

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented on the consolidated statement of activities herein for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Cherry Bebaert LLP

Greenville, South Carolina
September 10, 2021

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

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 69,900,170	\$ 67,700,806
Contributions receivable, net	79,487,188	37,237,188
Trusts held by others	7,021,734	5,465,572
Due from related organizations	5,489,962	1,646,130
Investments	715,870,080	534,423,609
Investments held for Clemson University	251,138,535	201,601,857
Cash surrender value of life insurance	2,608,902	2,264,151
Land held for resale	11,900	11,900
Land, buildings, and equipment, net	9,184,396	9,216,723
Funds held in trust for affiliates:		
Non-pooled assets, net	13,528,755	9,800,923
Pooled investments	53,360,484	47,880,641
Contributions receivable, net	32,137,882	26,678,653
Other assets	1,210,475	420,084
Total Assets	\$ 1,240,950,463	\$ 944,348,237
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 901,646	\$ 257,421
Due to related organizations	1,047,816	638,295
Accrued liability to Clemson University due to net investment appreciation	104,460,880	54,924,202
Note payable to Clemson University	146,677,655	146,677,655
Deferred revenue	-	4,000,000
Actuarial liability of annuities payable	3,909,010	3,538,601
Funds administered for affiliates	99,027,121	84,360,217
Total Liabilities	356,024,128	294,396,391
Net Assets:		
Without donor restrictions	62,654,828	40,154,813
With donor restrictions	822,271,507	609,797,033
Total Net Assets	884,926,335	649,951,846
Total Liabilities and Net Assets	\$ 1,240,950,463	\$ 944,348,237

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 STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE INFORMATION FOR 2020)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 8,294,709	\$ 81,985,883	\$ 90,280,592	\$ 45,318,951
Investment return, net	22,372,716	150,378,535	172,751,251	10,766,897
Program income	571,713	277,638	849,351	2,283,415
Other income	847,453	35,778	883,231	1,694,815
Change in value of split-interest agreements	60,372	3,123,668	3,184,040	(743,282)
Total	32,146,963	235,801,502	267,948,465	59,320,796
Net assets released from restrictions	24,303,350	(24,303,350)	-	-
Total Revenues, Gains, and Other Support	56,450,313	211,498,152	267,948,465	59,320,796
Expenses:				
Program expenses in support of Clemson University	26,751,344	-	26,751,344	31,271,664
Administrative and investment support	3,227,232	-	3,227,232	4,478,123
Fundraising	3,668,315	-	3,668,315	4,622,969
Total Expenses	33,646,891	-	33,646,891	40,372,756
Change in net assets before other changes	22,803,422	211,498,152	234,301,574	18,948,040
Other Changes:				
Transfers (to) from related entities	(303,407)	976,322	672,915	(326,015)
Total Other Changes	(303,407)	976,322	672,915	(326,015)
Change in net assets	22,500,015	212,474,474	234,974,489	18,622,025
Net assets, beginning of year	40,154,813	609,797,033	649,951,846	631,329,821
Net assets, end of year	\$ 62,654,828	\$ 822,271,507	\$ 884,926,335	\$ 649,951,846

