CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.
(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, AND REPORTS UNDER THE UNIFORM GUIDANCE THEREON

As of and for the Years Ended June 30, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

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(A Component Unit of Clemson University)
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Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Clemson University Land Stewardship Foundation, Inc.
Clemson, South Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Clemson University Land Stewardship Foundation, Inc. (the "Foundation"), a component unit of Clemson University, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2023, on our consideration of the Foundation'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 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 Foundation's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
September 7, 2023

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.
(A Component Unit of Clemson University)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 4,861,720	$ 4,186,985
Other assets	831,884	160,401
Real estate investments	95,592,648	88,505,312
Real estate and equipment, net	11,251,128	11,480,314
Direct financing lease	8,446,267	9,020,675
Development costs	814,931	737,347
Total Assets	$ 121,798,578	$ 114,091,034
LIABILITIES AND NET ASSETS		
Accounts payable	$ 304,642	$ 129,269
Accrued interest payable	50,929	45,259
Deposits held for others	109,720	56,379
Retainage payable	661,076	-
Unearned revenue	108,248	24,771
Deferred rent revenue	86,711	356,272
Due to Clemson University Foundation	22,872,906	22,938,544
Notes payable, net	46,201,925	42,150,048
Total Liabilities	70,396,157	65,700,542
Net Assets Without Donor Restrictions	51,402,421	48,390,492
Total Net Assets	51,402,421	48,390,492
Total Liabilities and Net Assets	$ 121,798,578	$ 114,091,034

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

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.
(A Component Unit of Clemson University)
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Revenues, Gains, and Other Support:		
Rental revenues	$ 5,392,325	$ 4,937,800
Direct financing interest	2,919	3,110
Federal grant	1,710,332	-
Common area and management fees	200,343	224,930
Income on short-term investments	39,368	1,154
Real estate investment, net	-	62,920
Total Revenues and Gains	7,345,287	5,229,914
Program Expenses:		
CU-ICAR campus	1,973,750	1,831,293
Greenville One	332,283	389,176
Administrative and other	433,276	402,163
Interest expense	1,594,049	1,640,533
Total Expenses	4,333,358	4,263,165
Change in net assets without donor restrictions	3,011,929	966,749
Net assets without donor restrictions, beginning of year	48,390,492	47,423,743
Net assets without donor restrictions, end of year	$ 51,402,421	$ 48,390,492

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

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.
(A Component Unit of Clemson University)
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,011,929	$ 966,749
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Realized and unrealized gain on investments	-	(62,920)
Depreciation expense	229,186	229,184
Interest expense related to amortized debt issuance costs	14,619	12,262
Change in operating assets and liabilities:		
Other assets	(671,483)	(26,044)
Direct financing lease	574,408	574,408
Real estate investments and development costs	(7,164,920)	1,379,484
Accounts payable	175,373	(18,249)
Accrued interest payable	5,670	(4,982)
Deposits held for others	53,341	17,722
Retainage payable	661,076	(79,630)
Unearned and deferred revenue	(186,084)	255,009
Due to Clemson University Foundation	(65,638)	(1,784,867)
Net cash flows from operating activities	(3,362,523)	1,458,126
Cash flows from investing activities:		
Purchase of real estate equipment, net	-	(10,990)
Net cash flows from investing activities	-	(10,990)
Cash flows from financing activities:		
Proceeds from notes payable	5,339,823	79,339
Payment of debt issuance costs	-	(78,565)
Principal payments on notes payable	(1,302,565)	(1,425,501)
Net cash flows from financing activities	4,037,258	(1,424,727)
Net change in cash and cash equivalents	674,735	22,409
Cash and cash equivalents, beginning of year	4,186,985	4,164,576
Cash and cash equivalents, end of year	$ 4,861,720	$ 4,186,985
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,573,760	$ 1,633,252

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

Note 1—Organization

The Clemson University Land Stewardship Foundation, Inc. (the "Foundation") is an independent, nonprofit, tax-exempt public charity incorporated in South Carolina in December 2010 to serve the needs of Clemson University (the "University") in management, development, and investment of real property and related assets. The Foundation includes the wholly-owned subsidiaries of LICAM, LLC; LICAR, LLC; and CULSF One, LLC. Due to the nature and significance of its relationship with the University, the Foundation is considered a component unit of the University as defined by the provisions of Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*, with its financial data and other information presented discretely in the financial reporting of the University.

