

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2020 and 2019*

*And Report of Independent Auditor*

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
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## Report of Independent Auditor

To the Board of Directors  
Clemson University Foundation  
Clemson, South Carolina

We have audited the accompanying consolidated financial statements of the Clemson University Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Foundation's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information presented on the consolidated statement of activities herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Cherry Bebaert L.P.*

Greenville, South Carolina  
September 20, 2020

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2020 AND 2019*

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 67,700,806	\$ 66,260,869
Contributions receivable, net	37,237,188	26,919,204
Trusts held by others	5,465,572	6,106,646
Due from related organizations	1,646,130	2,109,804
Investments	534,423,609	523,817,422
Investments held for Clemson University	201,601,857	207,692,844
Cash surrender value of life insurance	2,264,151	2,058,456
Land held for resale	11,900	11,900
Land, buildings, and equipment, net	9,216,723	9,253,595
Funds held in trust for affiliates:		
Non-pooled assets, net	9,800,923	6,827,590
Pooled investments	47,880,641	49,642,462
Contributions receivable, net	26,678,653	22,122,542
Other assets	420,084	424,898
<b>Total Assets</b>	<b><u>\$ 944,348,237</u></b>	<b><u>\$ 923,248,232</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 257,421	\$ 1,265,537
Due to related organizations	638,295	485,748
Accrued liability to Clemson University due to net investment appreciation	54,924,202	61,015,189
Note payable to Clemson University	146,677,655	146,677,655
Deferred revenue	4,000,000	-
Actuarial liability of annuities payable	3,538,601	3,881,688
Funds administered for affiliates	84,360,217	78,592,594
Total Liabilities	<u>294,396,391</u>	<u>291,918,411</u>
Net Assets:		
Without donor restrictions	40,154,813	36,984,922
With donor restrictions	609,797,033	594,344,899
Total Net Assets	<u>649,951,846</u>	<u>631,329,821</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 944,348,237</u></b>	<b><u>\$ 923,248,232</u></b>

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

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR 2019)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2020	2019
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 2,925,799	\$ 42,393,152	\$ 45,318,951	\$ 34,882,178
Investment return, net	6,976,273	3,790,624	10,766,897	35,684,648
Program income	1,864,760	418,655	2,283,415	2,371,294
Other income	2,006,707	(311,892)	1,694,815	3,293,404
Change in value of split-interest agreements	46,679	(789,961)	(743,282)	468,298
Reclassification of donor intent	311,967	(311,967)	-	-
Total	14,132,185	45,188,611	59,320,796	76,699,822
Net assets released from restrictions	29,412,256	(29,412,256)	-	-
Total Revenues, Gains, and Other Support	43,544,441	15,776,355	59,320,796	76,699,822
Expenses:				
Program expenses in support of				
Clemson University	31,271,664	-	31,271,664	33,921,239
Administrative and investment support	4,478,123	-	4,478,123	3,574,398
Fundraising	4,622,969	-	4,622,969	5,479,187
Total Expenses	40,372,756	-	40,372,756	42,974,824
Change in net assets before other changes	3,171,685	15,776,355	18,948,040	33,724,998
Other Changes:				
Transfers to related entities	(1,794)	(324,221)	(326,015)	662,284
Total Other Changes	(1,794)	(324,221)	(326,015)	662,284
Change in net assets	3,169,891	15,452,134	18,622,025	34,387,282
Net assets, beginning of year	36,984,922	594,344,899	631,329,821	596,942,539
Net assets, end of year	\$ 40,154,813	\$ 609,797,033	\$ 649,951,846	\$ 631,329,821

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

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR 2018)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2019	2018
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 1,399,749	\$ 33,482,429	\$ 34,882,178	\$ 39,366,239
Investment return, net	7,559,331	28,125,317	35,684,648	42,193,472
Program income	1,810,705	560,589	2,371,294	1,328,453
Other income	3,257,244	36,160	3,293,404	2,912,872
Change in value of split-interest agreements	60,244	408,054	468,298	1,222,675
Reclassification of donor intent	1,587,670	(1,587,670)	-	-
Total	15,674,943	61,024,879	76,699,822	87,023,711
Net assets released from restrictions	31,531,460	(31,531,460)	-	-
Total Revenues, Gains, and Other Support	47,206,403	29,493,419	76,699,822	87,023,711
Expenses:				
Program expenses in support of Clemson University	33,921,239	-	33,921,239	34,087,522
Administrative and investment support	3,574,398	-	3,574,398	3,519,504
Fundraising	5,479,187	-	5,479,187	4,252,858
Total Expenses	42,974,824	-	42,974,824	41,859,884
Change in net assets before other changes	4,231,579	29,493,419	33,724,998	45,163,827
Other Changes:				
Transfers from (to) related entities	(2,300)	664,584	662,284	(12,541,376)
Total Other Changes	(2,300)	664,584	662,284	(12,541,376)
Change in net assets	4,229,279	30,158,003	34,387,282	32,622,451
Net assets, beginning of year	32,755,643	564,186,896	596,942,539	564,320,088
Net assets, end of year	\$ 36,984,922	\$ 594,344,899	\$ 631,329,821	\$ 596,942,539