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 STATEMENT OF ACTIVITIES

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

	Without Donor Restrictions	With Donor Restrictions	Totals	
			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) from 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	<u>\$ 40,154,813</u>	<u>\$ 609,797,033</u>	<u>\$ 649,951,846</u>	<u>\$ 631,329,821</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)
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 234,974,489	\$ 18,622,025
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized gains on investments	(165,794,653)	(3,054,534)
Depreciation expense	32,327	36,872
Change in value of split-interest agreements on long-term investments	(313,670)	767,391
Gifts restricted for long-term investments	(20,257,804)	(19,167,765)
Other (income) loss – permanently restricted	(33,846)	315,045
Change in assets and liabilities:		
Contributions receivable, net	(42,250,000)	(10,317,984)
Trusts held by others	(1,556,162)	641,074
Due from related organizations	(3,843,832)	463,674
Cash surrender value of life insurance	(344,751)	(205,695)
Net change in funds held in trust for affiliates	(14,666,904)	(5,767,623)
Other assets	(790,391)	4,814
Accounts payable and accrued liabilities	644,225	(1,008,116)
Due to related organizations	409,521	152,547
Deferred revenue	(4,000,000)	4,000,000
Actuarial liability of annuities payable	370,409	(343,087)
Net change in funds administered for affiliates	14,666,904	5,767,623
Net cash flows from operating activities	<u>(2,754,138)</u>	<u>(9,093,739)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	89,594,543	61,130,222
Purchases of investments	<u>(105,246,361)</u>	<u>(68,681,875)</u>
Net cash flows from investing activities	<u>(15,651,818)</u>	<u>(7,551,653)</u>
Cash flows from financing activities:		
Gifts restricted for long-term investments	20,257,804	19,167,765
Change in value of split-interest agreements on long-term investments	313,670	(767,391)
Other income (loss) – permanently restricted	<u>33,846</u>	<u>(315,045)</u>
Net cash flows from financing activities	<u>20,605,320</u>	<u>18,085,329</u>
Net change in cash and cash equivalents	2,199,364	1,439,937
Cash and cash equivalents, beginning of year	<u>67,700,806</u>	<u>66,260,869</u>
Cash and cash equivalents, end of year	<u>\$ 69,900,170</u>	<u>\$ 67,700,806</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, 2021 AND 2020

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 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 the Governmental Accounting Standards Board Statement 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, 27-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 (“ASC”), *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.

The Foundation recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*, Topic 320, *Investments – Debt Securities*, Topic 321, *Investments – Equity Securities*, 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 (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 restrictions.

CLEMSON UNIVERSITY FOUNDATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

As described below, during the year ended June 30, 2021, the Foundation has adopted FASB ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. The Foundation's investment management fees, as included in investment return, net on the consolidated statements of activities, are governed by Topic 606, which contains a single performance obligation via a provided service or series of services that are substantially the same with the same pattern of service delivery to the related organization. The Foundation follows the "as-invoiced" practical expedient provided within Topic 606, and as such, revenue is recognized at a single point-in-time, for services provided through the billing date.

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 covers \$250,000 for substantially all depository accounts.

At June 30, 2021 and 2020, the Foundation had \$67,159,073 and \$66,036,852, 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
(A Component Unit of Clemson University)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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 ("U.S. GAAP") 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Recently Issued Accounting Pronouncements Adopted – On May 28, 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Through 2017, ASU 2014-09 was amended by the following ASUs in order to provide further clarification:

- ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*.
- ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*.
- ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*.
- ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*.
- ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*.

CLEMSON UNIVERSITY FOUNDATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Collectively, the ASUs described above constitute Topic 606. The 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. The Foundation has determined that there are no changes required to be presented for the years ended June 30, 2021 and 2020. During the years ended June 30, 2021 and 2020, the Foundation's primary revenue stream within the scope of Topic 606 are investment management fees.

Recently Issued Accounting Pronouncements – 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 statement 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 13). Under this deferral, the effective date of Topic 842 is for the fiscal year ended 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 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, 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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring or quarterly basis at June 30, 2021:

Description	Investments Measured at				Total
	NAV	Level 1	Level 2	Level 3	
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 7,414,972	\$ -	\$ -	\$ 7,414,972
Treasury/agency	-	63,085,115	-	-	63,085,115
Mortgage backed securities	-	20,887,273	-	-	20,887,273
Corporate bonds	-	28,601,822	-	-	28,601,822
U.S. equities	-	423,887,936	-	-	423,887,936
Global equities	-	148,553,972	-	-	148,553,972
Commodities	-	3,954,068	14,916,301	-	18,870,369
Public real assets	-	580,875	-	-	580,875
Hedge funds	132,698,821	-	-	-	132,698,821
Private equity	127,803,074	-	-	-	127,803,074
Private real assets	22,075,833	-	-	-	22,075,833
Other	-	5,676,187	-	-	5,676,187
Total investments – recurring basis	<u>282,577,728</u>	<u>702,642,220</u>	<u>14,916,301</u>	<u>-</u>	<u>1,000,136,249</u>
Investments – nonrecurring basis:					
Real estate	-	-	232,850	-	232,850
Total marketable investments	<u>\$ 282,577,728</u>	<u>\$ 702,642,220</u>	<u>\$ 15,149,151</u>	<u>\$ -</u>	<u>\$ 1,000,369,099</u>
Trusts held by others (see Note 10)	\$ -	\$ -	\$ -	\$ 7,021,734	\$ 7,021,734

CLEMSON UNIVERSITY FOUNDATION
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3—Fair value measurements (continued)

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>

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:

	2021	2020
Beginning of year	\$ 5,465,572	\$ 6,106,646
Net realized and unrealized gain (loss)	1,080,151	(1,536,746)
Net change in unamortized discount	476,011	895,672
End of year	<u>\$ 7,021,734</u>	<u>\$ 5,465,572</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, 2021 and 2020.

	<u>Fair Value at June 30, 2021</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships ⁽¹⁾				
Private equity	\$ 127,803,074	\$ 53,852,882	N/A	N/A
Private real assets	22,075,833	15,134,267	N/A	N/A
Hedge funds	<u>132,968,821</u>	-	Monthly to Annually	33-95 days
Total	<u>\$ 282,577,728</u>			

	<u>Fair Value at June 30, 2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships ⁽¹⁾				
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>			

- (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 Clemson University, and pooled investments held in trust for affiliates as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 7,414,972	\$ 7,391,169
Treasury/agency	63,085,115	40,423,415
Mortgage backed securities	20,887,273	17,087,875
Corporate bonds	28,601,822	21,992,179
International bonds	-	626,771
U.S. equities	423,887,936	337,927,819
Global equities	148,553,972	105,916,285
Commodities	18,870,369	12,666,665
Hedge funds	132,698,821	119,934,011
Private equity	127,803,074	80,243,142
Public real assets	580,875	323,614
Private real assets	22,308,683	18,075,039
Other	5,676,187	1,298,123
Subtotal-marketable investments	<u>1,000,369,099</u>	<u>763,906,107</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>\$1,020,369,099</u>	<u>\$ 783,906,107</u>

	<u>2021</u>	<u>2020</u>
Reconciliation to the consolidated statements of financial position:		
Investments	\$ 715,870,080	\$ 534,423,609
Investments held for Clemson University	251,138,535	201,601,857
Funds held in trust for affiliates - pooled investments	<u>53,360,484</u>	<u>47,880,641</u>
	<u>\$1,020,369,099</u>	<u>\$ 783,906,107</u>

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

	<u>2021</u>	<u>2020</u>
Net realized gains from sales of investments	\$ 11,665,559	\$ 7,515,874
Net unrealized appreciation (depreciation) of investments	<u>154,129,094</u>	<u>(4,461,340)</u>
Total net gains	165,794,653	3,054,534
Investment income, net	<u>6,956,598</u>	<u>7,712,363</u>
Total investment return, net	<u>\$ 172,751,251</u>	<u>\$ 10,766,897</u>

The Foundation assesses a management fee, as included in investment return, net on the consolidated statements of activities, to individual endowment funds to provide support for fundraising, donor stewardship, and endowment administration. For 2021 and 2020, this fee was 1.25% of the 12-quarter trailing average fair value of endowment funds and totaled \$8.0 and \$7.4 million, respectively.