Note 2—Summary of significant accounting policies

Basis of Accounting – The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Presentation – The Foundation's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. The Foundation did not have any net assets with donor restrictions as of June 30, 2023 and 2022.

The Foundation recognizes revenue in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standard Codification ("ASC") Topic 606*, Revenue from Contracts with Customers,* Topic 325*, Investments – Other,* Topic 842*, Leases,* and ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return or release - are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Revenues under federal and nongovernmental grants and contracts are recognized as performance requirements, if applicable, and related qualifying expenses are incurred for the grant and contract purposes.

Income on short-term investments and investment return, net on real estate investments are reported as revenues without donor restrictions.

Note 2—Summary of significant accounting policies (continued)

Principles of Consolidation – The consolidated financial statements include the financial statements of the Foundation and its wholly-owned subsidiaries LICAM, LLC; LICAR, LLC; and CULSF One, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents – The Foundation places its cash on deposit with financial institutions in the United States. The Federal Depository Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. During the year ended June 30, 2023, the Foundation participated in an Insured Cash Sweep Deposit Placement Agreement (the "Agreement"), which allows access to multi-million dollar FDIC protection. This type of account diversifies the balance between several banking institutions protected by the FDIC with coverage of $250,000 for substantially all depository accounts at each banking institution. At June 30, 2023 and 2022, the carrying value of cash deposits totaled $4,861,720 and $4,186,985, respectively, with a corresponding bank balance of $4,998,374, and $4,381,953, respectively. At June 30, 2023 and 2022, cash deposits that were uninsured totaled $1,055,985 and $3,183,205, respectively.

The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents.

Real Estate Investments – Real estate investments consist of land held for development and buildings and land held for investment. All real estate investments are presented at fair value. Real estate investments are appraised every two to three years and reviewed annually by management for impairment:

Land held for development is recorded at fair value at the time of acquisition. The land is being marketed as commercial property for long-term development over an approximate 25-year period.

The Center for Emerging Technology ("CET") and One Research Drive ("ORD") buildings are recorded at fair value established by appraisal plus improvements at cost.

The 7 Research Drive ("7RD") and office buildings are recorded at fair value established by the purchase price which approximates the related appraisal.

Real Estate and Equipment, Net – Real estate and equipment, net consists of land, buildings, equipment, and infrastructure held for programmatic purposes. Real estate is recorded at the lower of cost or the appraised fair value on the date of donation.

Buildings and infrastructure are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 25 years. Equipment is depreciated over five years using the straight-line method.

Note 2—Summary of significant accounting policies (continued)

Operating Leases (Lessor) – The Foundation determines whether contractual arrangements contain a lease. These leases require monthly rental payments and are generally conditioned upon receipt of security deposits made at the inception of the lease. At all times, the Foundation retains title to the underlying assets. The standard leases are typically repayable on a monthly basis with terms ranging from 3 to 20 years. The lease terms reflect any renewal or termination options that the Foundation is reasonably certain will be exercised. The Foundation's operating lease portfolio does not contain any purchase options that the Foundation is reasonably certain to be exercised.

In cases for which operating lease treatment is appropriate, lease payments received from tenants are recognized as revenue over the lease term on a straight-line basis unless another systematic and rational basis is more representative of the pattern in which benefit is expected to be derived from the use of the underlying asset. Operating lease assets are reported as real estate investments on the consolidated statements of financial position.

The Foundation has elected to not combine lease and nonlease components. The nonlease components primarily relate to property taxes, insurance and other operating expenses incurred in connection with operating the leased assets.

For leases with a term of 12 months or less, the Foundation has made an accounting policy election to not recognize qualifying leases on the consolidated statements of financial position. For these leases, the Foundation recognizes revenue on a straight-line basis over the lease term.