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

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 18,622,025	\$ 34,387,282
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized gains on investments	(3,054,534)	(28,706,117)
Depreciation expense	36,872	36,872
Change in value of split interest agreements on long-term investments	767,391	(149,361)
Gifts restricted for long-term investment	(19,167,765)	(9,970,602)
Other loss (income) – permanently restricted	315,045	(29,961)
Change in assets and liabilities:		
Contributions receivable, net	(10,317,984)	(4,794,395)
Trusts held by others	641,074	(121,034)
Due from related organizations	463,674	(511,904)
Cash surrender value of life insurance	(205,695)	(58,550)
Net change in funds held in trust for affiliates	(5,767,623)	(1,664,692)
Other assets	4,814	(20,401)
Accounts payable and accrued liabilities	(1,008,116)	354,518
Due to related organizations	152,547	(92,436)
Deferred revenue	4,000,000	-
Actuarial liability of annuities payable	(343,087)	(136,541)
Net change in funds administered for affiliates	5,767,623	1,664,692
Net cash flows from operating activities	<u>(9,093,739)</u>	<u>(9,812,630)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	61,130,222	79,009,325
Purchases of investments	<u>(68,681,875)</u>	<u>(83,896,378)</u>
Net cash flows from investing activities	<u>(7,551,653)</u>	<u>(4,887,053)</u>
<b>Cash flows from financing activities:</b>		
Gifts restricted for long-term investment	19,167,765	9,970,602
Change in value of split interest agreements on long-term investments	(767,391)	149,361
Other (loss) income – permanently restricted	<u>(315,045)</u>	<u>29,961</u>
Net cash flows from financing activities	<u>18,085,329</u>	<u>10,149,924</u>
Net change in cash and cash equivalents	1,439,937	(4,549,759)
Cash and cash equivalents, beginning of year	<u>66,260,869</u>	<u>70,810,628</u>
Cash and cash equivalents, end of year	<u>\$ 67,700,806</u>	<u>\$ 66,260,869</u>

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



**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**Note 1—Organization**

The Clemson University Foundation (the “Foundation”), an independent, nonprofit, tax-exempt public charity, was incorporated in 1933 under the laws of South Carolina for the purposes of promoting the welfare and future development of Clemson University (the “University”) in its educational and scientific research and to seek gifts or public funds for the benefit of the University through endowment giving, fundraising or other programs, and to prudently manage and disburse such funds. The Foundation includes the wholly-owned subsidiaries of Clemson University Foundation Holdings, LLC and the CUF Data Administrator, 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 provision of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, with Foundation financial information presented discretely in the financial reporting of the University. The Foundation is governed by an independent, 43-member volunteer Board of Directors, with additional honorary and ex-officio directors.

**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 under the financial reporting framework of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*.

*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. This includes funds that are designated for discretionary use by the Foundation and board-designated funds functioning as endowments.

*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. This includes annuity and life income funds, term endowments, the present value of contributions receivable, and earnings on investments. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use a portion of the income earned on the related investments for specified purposes.

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 (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released between the applicable classes of net assets. Revenues with donor restrictions that are used in the year of receipt are classified as net assets with donor restrictions and released from restriction.

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**Note 2—Summary of significant accounting policies (continued)**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give – 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. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income and realized and unrealized net gains or losses on investments are reported as follows:

*Without Donor Restrictions* – As increases or decreases in net assets if the terms of the gift are not considered to have donor restrictions.

*With Donor Restrictions* – As increases or decreases in net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the timing or the use of the income or by law.

*Principles of Consolidation* – The consolidated financial statements include the financial statements of the Foundation and its wholly-owned subsidiaries of Clemson University Foundation Holdings, LLC and the CUF Data Administrator, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

*Cash and Cash Equivalents* – 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. Certificates of Deposits are considered as cash equivalents irrespective of maturity date. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts.

Beginning in fiscal year 2017, the Foundation expanded its cash management focus through the utilization of the Certificate of Deposit Account Registry Service (“CDARS”). This service provides FDIC protection for all funds deposited through CDARS. At June 30, 2020 and 2019 CDARS deposits totaled \$-0- and \$43,405,790, respectively.

At June 30, 2020 and 2019, the Foundation had \$66,036,852 and \$21,196,177 respectively, on deposit in excess of the insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Investments* – Investment securities are generally recorded at fair value. In the case of certain less marketable investments, principally private equity and real estate investments, value is established based on either external events which substantiate a change in value or a reasonable methodology that exists to capture and quantify changes in value. In some instances those changes in value may require use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed.

Investment income, net of external and internal management expenses and fees, and gains and losses arising from the sale or other disposition of investments and other noncash assets is distributed to the various endowments using a pooled income approach. This approach distributes income following the fair value unit method, which is based on the number of units each endowment owns in the managed investment pool.

**CLEMSON UNIVERSITY FOUNDATION**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**Note 2—Summary of significant accounting policies (continued)**

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, earnings, not to exceed a specified percentage, could be used to support the intended purposes. An appropriation from the endowment for expenditures that support the intended purpose may be made to the extent it is deemed prudent, unless otherwise restricted by the donor in the gift instrument.

The Foundation's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

*Land, Building, and Equipment, Net* – Land, buildings, and equipment are stated at cost at the date of acquisition. Cost for donated assets is stated at the appraised fair value on the date of donation. Equipment with a value in excess of \$5,000 and a useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from five to seven years. Buildings are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 20 years.