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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, 2021 and 2020, University endowment funds of \$251,138,535 and \$201,601,857, 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>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 19,120,328	\$ 15,626,563
One year to five years	38,296,536	26,827,525
Over five years	<u>32,326,030</u>	<u>125,000</u>
	89,742,894	42,579,088
Less allowance for uncollectible contributions receivable	(6,424,289)	(4,257,909)
Less unamortized discount (discount rates of 0.29% to 2.73%)	<u>(3,831,417)</u>	<u>(1,083,991)</u>
	<u>\$ 79,487,188</u>	<u>\$ 37,237,188</u>

During the year ended June 30, 2020, the Foundation received certain promises to give totaling \$60,000,000 that were conditional based on future events or activities. As the required events or activities had not yet occurred at June 30, 2020, the Foundation did not recognize an asset or contribution revenue for such. During the year ended June 30, 2020, \$4,000,000 related to these conditional promises to give was received and included as a deferred revenue line item on the consolidated statements of financial position. The conditions related to these promises to give were satisfied during the year ended June 30, 2021, so were recognized as gift revenues with a pledge balance of \$51,000,000 reflected as an asset as of June 30, 2021. There were no additional conditional promises to give during the year ended June 30, 2021.

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Note 6—Land, buildings, and equipment, net

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

	2021	2020
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>(1,686,349)</u>	<u>(1,654,022)</u>
	<u>\$ 9,184,396</u>	<u>\$ 9,216,723</u>

Included in land, buildings, and equipment at June 30, 2021 and 2020 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. Depreciation expense for the years ended June 30, 2021 and 2020 was \$32,327 and \$36,872 respectively.

Note 7—Endowment assets

The Foundation's endowment consists of approximately 2,100 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.

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Note 7—Endowment assets (continued)

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 651,141,999	\$ 651,141,999
Board-designated endowment funds	42,609,189	-	42,609,189
Total endowed net assets	<u>\$ 42,609,189</u>	<u>\$ 651,141,999</u>	<u>\$ 693,751,188</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>

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Note 7—Endowment assets (continued)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 487,969,986	\$ 487,969,986
Board-designated endowment funds	27,700,265	-	27,700,265
Total endowed net assets, June 30, 2020	<u>27,700,265</u>	<u>487,969,986</u>	<u>515,670,251</u>
Investment return, net	<u>8,129,677</u>	<u>150,315,691</u>	<u>158,445,368</u>
	35,829,942	638,285,677	674,115,619
Contributions	7,867,351	26,325,225	34,192,576
Additions to endowments from trusts or donor designation changes	29,417	3,364,605	3,394,022
Appropriation of endowment assets for expenditure	<u>(1,117,521)</u>	<u>(16,833,508)</u>	<u>(17,951,029)</u>
Endowment net assets, June 30, 2021	<u>\$ 42,609,189</u>	<u>\$ 651,141,999</u>	<u>\$ 693,751,188</u>

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	<u>243,211</u>	<u>2,459,609</u>	<u>2,702,820</u>
	24,570,274	489,317,218	513,887,492
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>

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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 \$2,031 and \$50,250 at June 30, 2021 and 2020, respectively. 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 2021 and 2020, 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 three years. Total rent expense incurred under these agreements was \$139,222 and \$154,632 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease payments under the operating lease agreements are \$24,200 in 2022, \$17,654 in 2023, and \$3,369 in 2024.

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Note 9—Related party transactions

At June 30, 2021 and 2020, amounts due from and due to organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2021</u>	<u>2020</u>
Due from:		
Clemson University Real Estate Foundation	\$ 252,198	\$ 223,516
Clemson University Land Stewardship Foundation	4,723,411	932,472
Clemson University	514,353	490,142
	<u>\$ 5,489,962</u>	<u>\$ 1,646,130</u>
Due to:		
IPTAY	\$ 6,500	\$ 20,341
Clemson Architectural Foundation	1,186	11,386
Clemson University Land Stewardship Foundation	79,024	-
Clemson University	961,106	606,568
	<u>\$ 1,047,816</u>	<u>\$ 638,295</u>

Administrative management fees, as included in investment return, net on the consolidated statements of activities, from related parties for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Clemson University	\$ 2,057,413	\$ 1,960,564
IPTAY	292,679	228,122
Clemson Alumni Association	135,789	130,591
Clemson Architectural Foundation	30,562	29,334
	<u>\$ 2,516,443</u>	<u>\$ 2,348,611</u>

The Foundation purchased and transferred equipment with a net book value of \$229,064, without donor intent, and \$179,144, with donor intent, during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Foundation reimbursed the University approximately \$3 million for this support, funded through its annual operating budget.