Direct Financing Lease – The Foundation has recorded its investment in Greenville One as a direct financing lease and has reported it as a net investment in the lease on the consolidated statements of financial position. The net investment in the lease represents the lease receivable which is carried at the aggregate of lease payments receivable plus the estimated residual value of the leased asset and any initial direct costs incurred to originate the lease, less unearned income, which is accreted to interest income over the lease term using the interest method. Lease payments received reduce the Foundation's investment in the facility (see Note 10).

Development Costs – Development costs include costs related to the master plan, civil engineering, and site preparation at the Clemson University International Center for Automotive Research ("CU-ICAR") campus development. These costs are capitalized and will be amortized over the estimated benefited life when the property is ready for its intended use. Development costs are reviewed annually by management and are adjusted, as needed, to accurately reflect the future economic benefit of the development costs. During the years ended June 30, 2023 and 2022, the Foundation incurred development costs, on land being actively developed, of $77,584 and $47,250, respectively.

Income Taxes – The Foundation is recognized as an organization exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code (the "IRC") and described as an organization in Section 501(c)(3) of the IRC. Accordingly, only unrelated business income, as defined by Section 513 of the IRC, is subject to federal income tax.

Note 2—Summary of significant accounting policies (continued)

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes that there are no such positions as of June 30, 2023 and, accordingly, no liability has been accrued.

Use of Estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management of the Foundation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Debt Issuance Costs – Debt issuance costs consist primarily of commitment fees, legal fees, and other direct costs incurred to obtain debt financing. These costs are amortized using the straight-line method over the life of the related loan, which approximates the effective interest method. The Foundation observes Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This guidance requires amortization of debt issuance costs to be included as interest expense. Amortization expense was $14,619 and $12,262 for the years ended June 30, 2023 and 2022, respectively. Additionally, the ASU requires that unamortized debt issuance costs be presented as reduction of the carrying amount of the related debt (see Note 6).

New Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*, which requires operating leases to be recorded in the consolidated statement of financial position as assets and liabilities. This new standard creates a distinction in classification criteria between finance leases and operating leases, which is similar to the classification criteria used to distinguish between capital leases and operating leases under current U.S. GAAP. However, for leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. In June 2020, FASB issued ASU 2020-05 which deferred the adoption of ASU 2016-02. The Foundation adopted these ASUs effective July 1, 2022 using the modified retrospective approach. The adoption of this standard did not have a material effect on the Foundation's consolidated financial statements.

Upcoming Pronouncements – In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326) and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended June 30, 2024. The Foundation is currently evaluating the effect the adoption of this ASU will have on the consolidated financial statements.

Note 3—Fair value measurements

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Foundation has characterized its financial assets and liabilities, which are measured at fair value and recorded in the consolidated statements of financial position, based on a three-level fair value hierarchy based on the inputs to valuation techniques as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment or estimation by the investment manager.

The following tables summarize the valuation of the Foundation's financial assets measured at fair value as of June 30, 2023 and 2022. Fair value for Level 2 measures is based on appraisals by licensed third party appraisers performed every two to three years, including an appraisal of all real estate acquired in the current year, if any. There were no changes in the fair value measurement techniques during the current year.

Measurement at fair value on a nonrecurring basis at June 30, 2023:

	Level 1	Level 2	Level 3
Building and land held for investment	$ -	$ 57,529,360	$ -
Land held for development	-	38,063,288	-
Total assets measured on a nonrecurring basis	$ -	$ 95,592,648	$ -

Measurement at fair value on a nonrecurring basis at June 30, 2022:

	Level 1	Level 2	Level 3
Building and land held for investment	$ -	$ 57,511,193	$ -
Land held for development	-	30,994,119	-
Total assets measured on a nonrecurring basis	$ -	$ 88,505,312	$ -

Note 4—Real estate investments

In December 2005, Clemson University Real Estate Foundation ("CUREF") entered into a 65-year ground lease for 3.53 acres transferred to the Foundation in 2013. The lease required additional rental payments from the lessee within the initial six years of the lease. In November 2020, the Foundation entered into an agreement of purchase and sale of the interest in the ground lease, the "land" and the improvements "premises" located on the land. The ground lease was terminated. The agreement transferred assignment and assumption of the tenant's lease of the premises to the Foundation. The premises (7 Research Drive – 7RD) consist of 117,100 rentable square feet and one tenant. The term of the lease is 10 years through August 2031.