*Land Held for Resale* – Land held for resale is recorded at the lower of cost or fair value. Donated land is recorded at fair value at the date of the donation and is appraised by a certified, independent appraiser. A certified title examination is performed and if appropriate, an environmental survey is obtained. Land held for resale is reviewed every two to three years and reappraised as deemed necessary.

*Split-Interest Agreements* – The Foundation has been named as beneficiary of split-interest agreements consisting of irrevocable charitable remainder trusts and charitable gift annuities. The assets for trusts and annuities where the Foundation serves as trustee are included in investments. Contribution revenues are recognized at the dates the trusts are established and liabilities recorded for the present value of the estimated future payments to be made to donors or other beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes related to estimated future donor-related payments. Trust assets administered by others are recorded as trusts held by others and are adjusted annually for changes in fair value.

*Tax Status* – The Foundation is recognized as an organization exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code ("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. Because any unrelated business income tax liability is primarily the result of flow through business income from private investment partnerships, unrelated business income tax is included as an endowment expense on the consolidated statements of activities. The single member LLCs are disregarded for tax purposes.

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**Note 2—Summary of significant accounting policies (continued)**

*Fair Value of Financial Instruments* – The carrying values of cash and cash equivalents, other receivables, due to/from related organizations, and accounts payable and accruals approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted fair values. The liabilities for notes payable are related to investments and investments held in trust for affiliate and, accordingly, are reported at fair value. Contributions receivable and actuarial liability of annuities payable are reported at the discounted present value, which approximates fair value.

*Concentrations of Credit Risk* – Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of investments. The exposure to concentrations of credit risk relative to investments is limited due to the Foundation's investment objectives and policies, as adopted by its Board of Directors. The investment policies prohibit the acquisition of certain securities and require, among other things, that securities be diversified and meet investment grade quality criteria.

*Use of Estimates* – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Foundation to make estimates and assumptions that affect the reported amounts 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.

*Comparative Information* – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

*Recently Issued Accounting Pronouncements Adopted* – In June of 2018, FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB Accounting Standards Codification ("ASC") 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASC 606 discussed on the following page. This standard is effective for fiscal years beginning after December 15, 2018. The adoption of this standard had no material effect on the Foundation's consolidated financial statements.

*Recently Issued Accounting Pronouncements* – On May 28, 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 is effective for the fiscal year ended June 30, 2020. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for an optional deferral of the effective date of Topic 606 by one year, due to the ongoing uncertainties and difficulties related to the coronavirus "COVID-19" pandemic (see Note 21). The Foundation has elected to defer the adoption of Topic 606 until the fiscal year ending June 30, 2021 and is continuing to assess the impact of adoption on the Foundation's consolidated financial statements.

**CLEMSON UNIVERSITY FOUNDATION**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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**Note 2—Summary of significant accounting policies (continued)**

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statements of activities. This standard is effective for the fiscal year ending June 30, 2022. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for a deferral of the effective date of Topic 842 by one year, due to the ongoing uncertainties and difficulties related to the COVID-19 pandemic (see Note 21). Under this deferral, the effective date of Topic 842 is for the fiscal year ending June 30, 2023. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

**Note 3—Fair value measurements**

Fair value, as defined under accounting principles generally accepted in the United States of America, 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, for substantially the full term of the financial instrument.

*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.

Investments measured at net asset value ("NAV") are those which the Foundation has applied a practical expedient and concluded that NAV reported by the underlying fund approximated the fair value of investments, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The Foundation has no plans to sell these investments in the secondary market at amounts substantially different from NAV.

**CLEMSON UNIVERSITY FOUNDATION**  
(A Component Unit of Clemson University)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**Note 3—Fair value measurements (continued)**

The following tables summarize the valuation of the Foundation’s financial assets and liabilities measured at fair value as of June 30, 2020 and 2019, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring or quarterly basis at June 30, 2020:

Description	Investments Measured at				Total
	NAV	Level 1	Level 2	Level 3	
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 7,391,169	\$ -	\$ -	\$ 7,391,169
Treasury/agency	-	40,423,415	-	-	40,423,415
Mortgage backed securities	-	17,087,875	-	-	17,087,875
Corporate bonds	-	21,992,179	-	-	21,992,179
International bonds	-	626,771	-	-	626,771
U.S. equities	-	337,927,819	-	-	337,927,819
Global equities	-	105,916,285	-	-	105,916,285
Commodities	-	2,429,340	10,237,325	-	12,666,665
Public real assets	-	323,614	-	-	323,614
Hedge funds	119,934,011	-	-	-	119,934,011
Private equity	80,243,142	-	-	-	80,243,142
Private real assets	17,842,189	-	-	-	17,842,189
Other	-	1,298,123	-	-	1,298,123
Total investments – recurring basis	<u>218,019,342</u>	<u>535,416,590</u>	<u>10,237,325</u>	<u>-</u>	<u>763,673,257</u>
Investments – nonrecurring basis:					
Real estate	-	-	232,850	-	232,850
Total marketable investments	<u>\$ 218,019,342</u>	<u>\$ 535,416,590</u>	<u>\$ 10,470,175</u>	<u>\$ -</u>	<u>\$ 763,906,107</u>
Trusts held by others (see Note 10)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,465,572</u>	<u>\$ 5,465,572</u>

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**Note 3—Fair value measurements (continued)**

Measurement at fair value on a recurring or quarterly basis at June 30, 2019:

Description	Investments Measured at				Total
	NAV	Level 1	Level 2	Level 3	
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 6,568,907	\$ -	\$ -	\$ 6,568,907
Treasury/agency	-	48,213,193	-	-	48,213,193
Mortgage backed securities	-	14,827,210	-	-	14,827,210
Corporate bonds	-	17,437,839	-	-	17,437,839
International bonds	-	742,824	-	-	742,824
U.S. equities	-	334,046,713	-	-	334,046,713
Global equities	-	113,509,227	-	-	113,509,227
Commodities	-	3,201,158	12,170,653	-	15,371,811
Public real assets	-	399,995	-	-	399,995
Hedge funds	117,375,743	-	-	-	117,375,743
Private equity	72,722,335	-	-	-	72,722,335
Private real assets	15,993,876	-	-	-	15,993,876
Other	-	3,710,205	-	-	3,710,205
Total investments – recurring basis	<u>206,091,954</u>	<u>542,657,271</u>	<u>12,170,653</u>	<u>-</u>	<u>760,919,878</u>
Investments – nonrecurring basis:					
Real estate	-	-	232,850	-	232,850
Total marketable investments	<u>\$ 206,091,954</u>	<u>\$ 542,657,271</u>	<u>\$ 12,403,503</u>	<u>\$ -</u>	<u>\$ 761,152,728</u>
Trusts held by others (see Note 10)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,106,646</u>	<u>\$ 6,106,646</u>

The majority of the Foundation’s underlying fund managers use a market approach to value an investment. In addition, the following inputs/valuation techniques are used-comparable security analysis, recent transactions, earnings and cash flow forecasts, market multiple analysis, discounted cash flow/time value of money, internal valuation models, third party appraisals, bona fide offers, and ‘at cost’ for the period just subsequent to acquisition.

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30:

	2020	2019
Beginning of year	\$ 6,106,646	\$ 5,985,612
Net realized and unrealized loss	(1,536,746)	(95,967)
Net change in unamortized discount	895,672	217,001
End of year	<u>\$ 5,465,572</u>	<u>\$ 6,106,646</u>

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**Note 3—Fair value measurements (continued)**

For investments in entities that calculate NAV or its equivalent whose fair value is not readily determinable, the following tables provide additional information about the unfunded commitments and redemption availability at June 30, 2020 and 2019.

	<u>Fair Value at June 30, 2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships <sup>(1)</sup>				
Private equity	\$ 80,243,142	\$ 59,870,181	N/A	N/A
Private real assets	17,842,189	27,417,359	N/A	N/A
Hedge funds	<u>119,934,011</u>	-	Monthly to Annually	33-95 days
Total	<u>\$ 218,019,342</u>			

	<u>Fair Value at June 30, 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships <sup>(1)</sup>				
Private equity	\$ 72,722,335	\$ 50,903,513	N/A	N/A
Private real assets	15,993,876	19,185,474	N/A	N/A
Hedge funds	<u>117,375,743</u>	-	Monthly Annually	33-95 days
Total	<u>\$ 206,091,954</u>			

- (1) This category includes investments in private equity, buyout, real assets, and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.



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**Note 4—Investments**

A summary of investments at fair value that is presented on the consolidated statements of financial position under investments, investments held for the University, and investments held in trust for affiliates as of June 30 are as follows:

	<b>2020</b>	<b>2019</b>
Money market funds	\$ 7,391,169	\$ 6,568,907
Treasury/agency	40,423,415	48,213,193
Mortgage backed securities	17,087,875	14,827,210
Corporate bonds	21,992,179	17,437,839
International bonds	626,771	742,824
U.S. equities	337,927,819	334,046,713
Global equities	105,916,285	113,509,227
Commodities	12,666,665	15,371,811
Hedge funds	119,934,011	117,375,743
Private equity	80,243,142	72,722,335
Public real assets	323,614	399,995
Private real assets	18,075,039	16,226,726
Other	1,298,123	3,710,205
Subtotal-marketable investments	<u>763,906,107</u>	<u>761,152,728</u>
Subordinated note receivable from Clemson University Land Stewardship Foundation, Inc. (see Note 9)	<u>20,000,000</u>	<u>20,000,000</u>
Total investments	<u>\$ 783,906,107</u>	<u>\$ 781,152,728</u>

	<b>2020</b>	<b>2019</b>
Reconciliation to the consolidated statements of financial position:		
Investments	\$ 534,423,609	\$ 523,817,422
Investments held for Clemson University	201,601,857	207,692,844
Funds held in trust for affiliates - pooled investments	47,880,641	49,642,462
	<u>\$ 783,906,107</u>	<u>\$ 781,152,728</u>

The Foundation's investment returns, net for the years ended June 30 follows:

	<b>2020</b>	<b>2019</b>
Net realized gains from sales of investments	\$ 7,515,874	\$ 8,986,851
Net unrealized (depreciation) appreciation of investments	(4,461,340)	19,719,266
Total net gains	3,054,534	28,706,117
Investment income, net	7,712,363	6,978,531
Total investment returns, net	<u>\$ 10,766,897</u>	<u>\$ 35,684,648</u>

The Foundation assesses a management fee to individual endowment funds to provide support for fundraising, donor stewardship, and endowment administration. For 2020 and 2019, this fee was 1.25% of the three-year trailing average fair value of endowment funds and totaled \$7.4 million for each year.

