

**CLEMSON UNIVERSITY REAL ESTATE
FOUNDATION, INC.**

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position 3
Statements of Activities..... 4-5
Statements of Cash Flows 6
Notes to the Financial Statements 7-13

Report of Independent Auditor

To the Board of Directors
Clemson University Real Estate Foundation, Inc.
Clemson, South Carolina

We have audited the accompanying financial statements of Clemson University Real Estate Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its 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 June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 1, 2019. In our opinion the summarized comparative information presented on the statement of activities herein for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cheryl Bebaert LRP

Greenville, South Carolina
August 17, 2021

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 127,874	\$ 59,053
Real estate investments	<u>2,667,958</u>	<u>3,385,700</u>
Total Assets	<u><u>\$ 2,795,832</u></u>	<u><u>\$ 3,444,753</u></u>
LIABILITIES AND NET ASSETS		
Deposits held for others	\$ -	\$ 2,000
Due to Clemson University Foundation	<u>252,197</u>	<u>223,516</u>
Total Liabilities	<u>252,197</u>	<u>225,516</u>
Net Assets:		
With donor restrictions	<u>2,543,635</u>	<u>3,219,237</u>
Total Net Assets	<u>2,543,635</u>	<u>3,219,237</u>
Total Liabilities and Net Assets	<u><u>\$ 2,795,832</u></u>	<u><u>\$ 3,444,753</u></u>

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

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

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues, Gains, and Other Support:				
Gifts	\$ -	\$ 451,349	\$ 451,349	\$ 32,865
Rental revenues	-	-	-	30,000
Realized/unrealized loss on real estate investments	-	(136,724)	(136,724)	(33,835)
Total Revenues and Gains	-	314,625	314,625	29,030
Net assets released from restrictions	990,227	(990,227)	-	-
Total Revenues, Gains, and Other Support	990,227	(675,602)	314,625	29,030
Program Expenses:				
Gifted property	59,921	-	59,921	60,058
Total Program Expenses	59,921	-	59,921	60,058
Contributions to a related foundation	930,306	-	930,306	222,916
Total Expenses	990,227	-	990,227	282,974
Change in net assets	-	(675,602)	(675,602)	(253,944)
Net assets, beginning of year	-	3,219,237	3,219,237	3,473,181
Net assets, end of year	\$ -	\$ 2,543,635	\$ 2,543,635	\$ 3,219,237

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
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	\$ -	\$ 32,865	\$ 32,865	\$ 21,934
Rental revenues	-	30,000	30,000	36,000
Realized/unrealized loss on real estate investments	-	(33,835)	(33,835)	(56,000)
Total Revenues and Gains	-	29,030	29,030	1,934
Net assets released from restrictions	282,974	(282,974)	-	-
Total Revenues, Gains, and Other Support	282,974	(253,944)	29,030	1,934
Program Expenses:				
Gifted property	60,058	-	60,058	109,061
Total Program Expenses	60,058	-	60,058	109,061
Contributions to a related foundation	222,916	-	222,916	299,746
Total Expenses	282,974	-	282,974	408,807
Change in net assets	-	(253,944)	(253,944)	(406,873)
Net assets, beginning of year	-	3,473,181	3,473,181	3,880,054
Net assets, end of year	\$ -	\$ 3,219,237	\$ 3,219,237	\$ 3,473,181

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.**STATEMENTS OF CASH FLOWS***YEARS ENDED JUNE 30, 2021 AND 2020*

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (675,602)	\$ (253,944)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized loss on real estate investments	136,724	33,835
Noncash gifts	(451,349)	(32,865)
Deposits held for others	(2,000)	2,000
Due to Clemson University Foundation	28,681	46,800
Net cash from operating activities	<u>(963,546)</u>	<u>(204,174)</u>
Cash flows from investing activities:		
Proceeds from sale of land held for resale	1,032,367	209,075
Proceeds from sale of commodities	-	24,563
Net cash from investing activities	<u>1,032,367</u>	<u>233,638</u>
Net change in cash and cash equivalents	68,821	29,464
Cash and cash equivalents, beginning of year	59,053	29,589
Cash and cash equivalents, end of year	<u>\$ 127,874</u>	<u>\$ 59,053</u>