The Foundation leases space in the CET and ORD buildings to tenants. The lease periods range from three to 10 years and required additional payments from the lessee for upfit. The payments have been recorded as deferred rent revenue and are being recognized as rent revenue over the lease terms. Beginning in the year ended June 30, 2019, the Foundation leased space to the University for land, camp facilities, and infrastructure known as Camp Hannon at Pinnacle Falls. The initial lease term is seven years.

Rental revenues (including common area maintenance) for the years ended June 30, 2023 and 2022 were associated with the following four properties. The properties had the following rental revenues at June 30:

	2023	2022
ORD	$ 1,899,923	$ 1,532,459
CET	1,135,795	1,140,897
7RD	1,912,214	1,759,935
Greenville One (see Note 10)	352,386	414,306
Camp Hannon (see above and Note 5)	92,007	90,203
	$ 5,392,325	$ 4,937,800

The fair value of the Foundation's real estate investments consists of the following at June 30:

	2023	2022
ORD	$ 18,618,167	$ 18,600,000
CET	13,843,843	13,843,843
7RD	25,067,350	25,067,350
Building and land held for investment	57,529,360	57,511,193
Land held for development	38,063,288	30,994,119
	$ 95,592,648	$ 88,505,312

Note 5—Real estate and equipment, net

Land, buildings, equipment, and infrastructure located throughout the state of South Carolina have been acquired or donated to the Foundation and are restricted for the use and benefit of University educational programs. The properties have the following balance at June 30:

	2023	**2022**
Equipment	$ 19,514	$ 19,514
Land	8,570,067	8,570,067
Buildings and infrastructure	4,982,657	4,982,657
	13,572,238	13,572,238
Accumulated depreciation	(2,321,110)	(2,091,924)
Total	$ 11,251,128	$ 11,480,314

Through June 30, 2017, included in the land was 853.53 acres of timberland in Camden, South Carolina that had an appraised value of $7,750,000. The Foundation sold approximately 100 acres of the land during the year ended June 30, 2018, resulting in 754.09 remaining acres of timberland with an appraised value of $7,493,067. The Foundation has assigned a Conservation Easement requiring the land remain in its undeveloped state except for construction, operation, and management of facilities for educational purposes. At June 30, 2023 and 2022, the market value was comprised of land at $1,936,067 and a Conservation Easement at $5,557,000 both of which are included in land in the above table.

79.73 acres of land, camp facilities, and infrastructure known as Camp Hannon located in Pickens County, South Carolina was donated to the Foundation and recorded at the appraised fair value during the year ended June 30, 2008. The land has an appraised value of $917,000. Restrictive covenants that required the land to remain largely in its natural state and used for the benefit of University educational programs were removed during the year ended June 30, 2015. During the year ended June 30, 2019, the Foundation entered into a contract for the design and construction of a multipurpose building located at Camp Hannon. Construction was complete and the building became operational during the year ended June 30, 2020.

Depreciation expense was $229,186 and $229,184 for the years ended June 30, 2023 and 2022, respectively.

Note 6—Notes payable, net

The notes payable, net were as follows at June 30:

Description	2023	2022
Loan payable to a bank – bearing interest at 3.67% for 25 years. The loan is payable in full in March 2038.	$ 3,558,756	$ 3,736,687
Loan payable to a bank – bearing interest at 4.25% through March 2022 and 3.50% thereafter. The loan is payable in full with a final balloon payment on March 30, 2032.	10,808,971	11,094,221
Loan payable to a bank – bearing interest at 4.25% through March 2022 and 3.50% thereafter. The loan is payable in full with a final balloon payment on March 30, 2032.	3,934,139	4,037,963
Loan payable to a bank – bearing interest at 3.50% for 10 years. The loan is payable based upon a 25-year term with a final balloon payment in January 2031.	1,405,831	1,445,772
Loan payable to a bank – bearing interest at 3.50% for 10 years. The loan is payable in full in January 2031. Pursuant to certain future terms, conditions, obligations and requirements, as defined in the loan agreement, the maturity date may be extended to January 2041.	20,982,729	21,578,867
Loan payable to a bank – bearing interest at 4.25% payable via 83 monthly payments with a final balloon payment in August 2026.	453,811	553,292
Construction loan payable to a bank – bearing interest at 4.35% payable via 120 monthly payments. Phase One (construction) requires interest only payments for 36 months. Upon completion of Phase One, Phase Two requires 84 monthly payments with a final balloon payment in August 2032.	5,339,823	-
Total notes payable	46,484,060	42,446,802
Less unamortized debt issuance cost	(282,135)	(296,754)
Total notes payable, net	$ 46,201,925	$ 42,150,048