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**Note 4—Investments (continued)**

The South Carolina Code of Laws allows the University's Board of Trustees to loan endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the available funds for scholarships and other programs. For the years ended June 30, 2020 and 2019, University endowment funds of \$201,601,857 and \$207,692,844, respectively, were loaned to the Foundation and are included in investments held for the University in the consolidated statements of financial position.

**Note 5—Contributions receivable, net**

Contributions receivable, net are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 15,626,563	\$ 13,471,571
One year to five years	26,827,525	18,636,442
Over five years	125,000	1,040,000
	<u>42,579,088</u>	<u>33,148,013</u>
Less allowance for uncollectible contributions receivable	(4,257,909)	(4,750,449)
Less unamortized discount (discount rates of 0.29% to 2.73%)	<u>(1,083,991)</u>	<u>(1,478,360)</u>
	<u>\$ 37,237,188</u>	<u>\$ 26,919,204</u>

The Foundation has received certain promises to give, that are conditional based upon future events or activities. As the required events or activities had not yet occurred at June 30, 2020, the Foundation has not recognized an asset or contribution revenue for these gifts. The total conditional promises to give aggregate approximately \$60,000,000 at June 30, 2020. During the year ended June 30, 2020, the Foundation received \$4,000,000 related to such conditional promises to give, which are included in the deferred revenue line item on the consolidated statements of financial position.

**Note 6—Land, buildings, and equipment, net**

A summary of land, buildings, and equipment, net at June 30 follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 8,971,049	\$ 8,971,049
Buildings	1,785,818	1,785,818
Equipment	113,878	113,878
	<u>10,870,745</u>	<u>10,870,745</u>
Less accumulated depreciation	<u>(1,654,022)</u>	<u>(1,617,150)</u>
	<u>\$ 9,216,723</u>	<u>\$ 9,253,595</u>

Included in land, buildings, and equipment at June 30, 2020 and 2019 is land donated to the Foundation which had an appraised value of \$8,971,049 in the year it was acquired. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which requires the land to remain in its undeveloped state but allow for the construction, operation, and management of a research and educational facility. The carrying value is comprised of land of \$917,418 and Conservation Easements of \$8,053,631, respectively. Depreciation expense for the years ended June 30, 2020 and 2019 was \$36,872.

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**Note 7—Endowment assets**

The Foundation’s endowment consists of approximately 2,000 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors of the Foundation to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law* – The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) enacted July 1, 2008, in the state of South Carolina as setting forth the standard of conduct for preserving the value of the original gift. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated (b) the original value of subsequent gifts required to be maintained in perpetuity, and (c) accumulation of earnings required to be added to the net assets with donor restrictions required to be maintained in perpetuity as stipulated by the donor applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not required to be maintained in perpetuity is classified as net assets with donor restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net assets consist of the following at June 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 487,969,986	\$ 487,969,986
Board-designated endowment funds	27,700,265	-	27,700,265
Total endowed net assets	<u>\$ 27,700,265</u>	<u>\$ 487,969,986</u>	<u>\$ 515,670,251</u>

Endowment net assets consist of the following at June 30, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 486,857,609	\$ 486,857,609
Board-designated endowment funds	24,327,063	-	24,327,063
Total endowed net assets	<u>\$ 24,327,063</u>	<u>\$ 486,857,609</u>	<u>\$ 511,184,672</u>

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**Note 7—Endowment assets (continued)**

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 486,857,609	\$ 486,857,609
Board-designated endowment funds	24,327,063	-	24,327,063
Total endowed net assets, June 30, 2019	<u>24,327,063</u>	<u>486,857,609</u>	<u>511,184,672</u>
Investment return, net	243,211	2,459,609	2,702,820
	<u>24,570,274</u>	<u>489,317,218</u>	<u>513,887,492</u>
Contributions	1,707,705	13,281,038	14,988,743
Additions to endowments from trusts or donor designation changes	2,440,855	1,171,719	3,612,574
Appropriation of endowment assets for expenditure	<u>(1,018,569)</u>	<u>(15,799,989)</u>	<u>(16,818,558)</u>
Endowment net assets, June 30, 2020	<u>\$ 27,700,265</u>	<u>\$ 487,969,986</u>	<u>\$ 515,670,251</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 460,998,452	\$ 460,998,452
Board-designated endowment funds	22,928,446	-	22,928,446
Total endowed net assets, June 30, 2018	<u>22,928,446</u>	<u>460,998,452</u>	<u>483,926,898</u>
Investment return, net	1,206,111	27,810,070	29,016,181
	<u>24,134,557</u>	<u>488,808,522</u>	<u>512,943,079</u>
Contributions	950,096	11,050,442	12,000,538
Additions to endowments from trusts or donor designation changes	-	1,806,505	1,806,505
Appropriation of endowment assets for expenditure	<u>(757,590)</u>	<u>(14,807,860)</u>	<u>(15,565,450)</u>
Endowment net assets, June 30, 2019	<u>\$ 24,327,063</u>	<u>\$ 486,857,609</u>	<u>\$ 511,184,672</u>

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**Note 7—Endowment assets (continued)**

*Funds with Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions or “underwater endowments” were \$50,250 at June 30, 2020. There were no deficiencies, or “underwater endowments,” of this nature reported as of June 30, 2019. Deficiencies would result from unfavorable market fluctuations occurring after the investment of permanently restricted contributions and, to a degree by continued appropriation for certain programs deemed prudent by the Board of Directors.