In October 2020, the Foundation entered a loan agreement with CULSF, for CULSF to purchase an office building for the use and benefit of Clemson University. The loan amount advanced to CULSF was \$3,765,177 and accrued interest at the rate of 1% was \$25,762 at June 30, 2021. Payment in full is due within 18 months and can be made throughout the term or in full at the end of the term. The funds advanced to CULSF are included in due from related organizations on the consolidated statement of financial position at June 30, 2021.

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Note 9—Related party transactions (continued)

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, 2021 and 2020 was \$146,677,655 and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$104,460,880 and \$54,924,202, 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.

The Foundation charged an annual fee of 1.25% in 2021 and 2020 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, 2021 and 2020 are \$9,536,168 and \$8,357,042, 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 \$2,736,056 and \$2,396,479 at June 30, 2021 and 2020, 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 \$1,172,954 and \$1,142,122 at June 30, 2021 and 2020, respectively, has been reported in the accompanying consolidated statements of financial position.

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Note 10—Split-interest agreements (continued)

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 2021 and 2020 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>2021</u>	<u>2020</u>
Fair value	\$ 13,476,102	\$ 10,839,789
Less unamortized discount	(6,454,368)	(5,374,217)
Trusts held by others	<u>\$ 7,021,734</u>	<u>\$ 5,465,572</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 \$5,064,412 and \$5,764,412 for the years ended June 30, 2021 and 2020, respectively. The cash surrender value at June 30, 2021 and 2020 was \$2,608,902 and \$2,264,151, respectively.

Note 12—Funds held in trust for affiliates

The Foundation holds and invests funds belonging to the Clemson Architectural Foundation (“CAF”), IPTAY, and Clemson Alumni Association (“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, 2021 and 2020 were \$99,027,121 and \$84,360,217, respectively.

At June 30, 2021:

	<u>Non-Pooled Assets, Net</u>	<u>Pooled Investments</u>	<u>Contributions Receivable, Net</u>	<u>Total</u>
IPTAY	\$ 12,789,368	\$ 35,461,554	\$ 31,970,958	\$ 80,221,880
CAA	347,198	14,235,782	-	14,582,980
CAF	392,189	3,663,148	166,924	4,222,261
	<u>\$ 13,528,755</u>	<u>\$ 53,360,484</u>	<u>\$ 32,137,882</u>	<u>\$ 99,027,121</u>

At June 30, 2020:

	<u>Non-Pooled Assets, Net</u>	<u>Pooled Investments</u>	<u>Contributions Receivable, Net</u>	<u>Total</u>
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>

CLEMSON UNIVERSITY FOUNDATION
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Note 13—Commitments and contingencies

The Foundation has committed \$9,193,233, and \$2,113,800 at June 30, 2021 and 2020, respectively, for building projects for the benefit of the University. At June 30, 2021, 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, 2021 and 2020.

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.

On January 30, 2020, the World Health Organization declared the coronavirus COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 included restrictions on travel, quarantines, or stay-at-home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Foundation operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Foundation is closely monitoring the impact of the COVID-19 pandemic on all aspects of operations and are unable at this time to predict the continued impact COVID-19 will have on the Foundation’s investments, financial position, and operating results in future periods due to numerous uncertainties.