A non-revolving note payable with a balance totaling $3,558,756 and $3,736,687 at June 30, 2023 and 2022, respectively, includes a fixed monthly payment of $26,163. The loan carries a 25-year term and matures in March 2038.

Note 6—Notes payable, net (continued)

A bank loan with a balance of $10,808,971 and $11,094,221 at June 30, 2023 and 2022, respectively, including interest at 4.25% with monthly payments of $69,472 through March 2022. Upon refinance in March 2022, $48,539 was added to principal with interest at 3.50% with monthly payments of $56,197. The loan requires 120 payments and matures in March 2032. The loan is secured by the ORD building which had a fair value of $18,618,167 and $18,600,000 at June 30, 2023 and 2022, respectively.

A bank loan with a balance of $3,934,139 and $4,037,963 at June 30, 2023 and 2022, respectively, including interest at 4.25% with monthly payments of $34,154 through March 2022. Upon refinance in March 2022, $30,800 was added to principal with interest at 3.50% with monthly payments of $20,454. The loan requires 120 payments and matures in March 2032. The loan is secured by the CET building which had a fair value of $13,843,843 at both June 30, 2023 and 2022.

A bank loan with a balance of $1,405,831 and $1,445,772 at June 30, 2023 and 2022, respectively, bears interest at 3.50% with monthly payments of $7,550. The loan requires 120 payments with a balloon payment for the outstanding balance due January 2031. The loan (the “Land Note”) is secured by a 44.60-acre tract of vacant land known as TNV owned by the Foundation.

A bank loan with a balance of $20,982,729 and $21,578,867 at June 30, 2023 and 2022, respectively, bears interest at 3.50% with monthly payments of $112,694. The loan requires 120 payments with a balloon payment for the outstanding balance due January 2031. Pursuant to certain future terms, conditions, obligations, and requirements, as defined in the loan agreement, the maturity date may be extended to January 2041. The loan (the “Building Note”) is secured by the 7RD building.

The Building Note and Land Note are cross collateralized with a building and land with a fair value of $25,067,350 at June 30, 2023 and 2022.

A bank loan with a balance of $453,811 and $553,292 at June 30, 2023 and 2022, respectively, bears interest at 4.25% with monthly payments of $10,115. The loan requires 83 monthly payments with a balloon payment for the outstanding balance due August 2026. The loan is secured by multiple properties and their respective rents.

A bank loan with a balance of $5,339,823 and -0- at June 30, 2023 and 2022, respectively, is payable in two phases for a total of 120 monthly payments. The loan agreement provides for a maximum principal balance of $6,450,000 for the construction of the Flex Lab One building. Interest only payments, at 4.35%, are required for 36 months starting in September 2022. The construction loan will convert to a term loan upon completion of the interest only period, requiring 84 monthly principal and interest payments of $36,031, based upon a 300-month amortization period, with a final balloon payment at maturity in August 2032.

A revolving line of credit for $1,000,000 is available through February 25, 2025. There was no outstanding balance at June 30, 2023.

Certain notes payable include restrictive covenants that, at June 30, 2023, management is not aware of any violations.

