

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

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, 2019 and 2018, 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 financial position of the Foundation as of June 30, 2019 and 2018, 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

Effect of Adopting New Accounting Standard

As discussed in Note 2, in August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation’s 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented on the consolidated statement of activities herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Greenville, South Carolina
September 18, 2019

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

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 66,260,869	\$ 70,810,628
Contributions receivable, net	26,919,204	22,124,809
Trusts held by others	6,106,646	5,985,612
Due from related organizations	2,109,804	1,597,900
Investments	523,817,422	490,224,252
Investments held for Clemson University	207,692,844	199,668,236
Cash surrender value of life insurance	2,058,456	1,999,906
Land held for resale	11,900	11,900
Land, buildings, and equipment, net	9,253,595	9,290,467
Funds held in trust for affiliates:		
Non-pooled assets, net	6,827,590	8,114,555
Pooled investments	49,642,462	48,548,640
Contributions receivable, net	22,122,542	20,264,707
Other assets	424,898	404,497
Total Assets	<u>\$ 923,248,232</u>	<u>\$ 879,046,109</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,265,537	\$ 911,019
Due to related organizations	485,748	578,184
Accrued liability to Clemson University due to net investment appreciation	61,015,189	52,990,581
Note payable to Clemson University	146,677,655	146,677,655
Actuarial liability of annuities payable	3,881,688	4,018,229
Funds administered for affiliates	78,592,594	76,927,902
Total Liabilities	<u>291,918,411</u>	<u>282,103,570</u>
Net Assets:		
Without donor restrictions	36,984,922	32,755,643
With donor restrictions	594,344,899	564,186,896
Total Net Assets	<u>631,329,821</u>	<u>596,942,539</u>
Total Liabilities and Net Assets	<u>\$ 923,248,232</u>	<u>\$ 879,046,109</u>

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

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

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

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

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

YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE INFORMATION FOR 2017)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2018	2017
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 1,864,341	\$ 37,501,898	\$ 39,366,239	\$ 29,061,853
Investment return, net	7,189,015	35,004,457	42,193,472	54,079,421
Program income	774,624	553,829	1,328,453	2,535,745
Other income (loss)	2,923,754	(10,882)	2,912,872	3,076,656
Change in value of split-interest agreements	68,394	1,154,281	1,222,675	831,782
Reclassification of donor intent	246,839	(246,839)	-	-
Total	13,066,967	73,956,744	87,023,711	89,585,457
Net assets released from restrictions	31,982,490	(31,982,490)	-	-
Total Revenues, Gains, and Other Support	45,049,457	41,974,254	87,023,711	89,585,457
Expenses:				
Program expenses in support of Clemson University	34,124,394	-	34,124,394	28,420,634
Administrative and investment support	3,519,504	-	3,519,504	3,044,749
Fundraising	4,215,986	-	4,215,986	4,160,310
Total Expenses	41,859,884	-	41,859,884	35,625,693
Change in net assets before other changes	3,189,573	41,974,254	45,163,827	53,959,764
Other Changes:				
Transfers to related entities	(977,880)	(11,563,496)	(12,541,376)	(122,767)
Total Other Changes	(977,880)	(11,563,496)	(12,541,376)	(122,767)
Change in net assets	2,211,693	30,410,758	32,622,451	53,836,997
Net assets, beginning of year	30,543,950	533,776,138	564,320,088	510,483,091
Net assets, end of year	\$ 32,755,643	\$ 564,186,896	\$ 596,942,539	\$ 564,320,088