*Return Objectives and Risk Parameters* – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. As authorized by board approved policies, these assets are invested to maximize long-term returns, while simultaneously mitigating risk through maintaining a diversified portfolio. A multi-generational window not only allows for the typical diversification across asset classes, but also for time diversification across both up and down markets.

The assets are invested in a manner that is intended to produce results, in the long term, that meet or exceed the composite return and are within the risk parameters of a benchmark composed of 42% Russell 3000 Index, 28% MSCI All Country World Ex US Index, 5% Bloomberg Commodity Total Return Index, 5% S&P Global Natural Resources Index, 5% FTSE/EPRA NAREIT Global Real Estate Index, and 15% Barclays Aggregate Bond Index.

The long-term objective is to attain, within acceptable risk parameters, an average annual total return that exceeds the sum of the Foundation’s approved payout rate plus inflation, plus investment management and related fees. The objective is expected to be obtained over time but not in each and every reporting period.

*Strategies Employed for Achieving Objectives* – To address its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* – The Foundation endowment spending policy appropriates for distribution each year a certain percentage of its endowment funds’ based on fair value averages. For 2020 and 2019, the spending percentage was 4% based on average fair value of endowment funds as of the end of the 12 prior quarters. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs.

**Note 8—Leases**

The Foundation has entered into operating lease agreements for vehicles and office space that expire over the next year. Total rent expense incurred under these agreements was \$154,632 and \$120,893 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments under the operating lease agreements is \$28,556 in 2021 and \$14,499 in 2022.

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**Note 9—Related party transactions**

At June 30, 2020 and 2019, amounts due from and due to organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2020</u>	<u>2019</u>
Due from:		
Clemson University Real Estate Foundation	\$ 223,516	\$ 176,716
Clemson University Land Stewardship Foundation	932,472	932,472
Clemson University	490,142	1,000,616
	<u>\$ 1,646,130</u>	<u>\$ 2,109,804</u>
Due to:		
IPTAY	\$ 20,341	\$ 26
Clemson Architectural Foundation	11,386	2,028
Alumni Association	-	17,458
Clemson University	606,568	466,236
	<u>\$ 638,295</u>	<u>\$ 485,748</u>

Administrative management fees from related parties for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Clemson University	\$ 1,960,564	\$ 1,903,903
IPTAY	228,122	155,489
Clemson Alumni Association	130,591	128,732
Clemson Architectural Foundation	29,334	27,689
	<u>\$ 2,348,611</u>	<u>\$ 2,215,813</u>

The Foundation purchased and transferred equipment with a net book value of \$179,144 and \$344,215 during the years ended June 30, 2020 and 2019, respectively, to the University.

In accordance with the Affiliation Agreement between the University and the Foundation, the Foundation will reimburse the University for services provided by University employees that support core fundraising and investment management activities of the Foundation. During each of the years ended June 30, 2020 and 2019, the Foundation reimbursed the University approximately \$3 million for this support, funded through its annual operating budget.

The University and the Foundation have a Memorandum of Understanding (“MOU”) whereby the University loans certain endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the funds available for scholarships and other University programs. The principal balance outstanding at June 30, 2020 and 2019 was \$146,677,655 and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$54,924,202 and \$61,015,189, respectively. The MOU was for a term of 10 years beginning on July 11, 2003 and is reviewed annually by the University and the Foundation prior to the anniversary date and the term is automatically renewed each year for a 12-month period unless either party provides written notice of its objection to the extension at least 30 days prior to the anniversary date. Should the University determine the loaned funds are to be repaid, pursuant to the MOU the Foundation is required to pay back the funds to the University with interest at a rate equal to the total cumulative return (consisting of appreciation and income less any payouts to the University) earned from the investment of such funds by the Foundation. The University is prohibited from requesting a return of the loaned funds if the total cumulative return is negative.

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**Note 9—Related party transactions (continued)**

The Foundation charged an annual fee of 1.25% in 2020 and 2019 for managing the University’s endowments. These funds are managed with an asset allocation similar to that of the Foundation.

In December 2007, the Foundation approved a non-interest bearing loan of \$20,000,000 to the Clemson University Real Estate Foundation (“CUREF”) for investment in land acquisitions and improvements at Clemson University-International Center for Automotive Research. This loan was assigned to the Clemson University Land Stewardship Foundation (“CULSF”) in December 2012 with the transfer of the underlying asset.

**Note 10—Split-interest agreements**

The Foundation has entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Included in investments at June 30, 2020 and 2019 are \$8,357,042 and \$8,982,820, respectively, of assets held under the agreements and are comprised of U.S. government obligations, corporate bonds, and U.S. and global equities.

The Foundation has reported in the accompanying consolidated statements of financial position an actuarial liability of \$2,396,479 and \$2,617,996 at June 30, 2020 and 2019, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder annuity trusts and unitrusts, taking into consideration their life expectancy and discounted at applicable interest rates.

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation’s promise to pay a fixed amount to a designated individual for a specified period of time. The assets contributed are held as general assets of the Foundation and an actuarial liability which represents the present value of estimated future payments to beneficiaries of charitable gift annuities of \$1,142,122 and \$1,263,692 at June 30, 2020 and 2019, respectively, has been reported in the accompanying consolidated statements of financial position.