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>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Special initiative reserves	\$ 2,973,639	\$ 3,510,248
Quasi-endowment market value	43,645,626	29,917,551
Other designated	4,586,395	1,904,755
Undesignated	11,449,168	4,822,259
Net assets without donor restrictions	<u>\$ 62,654,828</u>	<u>\$ 40,154,813</u>

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Note 15—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Specific future periods:		
Unconditional promises to give-not received	\$ 79,487,188	\$ 37,237,188
Specific to expenditure for specific purpose	47,641,560	43,952,498
Specific to spending policy and appropriation	290,926,663	158,709,734
Perpetual endowments	350,246,472	327,863,496
Specific to passage of time or specific event:		
Gifts awaiting donor direction	2,008,212	4,432,208
Trusts held by others	7,021,734	5,465,572
Charitable remainder trusts and unitrusts	6,800,137	5,752,951
Term endowments	38,139,541	26,128,659
Trusts	-	254,727
Net assets with donor restrictions	<u>\$822,271,507</u>	<u>\$609,797,033</u>

Note 16—Net assets released from restrictions

Net assets released from donor restrictions during the year ended June 30, 2021 and 2020 supported the following programs:

	<u>2021</u>	<u>2020</u>
Scholarships, fellowships, and awards	\$ 5,713,405	\$ 5,878,043
Chairs, professorships, and faculty awards	4,369,251	3,859,174
Departments and University programs	13,524,205	14,975,625
Capital, facilities, and equipment	696,489	4,699,414
Net assets released from donor restrictions	<u>\$ 24,303,350</u>	<u>\$ 29,412,256</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, 2021:

	Program Expenses in Support of Clemson University	Administrative and Investment Support	Fundraising	Total
Clemson University program support	\$ 23,683,425	\$ -	\$ -	\$ 23,683,425
Functions and events	173,214	21,634	239,011	433,859
Contract and professional services	1,393,803	1,065,626	384,015	2,843,444
Compensation and shared services costs	-	1,240,417	2,405,555	3,645,972
Travel and fundraising operations	212,924	14,316	266,581	493,821
Material, supplies, and other operating costs	334,715	70,303	245,738	650,756
IT services and operations	-	454,158	-	454,158
Development fees	662,130	77,523	4,783	744,436
Rent and occupancy	148,233	113,754	60,914	322,901
Promotions and sponsorships	131,989	-	61,718	193,707
Insurance	10,911	137,174	-	148,085
Depreciation	-	32,327	-	32,327
Total	<u>\$ 26,751,344</u>	<u>\$ 3,227,232</u>	<u>\$ 3,668,315</u>	<u>\$ 33,646,891</u>

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

The following represents the expenditures by functional and natural classifications for the year ended June 30, 2020:

	Program Expenses in Support of Clemson University	Administrative and Investment Support	Fundraising	Total
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 above allocation of expenses at June 30, 2021 and 2020 are based upon direct expenditures to each functional category.

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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 statements of financial 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 statements 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>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 880,378,036	\$ 648,737,456
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time restrictions	(461,788,987)	(391,671,436)
Subject to appropriation and satisfaction of donor restrictions	(338,715,619)	(202,685,967)
Investments held in annuity trust	(16,558,527)	(13,869,729)
Board designations:		
Special initiative reserves and other designated funds	(7,560,034)	(5,415,003)
Quasi-endowment fund, net of perpetual fixed assets	(29,532,804)	(21,658,488)
Plus: Board approved endowment appropriation	<u>18,062,605</u>	<u>16,845,784</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 44,284,670</u>	<u>\$ 30,282,617</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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
CAA	\$ (16,837)	\$ 16,350	\$ (487)
CAF	(3,718)	-	(3,718)
CUREF	-	931,972	931,972
IPTAY	(30,080)	35,000	4,920
CU	(252,772)	(7,000)	(259,772)
Total	<u>\$ (303,407)</u>	<u>\$ 976,322</u>	<u>\$ 672,915</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>

Note 21—Subsequent events

The Foundation has evaluated subsequent events through September 10, 2021, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.