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

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 34,387,282	\$ 32,622,451
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gains on investments	(28,706,117)	(36,708,414)
Transfers to related entities	-	12,541,376
Transfer of cash to Clemson Alumni Association	-	(972,919)
Depreciation expense	36,872	36,872
Change in value of split interest agreements on long-term investments	(149,361)	(1,076,285)
Gifts restricted for long-term investment	(9,970,602)	(14,291,262)
Other (income) loss - perpetually restricted	(29,961)	13,727
Change in assets and liabilities:		
Contributions receivable, net	(4,794,395)	(2,734,478)
Trusts held by others	(121,034)	(371,464)
Other receivables		
Due from related organizations	(511,904)	(57,230)
Cash surrender value of life insurance	(58,550)	5,776
Net change in other funds held in trust for affiliates	(1,664,692)	(9,384,926)
Land, buildings, and equipment, net		
Other assets	(20,401)	234,601
Accounts payable and accrued liabilities	354,518	205,521
Due to related organizations	(92,436)	158,487
Actuarial liability of annuities payable	(136,541)	(694,983)
Net change in funds administered for affiliates	1,664,692	9,384,926
Net cash from operating activities	<u>(9,812,630)</u>	<u>(11,088,224)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	79,009,325	60,008,725
Purchases of investments	(83,896,378)	(53,805,962)
Net cash from investing activities	<u>(4,887,053)</u>	<u>6,202,763</u>
Cash flows from financing activities:		
Gifts restricted for long-term investment	9,970,602	14,291,262
Change in value of split interest agreements on long-term investments	149,361	1,076,285
Other income (loss) - perpetually restricted	29,961	(13,727)
Net cash from financing activities	<u>10,149,924</u>	<u>15,353,820</u>
Net change in cash and cash equivalents	(4,549,759)	10,468,359
Cash and cash equivalents, beginning of year	70,810,628	60,342,269
Cash and cash equivalents, end of year	<u>\$ 66,260,869</u>	<u>\$ 70,810,628</u>
Noncash financing activity:		
Investments transferred to Clemson Alumni Association	<u>\$ -</u>	<u>\$ 11,275,123</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, 2019 AND 2018

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, fund-raising or other programs, and to prudently manage and disburse such funds. The Foundation includes the wholly-owned subsidiaries of Clemson University Foundation Holdings, LLC and the CUF Data Administrator, LLC. Due to the nature and significance of its relationship with the University, the Foundation is considered a component unit of the University as defined by the provision of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, with Foundation financial information presented discretely in the financial reporting of the University. The Foundation is governed by an independent, 43-member volunteer board of directors, with additional honorary and ex-officio directors.

Effective with the 2018 fiscal year, Clemson Alumni Association (“CAA”) the assets and operations for which were included as a part of the Foundation prior to July 1, 2017, began operating as a stand-alone non-profit organization, as is more fully described in Note 20.

Note 2—Summary of significant accounting policies

Basis of Accounting –The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting under the financial reporting framework of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification, *Financial Statements of Not-for-Profit Organizations*.

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

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. This includes funds that are designated for discretionary use by the Foundation and board-designated funds functioning as endowments.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. This includes annuity and life income funds, term endowments, the present value of contributions receivable, and earnings on investments. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the Foundation to use a portion of the income earned on the related investments for specified purposes.

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

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

JUNE 30, 2019 AND 2018

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 are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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

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

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

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

Cash and Cash Equivalents – The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. Certificates of Deposits are considered as cash equivalents irrespective of maturity date. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts.

Beginning in fiscal year 2017, the Foundation expanded its cash management focus through the utilization of the Certificate of Deposit Account Registry Service (“CDARS”). This service provides FDIC protection for all funds deposited through CDARS. As of June 30, 2019, the Foundation held \$43,405,790 in CDARS. At June 30, 2018 CDARS held totaled \$49,452,617, of which \$800,000 was held on behalf of the Clemson University Land Stewardship Foundation.

At June 30, 2019 and 2018, the Foundation had \$6,849,641 and \$3,805,308, 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, 2019 AND 2018

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 (the "Code") and described as an organization in Section 501(c)(3) of the Code. Accordingly, only unrelated business income, as defined by Section 513 of the Code, 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 statement 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, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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

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

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

Comparative Information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Recently Adopted Accounting Pronouncements – On August 18, 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU provides for a variety of changes to the presentation of the financial statements of not-for-profit entities, including changing from three classes of net assets to two classes of net assets, enhancing disclosure requirements related to liquidity concerns and endowment management, a requirement to present expenses classified by both their nature and their function and other changes to presentation and disclosure. This standard is effective for fiscal years beginning after December 15, 2017, and the Foundation adopted ASU 2016-14 in fiscal year 2019.