Trusts held and managed by trustees other than the Foundation, but the Foundation is the remainder beneficiary are included at fair value as of the end of 2020 and 2019 on the consolidated statements of financial position. The fair value less the present value of the remainder interest based on donor or beneficiary is as follows:

	<u>2020</u>	<u>2019</u>
Fair value	\$ 10,839,789	\$ 12,376,535
Less unamortized discount	<u>(5,374,217)</u>	<u>(6,269,889)</u>
Trusts held by others	<u>\$ 5,465,572</u>	<u>\$ 6,106,646</u>

**Note 11—Life insurance policies**

The Foundation is owner and beneficiary of various life insurance policies on 24 individuals with an aggregate face value of \$5,764,412 and \$5,764,412 for the years ended June 30, 2020 and 2019, respectively. The cash surrender value at June 30, 2020 and 2019 was \$2,264,151 and \$2,058,456, respectively.

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**Note 12—Funds held in trust for affiliates**

The Foundation holds and invests funds belonging to the Clemson Architectural Foundation (“CAF”), IPTAY, and CAA in a custodial capacity. Funds are either held or invested in an externally managed investment pool in accordance with CUF investment policy or by separate agreement. Assets under CUF management at June 30, 2020 and 2019 were \$86,360,217 and \$78,592,594, respectively.

At June 30, 2020:

	<b>Non-Pooled Assets, net</b>	<b>Pooled Investments</b>	<b>Contribution Receivable, net</b>	<b>Total</b>
IPTAY	\$ 9,093,044	\$ 33,882,690	\$ 26,610,282	\$ 69,586,016
CAA	377,917	11,163,018	1,855	11,542,790
CAF	329,962	2,834,933	66,516	3,231,411
	<u>\$ 9,800,923</u>	<u>\$ 47,880,641</u>	<u>\$ 26,678,653</u>	<u>\$ 84,360,217</u>

At June 30, 2019:

	<b>Non-Pooled Assets, net</b>	<b>Pooled Investments</b>	<b>Contribution Receivable, net</b>	<b>Total</b>
IPTAY	\$ 6,135,554	\$ 35,258,853	\$ 21,952,256	\$ 63,346,663
CAA	332,413	11,586,199	8,428	11,927,040
CAF	359,623	2,797,410	161,858	3,318,891
	<u>\$ 6,827,590</u>	<u>\$ 49,642,462</u>	<u>\$ 22,122,542</u>	<u>\$ 78,592,594</u>

**Note 13—Commitments**

The Foundation has committed \$2,113,800, and \$1,587,400 at June 30, 2020 and 2019, respectively, for building projects for the benefit of the University. At June 30, 2020, the Foundation continues to pursue fundraising from donors to fund these commitments.

The Foundation entered into a memorandum of understanding with the University whereby it agrees to make any debt service payments due and not made by CULSF or LICAR, LLC for the Center for Emerging Technologies building. In exchange for any debt service payments made, the Foundation may reduce its annual allocation to the University by a like amount. No such payments were required for the years ended June 30, 2020 and 2019.

During the year ended June 30, 2018, the process of vendor identification and contract negotiation for an upgraded fundraising support software system, for the intended purpose of providing more robust information critical to successful fundraising and integrating the IPTAY fundraising system with that of the Foundation, was completed. In June 2018, the Foundation’s wholly-owned subsidiary, CUF Data Administrator, LLC, entered into a five-year contractual arrangement with Blackbaud for the implementation of and the annual licensing fees for this system, with a total contract cost over a five-year period of approximately \$2.6 million.

The Foundation entered into a Guaranty Agreement with the lender associated with a loan facility for the construction and permanent financing of One Research Drive. The guaranty was for an amount not to exceed \$600,000 per annum to cover the debt service associated. The guaranty was satisfied and released by the lender effective February 2019.



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**Note 14—Designations of net assets without donor restrictions**

The Foundation's governing body has established endowments and reserves to support Foundation operations as follows at June 30:

	<u>2020</u>	<u>2019</u>
Net assets without donor restriction:		
Special initiative reserves	\$ 3,510,248	\$ 3,373,013
Quasi-endowment market value	29,917,551	27,183,963
Other designated	1,904,755	1,614,502
Undesignated	4,822,259	4,813,444
Net assets without donor restrictions	<u>\$ 40,154,813</u>	<u>\$ 36,984,922</u>

**Note 15—Net assets with donor restrictions**

Net assets with donor restrictions consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Specific future periods:		
Unconditional promises to give-not received	\$ 37,237,188	\$ 26,919,204
Specific to expenditure for specific purpose	43,952,498	43,063,016
Specific to spending policy and appropriation	158,709,734	170,223,867
Perpetual endowments	327,863,496	311,988,366
Specific to passage of time or specific event:		
Gifts awaiting donor direction	4,432,208	2,413,015
Trusts held by others	5,465,572	6,106,646
Charitable remainder trusts and unitrusts	5,752,951	6,078,494
Term endowments	26,128,659	27,280,244
Trusts	254,727	272,047
Net assets with donor restrictions	<u>\$ 609,797,033</u>	<u>\$ 594,344,899</u>

**Note 16—Net assets released from restrictions**

Net assets released from donor restrictions during the year ended June 30, 2020 and 2019 supported the following programs:

	<u>2020</u>	<u>2019</u>
Scholarships, fellowships, and awards	\$ 5,878,043	\$ 7,103,996
Chairs, professorships, and faculty awards	3,859,174	3,754,340
Departments and University programs	14,975,625	16,176,419
Capital, facilities, and equipment	4,699,414	4,496,705
Net assets released from donor restrictions	<u>\$ 29,412,256</u>	<u>\$ 31,531,460</u>

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**Note 17—Expenditures by functional and natural classifications**

Expenses have been assigned to the following 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, 2020:

	<b>Program Support</b>	<b>Administrative and Investment Support</b>	<b>Fundraising</b>	<b>Total</b>
Clemson University program support	\$ 26,691,834	\$ -	\$ -	\$26,961,834
Functions and events	1,047,565	428,028	629,990	2,105,583
Contract and professional services	1,813,604	1,095,739	547,018	3,456,361
Compensation and shared services costs	-	773,677	2,131,277	2,904,954
Travel and fundraising operations	579,216	98,944	428,586	1,106,746
Material, supplies, and other operating costs	303,804	370,053	737,613	1,411,470
IT services and operations	-	1,250,538	-	1,250,538
Development fees	589,227	62,038	50	651,315
Rent and opportunity	59,780	164,076	69,831	293,687
Promotions and sponsorships	176,709	98,290	67,795	342,794
Insurance	9,925	99,868	10,809	120,602
Depreciation	-	36,872	-	36,872
Total	<u>\$ 31,271,664</u>	<u>\$ 4,478,123</u>	<u>\$ 4,622,969</u>	<u>\$40,372,756</u>

The following represents the expenditures by functional and natural classifications for the year ended June 30, 2019:

	<b>Program Support</b>	<b>Administrative and Investment Support</b>	<b>Fundraising</b>	<b>Total</b>
Clemson University program support	\$ 28,174,624	\$ -	\$ -	\$ 28,174,624
Functions and events	2,246,722	412,062	793,178	3,451,962
Contract and professional services	1,819,264	858,839	430,223	3,108,326
Compensation and shared services costs	-	611,932	2,467,356	3,079,288
Travel and fundraising operations	175,311	115,496	771,673	1,062,480
Material, supplies, and other operating costs	403,868	456,059	688,356	1,548,283
IT services and operations	-	777,457	186,285	963,742
Development fees	747,600	75,122	-	822,722
Rent and opportunity	86,407	123,475	104,035	313,917
Promotions and sponsorships	213,203	70,074	28,336	311,613
Insurance	17,368	73,882	9,745	100,995
Depreciation	36,872	-	-	36,872
Total	<u>\$ 33,921,239</u>	<u>\$ 3,574,398</u>	<u>\$ 5,479,187</u>	<u>\$ 42,974,824</u>

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**Note 17—Expenditures by functional and natural classifications (continued)**

The above allocation of expenses at June 30, 2020 and 2019 are based upon direct expenditures to each functional category.

**Note 18—Availability of financial assets**

The following reflects the Foundation's financial assets available for general expenditures over the next 12 months as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of net position date. Amounts not available include amounts set aside for long-term investing in quasi-endowments and board designated funds that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowments or quasi-endowments for general expenditure within one year of the consolidated statement of financial position date have not been subtracted as unavailable. The Foundation's general expenditures consist of direct program support to the University, as well as fundraising, donor stewardship, and endowment administration activity related expenditures.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 648,737,456	\$ 627,272,401
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time restrictions	(391,671,436)	(360,485,724)
Subject to appropriation and satisfaction of donor restrictions	(202,685,967)	(213,888,337)
Investments held in annuity trust	(13,869,729)	(14,903,818)
Board designations:		
Special initiative reserves and other designated funds	(5,415,003)	(4,987,515)
Quasi-endowment fund, net of perpetual fixed assets	(21,658,488)	(17,795,017)
Plus: Board approved endowment appropriation	<u>16,845,784</u>	<u>15,493,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 30,282,617</u>	<u>\$ 30,704,990</u>

**Note 19—Risk management**

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The risks are managed through the purchase of commercial insurance and self-retention of certain risks. The Foundation's affairs are conducted by the employees of the University and exposures to loss resulting from this arrangement are managed by the University through a combination of methods, including participation in various risk pools administered by the state of South Carolina, purchase of commercial insurance and self-retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

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**Note 20—Transfers (to) from related entities**

Transfers (to) from related entities consisted of the following at June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CAA	\$ -	\$ (7,090)	\$ (7,090)
CUREF	-	209,415	209,415
IPTAY	(796)	(29,924)	(30,720)
CU	(998)	(496,622)	(497,620)
Total	<u>\$ (1,794)</u>	<u>\$ (324,221)</u>	<u>\$ (326,015)</u>

Transfers (to) from related entities consisted of the following at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CAA	\$ -	\$ 81,676	\$ 81,676
CAF	(2,200)	-	(2,200)
CUREF	-	300,174	300,174
CULSF	-	92,675	92,675
CURF	-	288,004	288,004
IPTAY	(100)	(3,342)	(3,442)
CU	-	(94,603)	(94,603)
Total	<u>\$ (2,300)</u>	<u>\$ 664,584</u>	<u>\$ 662,284</u>

**Note 21—Subsequent events**

The Foundation has evaluated subsequent events through September 20, 2020, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. From April to September 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in uncertainty in the business environment and instability in the investment market. It is not currently possible to reliably estimate the length or severity of this outbreak and hence its financial impact. Management will continue to assess the impact of this outbreak on the Foundation's activities.