Note 6—Notes payable, net (continued)

Aggregate maturities of long-term notes payable at June 30 are as follows:

2024	$ 1,346,721
2025	1,399,711
2026	1,618,965
2027	1,714,114
2028	1,662,614
Thereafter	38,741,935
	$ 46,484,060

Note 7—Expenditures by functional and natural classification

Expenses have been assigned to the following Foundation's functional categories at the time the expenditure was incurred. The allocation of expenses at June 30, 2023 and 2022 are based upon direct expenditures to each functional category. The following represents the expenditures by functional and natural classifications for the year ended June 30, 2023:

	CU-ICAR Campus	Greenville One	Administrative and Other	Interest Expense	Total
Contract services	$ 338,304	$ 189,753	$ -	$ -	$ 528,057
Professional fees	58,010	-	17,836	-	75,846
Occupancy	927,933	131,971	17,054	-	1,076,958
Taxes and fees	171,066	5,504	-	-	176,570
Insurance	84,937	5,055	30,886	-	120,878
Depreciation	25,683	-	203,503	-	229,186
Interest	-	-	-	1,594,049	1,594,049
Foundation salary reimbursements	367,817	-	163,997	-	531,814
Total	$ 1,973,750	$ 332,283	$ 433,276	$ 1,594,049	$ 4,333,358

Expenses have been assigned to the following Foundation's functional categories at the time the expenditure was incurred. The following represents the expenditures by functional and natural classifications for the year ended June 30, 2022:

	CU-ICAR Campus	Greenville One	Administrative and Other	Interest Expense	Total
Contract services	$ 313,618	$ 173,912	$ -	$ -	$ 487,530
Professional fees	61,771	-	23,562	-	85,333
Occupancy	838,570	205,021	5,466	-	1,049,057
Taxes and fees	153,275	5,578	-	-	158,853
Insurance	54,796	4,665	51,058	-	110,519
Depreciation	25,681	-	203,503	-	229,184
Interest	-	-	-	1,640,533	1,640,533
Foundation salary reimbursements	383,582	-	118,574	-	502,156
Total	$ 1,831,293	$ 389,176	$ 402,163	$ 1,640,533	$ 4,263,165

Note 8—Availability of financial assets

As described in Note 2, all Foundation net assets are without donor restrictions. As such, all current Foundation assets are available for general expenditures over the next 12 months. For purposes of analyzing resources available to meet general expenditures, the Foundation considers all expenditures related to its leasing and property management services to be general expenditures. The following are the Foundation's financial assets without donor restrictions at June 30, 2023 and 2022.

	2023	2022
Cash and cash equivalents	$ 4,861,720	$ 4,186,985
Receivables, included in other assets	369,041	28,483
Direct financing lease, short-term	574,408	574,408
Total	$ 5,805,169	$ 4,789,876

The Foundation's real estate generate substantial rental income, which provides additional support for general expenditures in the next 12 months.

Note 9—Related party

At June 30, 2023 and 2022, amounts due to CUF are as follows.

Due to CUF:	2023	2022
Expenditures associated with development of CU-ICAR campus	$ 932,472	$ 932,472
CU-ICAR land acquisitions	20,000,000	20,000,000
Purchase of real estate investments and accrued interest	1,940,434	2,006,072
	$ 22,872,906	$ 22,938,544

In December 2007, CUF approved a loan of $20,000,000 to CUREF for land acquisitions and improvements at CU-ICAR. The CUF note is unsecured and carries no interest payment obligation. This note is subordinate to the Foundation's notes payable to banks (see Note 6) and is due on demand only after repayment of such notes payable and amendments thereof. This note was transferred by CUREF to the Foundation during the year ended June 30, 2013.

On June 9, 2022, the Foundation entered into an agreement with CUF to borrow funds to purchase land for development for the future use and benefit of Clemson University at a cost of $2,006,072. Interest will be accrued based on the prime rate plus 25 basis points and calculated annually with annual adjustments on the anniversary date but shall never be less than the interest rate on the purchase closing date or greater than the interest rate on the purchase closing date plus 1.00%. The interest rate on the purchase closing date was 4.25%. The interest rate was 5.25% at June 30, 2023 and 2022. The loan allows for either monthly or annual payments with a maturity of June 2028. The loan is based upon a 20-year amortization with a final balloon payment at maturity. Future maturities are $68,428 in 2024, $71,336 in 2025, $74,368 in 2026, $77,529 in 2027, $80,824 in 2028, and $1,567,949 thereafter.

