067,215</u>
Total	<u>\$1,789,216</u>

H. Subsequent Events- Component Units

In July 2014, GMUIF created a wholly owned subsidiary, Mason Global Pathways, LLC, with an initial investment of \$250,000 for the purpose of partnering with INTO USA, LLC to create and operate an international student center on the campus of George Mason University.

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

In January 2015, Mason Korea, LLC received an interest free \$225,000 loan from Songdo Global University Foundation. The loan will be repaid once Mason Korea, LLC has sufficient net income that would allow for repayment.

On March 16, 2015, GMUF Commerce Buildings, LLC issued \$5,720,000 of taxable notes with a commercial bank at a fixed rate of 3.63%, maturing on October 1, 2031, and redeemed the \$5,689,064 of Industrial Development Authority of the Town of Clifton, VA Revenue Bond Series 2013.

.

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.

	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Goods and Services</u>	<u>Student Aid</u>	<u>Depreciation & Amortization</u>	<u>Total</u>
Instruction	\$186,763,977	\$49,968,783	\$29,475,081	-	-	\$266,207,841
Research	40,830,411	8,323,942	21,967,418	-	-	71,121,771
Academic Support	33,597,011	10,898,719	13,090,935	-	-	57,586,665
Student Services	15,992,610	4,956,298	4,692,516	-	-	25,641,424
Public Service	7,311,934	1,822,107	9,484,611	-	-	18,618,652
Operation and Maintenance	16,859,475	6,464,845	21,612,038	-	-	44,936,358
Institutional Support	29,224,592	9,863,696	4,442,015	-	-	43,530,303
Depreciation & Amortization	-	-	-	-	57,880,201	57,880,201
Student Aid	-	-	-	27,220,294	-	27,220,294
Auxiliary Enterprises	<u>37,120,577</u>	<u>10,010,521</u>	<u>77,913,296</u>	-	-	<u>125,044,394</u>
Totals	<u>\$367,700,587</u>	<u>\$102,308,911</u>	<u>\$182,677,910</u>	<u>\$27,220,294</u>	<u>\$57,880,201</u>	<u>\$737,787,903</u>

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 re-appropriation 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	\$116,066,517
Adjustments:	
Re-appropriation of FY 2013 E&G budget reversion	19,639,911
Central Appropriations Adjustment	5,592,282
Funds for VIVA Program	<u>36,873</u>
Total	<u>\$141,335,583</u>

14. INTEREST EXPENSE

During fiscal year 2014, the University incurred interest charges totaling \$30,474,662. Of this amount, \$1,253,878 was capitalized as part of the cost of construction and \$29,220,784 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, 2014 were \$6,031,020. The University had, as of June 30, 2014, the following total future minimum rental payments due under the above leases:

<u>Year Ended June 30-</u>	
2015	\$ 4,597,890
2016	4,573,600
2017	4,074,844
2018	3,917,383
2019	3,757,444
2020-2024	16,575,041
2025-2026	<u>7,224,644</u>
Total	<u>\$44,720,846</u>

B. Construction

Outstanding commitments for capital outlay projects that were under construction at June 30, 2014 were \$48,990,867.

16. RETIREMENT AND PENSION SYSTEMS

A. Virginia Retirement System (VRS)

Substantially all full-time classified salaried employees of George Mason University hired prior to January 1, 2014 participate in the defined benefit retirement plan administered by VRS. Full-time classified salaried employees hired after December 31, 2013 participate in the new Hybrid retirement plan which combines the features of a defined benefit plan and a defined contribution plan. 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, 2014. 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 the employer's contributions to the defined benefit retirement plan, which totaled \$10,988,260 for the year ended June 30, 2014.

For FY 2014, the employer's defined benefit plan 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 \$125,436,762 for the year ended June 30, 2014.

The University's expenses also include the amount assessed by the Commonwealth for the employer's contributions to the Hybrid retirement plan, which totaled \$45,132 for the defined benefit component, and \$5,816 for the defined contribution component, for the year ended June 30, 2014.

During FY 2014, for the period January 1, 2014 to March 31, 2014, the employer's Hybrid plan retirement contribution rate was 1% for the defined contribution portion of the Hybrid plan and 7.76% for the defined benefit portion of the Hybrid plan. All participants were required to contribute 1% to the defined contribution portion of the Hybrid plan and 4% to the defined benefit portion of the Hybrid plan.

Beginning April 1, 2014, participants were permitted to make voluntary contributions of up to 4% to the defined contribution component of the Hybrid plan which the University is required to match with an employer contribution of up to 2.5%. No voluntary contributions were made during FY 2014.

Contributions to the Hybrid plan, were calculated using the defined benefit component's covered payroll of \$581,601, and the defined contribution component's covered payroll of \$581,601 for the year ended June 30, 2014.

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 \$370,297 for the year ended June 30, 2014.

For FY 2014, 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 \$2,502,008 for the year ended June 30, 2014.

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 \$16,345,944 for the fiscal year ended June 30, 2014. Contributions were calculated using the plan's covered payroll of \$164,421,151 for Fiscal Year 2014.

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

<u>Faculty Retirement Plan</u>	<u>Retirement Pension Cost</u>	<u>Plan's Covered Payroll</u>	<u>Contribution Percentage</u>
TIAA-CREF*	\$9,361,915	\$90,018,413	10.4%
TIAA-CREF 2	1,634,447	19,228,788	8.5%
Fidelity Investments	3,611,516	34,726,115	10.4%
Fidelity Investments 2	<u>1,738,066</u>	<u>20,447,835</u>	8.5%
Total	<u>\$16,345,944</u>	<u>\$164,421,151</u>	

*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 \$1,279,555 for the fiscal year ended June 30, 2014.