Recently Issued Accounting Pronouncements – On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the impact of the adoption of this ASU on the consolidated financial statements.

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

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

In June of 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB *Accounting Standards Codification* (FASB ASC) 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASC 606 discussed above. This standard is effective for fiscal years beginning after December 15, 2018. The Foundation is currently in the process of evaluating the impact of the adoption of this ASU on the consolidated financial statements.

In February 2016, the 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 will be effective for the fiscal year ending June 30, 2021. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Note 3—Fair value measurements

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

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Valuations based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment or estimation by the investment manager.

Investments measured at net asset value ("NAV") are those which the Foundation has applied a practical expedient and concluded that the 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 the NAV. The Foundation has no plans to sell these investments in the secondary market at amounts substantially different from NAV.

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

JUNE 30, 2019 AND 2018

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, 2019 and 2018, based on the level of input utilized to measure fair value:

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

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

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Note 3—Fair value measurements (continued)

Measurement at fair value on a recurring or quarterly basis at June 30, 2018:

Description	Investments Measured at				Total
	NAV	Level 1	Level 2	Level 3	
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 15,313,774	\$ -	\$ -	\$ 15,313,774
Treasury/agency	-	49,973,618	-	-	49,973,618
Mortgage backed securities	-	13,975,842	-	-	13,975,842
Corporate bonds	-	16,309,866	-	-	16,309,866
International bonds	-	602,013	-	-	602,013
U.S. equities	-	327,738,067	-	-	327,738,067
Global equities	-	115,567,471	-	-	115,567,471
Commodities	-	3,409,000	6,333,056	-	9,742,056
Public real assets	-	683,495	-	-	683,495
Hedge funds	97,702,896	-	-	-	97,702,896
Private equity	55,917,721	-	-	-	55,917,721
Private real assets	13,490,009	-	-	-	13,490,009
Other	-	1,191,450	-	-	1,191,450
Total investments – recurring basis	<u>167,110,626</u>	<u>544,764,596</u>	<u>6,333,056</u>	<u>-</u>	<u>718,208,278</u>
Investments – nonrecurring basis:					
Real estate	-	-	232,850	-	232,850
Total marketable investments	<u>\$ 167,110,626</u>	<u>\$ 544,764,596</u>	<u>\$ 6,565,906</u>	<u>\$ -</u>	<u>\$ 718,441,128</u>
Trusts held by others (see Note 10)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,985,612</u>	<u>\$ 5,985,612</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:

	2019	2018
Beginning of year	\$ 5,985,612	\$5,614,148
Net realized and unrealized gain (loss)	(95,967)	131,721
Net change in unamortized discount	217,001	239,743
End of year	<u>\$ 6,106,646</u>	<u>\$ 5,985,612</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, 2019 and 2018.

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

	<u>Fair Value at June 30, 2018</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships ⁽¹⁾				
Private equity	\$ 55,917,721	\$ 30,940,564	N/A	N/A
Private real assets	13,490,009	15,134,278	N/A	N/A
Hedge funds	<u>97,702,896</u>		Monthly Annually	33-95 days
Total	<u>\$ 167,110,626</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 the NAV reported by the underlying partnerships. For real assets, fair value is estimated by the general partner based on an internal valuation of the underlying projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated.

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Note 4—Investments

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

	2019	2018
Money market funds	\$ 6,568,907	\$ 15,313,774
Treasury/agency	48,213,193	49,973,618
Mortgage backed securities	14,827,210	13,975,842
Corporate bonds	17,437,839	16,309,866
International bonds	742,824	602,013
U.S. equities	334,046,713	327,738,067
Global equities	113,509,227	115,567,471
Commodities	15,371,811	9,742,056
Hedge funds	117,375,743	97,702,896
Private equity	72,722,335	55,917,721
Public real assets	399,995	683,495
Private real assets	15,993,876	13,722,859
Other	3,710,205	1,191,450
Subtotal-marketable investments	<u>761,152,728</u>	<u>718,441,128</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>\$ 781,152,728</u>	<u>\$ 738,441,128</u>