Note 9—Related party (continued)

The Foundation leases portions of various properties to the University. During the years ended June 30, 2023 and 2022, the Foundation received $1,203,508 and $1,182,589, respectively, which is included in rental revenues and common area and management fees on the consolidated statements of activities. At June 30, 2023 and 2022, the Foundation included $-0- and $264,972, respectively, of advance rent payments in deferred rent revenue on the consolidated statements of financial position.

The University provides certain personnel to assist in the day-to-day operations of the Foundation. During the years ended June 30, 2023 and 2022, the Foundation reimbursed the University $531,814 and $502,156, respectively, for these services.

At June 30, 2023 and 2022, the Foundation has receivables due from CUF of $0 and $692, respectively, included in other assets on the consolidated statements of financial position.

Note 10—Direct financing lease

As discussed in Note 2, *Direct Financing Lease*, the Foundation acquired Greenville One to provide the University a facility to support the academic enterprise and serve University constituent groups in the Greenville market. The Foundation's investment in Greenville One represents the future minimum lease payments to be received from the University. As lease payments are received, the direct financing lease is reduced by an equal amount. Additionally, $2,919 of the revenue representing interest income from the financing component of the lease receivable is reflected as revenue over the life of the contract. Included in the ending balance of the direct financing lease is unearned income of $20,836 and $23,755 at June 30, 2023 and 2022, respectively.

The components of the direct financing lease are as follows at June 30:

	2023	**2022**
Beginning balance	$ 9,020,675	$ 9,595,083
Lease payments collected during the year	(574,408)	(574,408)
Ending balance	$ 8,446,267	$ 9,020,675

At June 30, 2023, minimum lease payments to be collected are as follows:

2024	$ 574,408
2025	574,408
2026	574,408
2027	574,408
2028	574,408
Thereafter	5,574,227
	$ 8,446,267

Note 11–Leases (lessor)

As discussed in Note 2, the Foundation, as lessor, leases certain building space to tenants. The Foundation's tenants are of high credit quality and were originated prior to 2023. As of June 30, 2023 and 2022, the credit quality of lease receivables did not require a material allowance for credit losses.

Subsequent to the adoption of ASU 2016-02, the components of lease revenue for the year ended June 30, 2023 are as follows:

Operating lease revenue	$ 3,496,400
Variable lease revenue	1,895,925
Total	$ 5,392,325

As of June 30, 2023, minimum lease payments expected to be collected as follows:

2023	$ 3,668,017
2024	3,602,280
2025	3,397,144
2026	2,730,506
2027	2,550,011
Thereafter	6,324,213
	$ 22,272,171

Note 12—Subsequent events

The Foundation has evaluated subsequent events through September 7, 2023, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

SINGLE AUDIT

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Clemson University Land Stewardship Foundation, Inc.
Clemson, South Carolina

We have audited, in accordance with the 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, the consolidated financial statements of Clemson University Land Stewardship Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Greenville, South Carolina
September 7, 2023

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Clemson University Land Stewardship Foundation, Inc.
Clemson, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clemson University Land Stewardship Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2023. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Greenville, South Carolina
September 7, 2023

Section I—Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	yes	X	no
• Significant deficiency(ies) identified?	_____	yes	X	none reported
Noncompliance material to consolidated financial statements noted?	_____	yes	X	no

Federal Awards

Internal control over major federal program:				
• Material weakness(es) identified?	_____	yes	X	no
• Significant deficiency(ies) identified?	_____	yes	X	none reported
Type of auditors' report issued on compliance for major program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	X	no

Identification of major federal program:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	_____	yes	X	no

Section II—Consolidated Financial Statement Findings

No findings reported.

Section III—Federal Award Findings and Questioned Costs

No findings reported.

Section IV—Prior Year Audit Findings

No findings reported.

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Commerce		
Economic Development Cluster		
Investments for Public Works and Economic Development Facilities	11.300	$ 1,710,332
Total Economic Development Cluster		1,710,332
Total U.S. Department of Commerce		1,710,332
Total Expenditures of Federal Awards		$ 1,710,332

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Clemson University Land Stewardship Foundation, Inc. (the “Foundation”) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the consolidated statements of financial position, activities and changes in net assets and cash flows of the Foundation.

Note 2—Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Indirect Cost Rate – The Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.