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, 2014 restricted net position included the following purpose restrictions:

Restricted, nonexpendable:

Student aid	\$1,178,566
Instruction	1,620,000
Research	<u>1,126,760</u>
Total restricted, nonexpendable	<u><u>\$3,925,326</u></u>

Restricted, expendable:

Instruction	\$ 469,139
Research	<u>2,203,877</u>
Total restricted, expendable	<u><u>\$2,673,016</u></u>

20. NET EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The University implemented GASBS 65- "Items Previously Reported as Assets and Liabilities" during FY 2014. Per GASBS 65, the University no longer reports unamortized bond issuance costs as a noncurrent asset on the Statement of Net Position. Bond issuance costs are now to be expensed during the period in which they are incurred. In order to comply with this change in accounting principle, the University has removed the June 30, 2013 balance of unamortized bond issuance costs from its Statement of Net Position and reduced FY 2014 beginning net position by \$2,846,315.

GASBS 65 also requires deferred losses and gains on bond refundings to be reported as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position, rather than as a component of long-term debt. This change has no effect on net position but requires a reclassification. For FY 2014, \$7,595,907 of deferred losses on refundings have been reclassified from long-term debt to deferred

outflows of resources and \$186,860 of deferred gains on refundings have been reclassified from long-term debt to deferred inflows of resources. The reclassification of the deferred losses increases the reported amount for long-term debt compared to what would have been reported in the absence of the change. The reclassification of deferred gains decreases the reported amount for long-term debt compared to what would have been reported in the absence of the change.

21. SUBSEQUENT EVENTS

On August 15, 2014, the University signed a \$1.6 million early construction work package contract with Whiting-Turner Contracting Company for the Central Plant Expansion project.

On August 30, 2014, the University signed a \$25.5 million PPEA Comprehensive Agreement with Belmont Mason, LLC for the Potomac Science Center project.

During September 2014, the University completed a \$4 million transformation of the Mason Inn and Conference Center into the Mason Global Center. The Mason Global Center provides housing, dining and classroom facilities for international students enrolled in the INTO Mason program, and other Mason students, who live and go to class at the Mason Global Center. The INTO Mason program offers pathways programs that combine academic coursework and English language training to prepare the international students for future success as degree-seeking students at the University.

On November 13, 2014, the University signed a \$752 thousand architectural and engineering professional services contract with Cho Benn Holback & Associates for the Hylton Performing Arts Center Addition project.

Also during November 2014, the University entered into several promissory notes with the Virginia College Building Authority (VCBA) to participate in the Educational Facilities Revenue Bonds, Series 2014B issued by the VCBA under its Pooled Bond Program. The total principal amount of these notes is \$51.5 million. The proceeds of these notes were used to advance refund \$55.0 million of previously issued and outstanding notes. Payments on the notes will be made semi-annually, with coupon rates ranging from 3.0% to 5.0%. The refunding generates a \$4.8 million present value savings.

On January 17, 2015, approximately 4,000 gallons of diesel fuel oil overflowed from holding tanks during a routine maintenance operation at the University's Central Heating and Cooling Plant on the Fairfax Campus. The fuel oil overflow was contained on campus. The University employed an environmental contractor to conduct the emergency cleanup and additional contractors to perform remediation activities. To date the University has expended \$88,035 on the emergency cleanup and remediation, and estimates that an additional \$17,400 will be expended to complete the remediation, for a total cost of \$105,435.

During January 2015, the University completed a \$5.8 million renovation of the Field House located on the Fairfax Campus. The project upgraded antiquated building systems, provided critical infrastructure improvements, and upgraded the exterior and general appearance of the building.

During March 2015, the University completed an \$18.7 million dollar project to construct Campus Drive. Campus Drive will facilitate pedestrian, vehicular, and bicycle movement of Mason students, faculty, staff and visitors between the east and west portions of the Fairfax Campus without the need to use the regional roadway system.

On April 7, 2015, the University signed an \$8.5 million construction contract with Whiting-Turner Contracting Company for the Central Plant Expansion Project. This amount is inclusive of the \$1.6 million early construction work package signed on August 15, 2014 (described above).

On April 13, 2015, the University launched its \$39 million, 75,000 square research facility housing the Institute for Advanced Biomedical Research at the Prince William Campus. The Institute is a multidisciplinary center designed to promote collaboration on research to cure diseases.

INDEPENDENT AUDITOR'S REPORT



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 6, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
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 George Mason University (University) a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 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 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 the 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 the 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 the 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 the University as of June 30, 2014, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

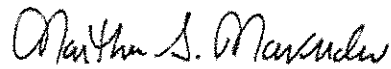
Other Matters

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 12 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 6, 2015, on our consideration of the 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 the University's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

GDS/clj

UNIVERSITY OFFICIALS

GEORGE MASON UNIVERSITY

BOARD OF VISITORS

As of June 30, 2014

C. Daniel Clemente, Rector

Nancy Mitchell Pfotenhauer, Vice Rector

Kimberly O. Dennis, Secretary

Karen Alcalde	John Jacquemin
B.G. Beck	Anthony R. Jimenez
Reginald J. Brown	Mark F. McGettrick
Kelly M. Corley	Stuart Mendelsohn
Tom Davis	Steven P. Mullins
Anne Gruner	Robert F. Pence
M. Siddique Sheikh	

Charlene Douglas, Faculty Representative

Jordan Foster, Student Representative

Katy McQuiston, Student Representative

UNIVERSITY OFFICIALS

As of June 30, 2014

Àngel Cabrera, President

Jennifer Davis, Senior Vice President for Administration and Finance

Elizabeth Brock, Vice President, Auxiliary and Fiscal Services