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Organization

The Clemson University Real Estate Foundation, Inc. (the “Foundation”) was formed to serve the needs of Clemson University (the “University”) and/or Clemson University Foundation (“CUF”) in the acceptance of gifts of property and real estate. Proceeds from sales of property and real estate are contributed to CUF and/or the University for the benefit of donor imposed programs and endowments. The properties held by the Foundation represent gifted properties. It is the Foundation’s intent to sell these properties and invest the proceeds to further the donor’s directive through CUF.

Note 2—Summary of significant accounting policies

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

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

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The Foundation does not have any net assets without donor restrictions as of June 30, 2021 and 2020.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

The Foundation recognizes revenue in accordance with Financial Accounting Standards Board’s (“FASB”) Accounting Standard Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers* 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 reclassifications between the applicable classes of net assets. Restricted revenues that are used in the year of receipt are classified net assets with donor restrictions released from restrictions.

Gifts of property and real estate, 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.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Income and net realized and unrealized 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.

Cash and Cash Equivalents – The Foundation considers all interest bearing money market accounts with an initial maturity of three months or less at the date of purchase to be cash equivalents. Bank balances are insured up to \$250,000 through the Federal Deposit Insurance Corporation. During the years ended June 30, 2021 and 2020, the Foundation from time to time may have had amounts on deposit in excess of the insured limits. At June 30 2021 and 2020, the Foundation did not have any uninsured bank balances.

Real Estate Investments – Real estate investments consist of donated properties, gifts of life estate properties, and land leased to tenants. All real estate investments are presented at fair value with the exception of life estates, which are presented at fair value less a discount to present value. Real estate investments are appraised every two to three years and reviewed annually by management.

Donated properties are appraised by a certified, independent appraiser and recorded at fair value at the time of donation. A certified title examination is performed and if appropriate, an environmental survey is obtained.

Life estate properties are restricted gifts whereby the Foundation's right to realize the economic benefits is restricted for a defined time period. As a result, the gifts are recorded at the discounted present value at applicable interest rates at the time of the gift.

Real Estate – Real estate, if any, consists of land held for later programmatic use. Real estate is recorded at the lower of cost or the appraised fair value on the date of donation.

Income Taxes – The Foundation is recognized as an organization exempt from Federal income tax on related income under Section 501(a) of the Internal Revenue Code ("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.

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes that there are no such positions as of June 30, 2021 and 2020 and, accordingly, no liability has been accrued.

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

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*.

Collectively, the ASUs described above constitute “Topic 606”. The core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company 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 had no revenue streams within the scope of Topic 606.

New 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 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 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 10). 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 financial statements, with certain practical expedients available.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 statements of financial position, based on a three-level fair value hierarchy based on the inputs to valuation techniques as follows:

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

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

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

The following tables summarize the valuation of the Foundation’s financial assets measured at fair value as of June 30, 2021 and 2020, based on the level of input utilized to measure fair value:

Measurement at fair value on a nonrecurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 2,441,968	\$ -
Life estate properties, net	-	225,990	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>\$ 2,667,958</u>	<u>\$ -</u>

Measurement at fair value on a nonrecurring basis at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 3,165,190	\$ -
Life estate properties, net	-	220,510	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>\$ 3,385,700</u>	<u>\$ -</u>

The fair values for real estate investments are determined using the market approach based primarily on periodic appraised values and other market information for similar property.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Real estate investments

Real estate held for resale at June 30 is as follows:

Description/Location	2021	2020
Concord, North Carolina Lot 1A – 1.418 acres	\$ 1,025,000	\$ 1,050,000
Lake Hartwell, Anderson, South Carolina Lot 2 – Clearwater Shores	23,000	23,000
Powdersville, South Carolina Lot 3 – 2.283 acres	350,000	350,000
DeBordieu Colony, Georgetown, SC – .56 acre lot	-	180,000
Cliffs Valley, Stone Creek – Fern Springs Way Travelers Rest, South Carolina – 2.78 acre lot	85,000	185,000
Lake Wylie, Charlotte, North Carolina 11100 Limehurst Place, lot including residence	-	700,090
Cliffs Valley – Mountaire Way, Travelers Rest, South Carolina 1.6 acre lot	20,000	60,000
Cliffs @ Keowee Falls South, Oconee County – 1.67 acres	50,000	15,000
Cliffs Valley North, 105 Sunfire Court, Travelers Rest, South Carolina 2.58 acre lot	80,000	25,000
Cliffs Valley, 1506 Panther Park Trail, Travelers Rest, South Carolina 8.67 acre lot	165,000	40,000
Jackson County, North Carolina – 45.95 acres	390,000	517,000
Cliffs @ Glassy West, Landrum, South Carolina Lot 71 – .7 acres	30,000	17,000
Cliffs Valley, 900 High Knoll, Lot 4, Travelers Rest, South Carolina .82 acre lot	3,100	3,100
Watauga County, Blowing Rock, North Carolina – 1.05 acres	220,868	-
Total real estate held for resale	<u>\$ 2,441,968</u>	<u>\$ 3,165,190</u>

The Foundation holds one gift of real estate from a donor who has retained the right to use the property until his death. At the date of donation the gift had an appraised value of \$126,000. The Foundation has recorded the gift at fair value and discounted the gift at the present value of the appraised amount because the economic benefit of the property will not be realized until the restriction of the right to use the property ends. The Foundation periodically obtains appraisals for this property and revalues the property to fair value less discount.

The present value calculation considered the life expectancy of the donor and discounted the gift at an applicable interest rate, at the time of the gift. Accretion recorded was \$5,480 and \$5,202 for the years ended June 30, 2021 and 2020, respectively, and is included in gifts on the statement of activities.

Life estate properties consist of the following at June 30:

Description/Location	2021	2020
Houston Street, Clemson, South Carolina – Lot 5	<u>\$ 225,990</u>	<u>\$ 220,510</u>

There was no interest expense capitalized for the years ended June 30, 2021 and 2020.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Related party transactions

Amounts due to CUF are due in the normal course of business, bear no interest, and are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due to CUF – Expenditures associated with gifted property	\$ 252,197	\$ 223,516

Note 6—Expenditures by functional and natural classifications

All expenses of the Foundation are incurred to support the property inventory and are assigned to each individual property. The following represents the natural classifications of these programmatic expenses for the years ended June 30:

Gifted Property:	<u>2021</u>	<u>2020</u>
Property taxes and fees	\$ 42,843	\$ 42,470
Legal fees	1,454	8,248
Contract and professional services	3,900	5,875
Utilities and repairs	8,934	3,465
Insurance	2,790	-
	<u>\$ 59,921</u>	<u>\$ 60,058</u>

Note 7—Net assets released from restrictions

Net assets were released from donor restrictions through expenditures related to the carrying costs and ultimate sales costs of respective donated properties and the transfer of the net proceeds from sales of donated properties to CUF for investment and/or allocation in support of the donor intended purposes.

	<u>2021</u>	<u>2020</u>
Carry costs and sales costs	\$ 59,921	\$ 60,058
Transfers to CUF	930,306	222,916
	<u>\$ 990,227</u>	<u>\$ 282,974</u>

Note 8—Net assets with donor restrictions

Net assets with donor restrictions were held for program support at June 30, 2021 and 2020. These amounts are maintained by the Foundation in restricted accounts.

	<u>2021</u>	<u>2020</u>
Contributions restricted for educational programs of CUF	\$ 2,543,635	\$ 3,219,237

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Availability of financial assets

All of the Foundation's financial assets as of June 30, 2021, the statement of financial position date, are not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

The Foundation is substantially supported by the CUF, which provides the annual support to cover general expenditures due to its purpose to manage, market and dispose of noncash donor gifts that the University has deemed to be non-programmatic.

Note 10—Contingencies

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, the Foundation's real estate investments, financial position, and operating results in future periods due to numerous uncertainties.

Note 11—Subsequent events

The Foundation has evaluated subsequent events through August 17, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.