	2019	2018
Reconciliation to the consolidated statements of financial position:		
Investments	\$ 523,817,422	\$ 490,224,252
Investments held for Clemson University	207,692,844	199,668,236
Funds held in trust for affiliates - pooled investments	49,642,462	48,548,640
	<u>\$ 781,152,728</u>	<u>\$ 738,441,128</u>

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

	2019	2018
Net realized gains from sales of investments	\$ 8,986,851	\$ 4,861,217
Net unrealized appreciation of investments	19,719,266	31,847,197
Total net gains	<u>28,706,117</u>	<u>36,708,414</u>
Investment income, net	6,978,531	5,485,058
Total investment returns, net	<u>\$ 35,684,648</u>	<u>\$ 42,193,472</u>

The Foundation assesses a management fee to individual endowment funds to provide support for fundraising, donor stewardship, and endowment administration. For 2019 and 2018, this fee is 1.25% of the three-year trailing average fair value of endowment funds and totaled \$6.9 million.

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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, 2019 and 2018, University endowment funds of \$207,692,844 and \$199,668,236, respectively, were loaned to the Foundation and are included in investments held for Clemson University in the consolidated statements of financial position.

Note 5—Contributions receivable, net

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

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 13,471,571	\$ 10,927,257
One year to five years	18,636,442	14,931,621
Over five years	1,040,000	1,497,286
	<u>33,148,013</u>	<u>27,356,164</u>
Less allowance for uncollectible contributions receivable	(4,750,449)	(3,904,378)
Less unamortized discount (discount rates of 0.72% to 2.73%)	(1,478,360)	(1,326,977)
	<u>\$ 26,919,204</u>	<u>\$ 22,124,809</u>

Note 6—Land, buildings, and equipment, net

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

	<u>2019</u>	<u>2018</u>
Land	\$ 8,971,049	\$ 8,971,049
Buildings	1,785,818	1,785,818
Equipment	113,878	113,878
	<u>10,870,745</u>	<u>10,870,745</u>
Less accumulated depreciation	(1,617,150)	(1,580,278)
	<u>\$ 9,253,595</u>	<u>\$ 9,290,467</u>

Included in land, buildings, and equipment at June 30, 2019 and 2018 is land donated to the Foundation which had an appraised value of \$8,971,049 in the year it was acquired. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which requires the land to remain in its undeveloped state but allow for the construction, operation, and management of a research and educational facility. The carrying value is comprised of land of \$917,418 and Conservation Easements of \$8,053,631, respectively. Depreciation expense for the years ended June 30, 2019 and 2018 was \$36,872.

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Note 7—Endowment assets

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

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

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

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

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

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

Endowment net assets consist of the following at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 460,998,452	\$ 460,998,452
Board-designated endowment funds	22,928,446	-	22,928,446
Total endowed net assets	<u>\$ 22,928,446</u>	<u>\$ 460,998,452</u>	<u>\$ 483,926,898</u>

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Note 7—Endowment assets (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 460,998,452	\$ 460,998,452
Board-designated endowment funds	22,928,446	-	22,928,446
Total endowed net assets, June 30, 2018	<u>22,928,446</u>	<u>460,998,452</u>	<u>483,926,898</u>
Investment return:			
Investment income	8,267	1,302,808	1,311,075
Net appreciation	1,197,844	26,507,262	27,705,106
	<u>24,134,557</u>	<u>488,808,522</u>	<u>512,943,079</u>
Contributions	950,096	11,050,442	12,000,538
Additions to endowments from trusts or donor designation changes	-	1,806,505	1,806,505
Appropriation of endowment assets for expenditure	<u>(757,590)</u>	<u>(14,807,860)</u>	<u>(15,565,450)</u>
Endowment net assets, June 30, 2019	<u>\$ 24,327,063</u>	<u>\$ 486,857,609</u>	<u>\$ 511,184,672</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 432,592,177	\$ 432,592,177
Board-designated endowment funds	21,721,159	-	21,721,159
Total endowed net assets, June 30, 2017	<u>21,721,159</u>	<u>432,592,177</u>	<u>454,313,336</u>
Investment return:			
Investment loss	(51,930)	(695,109)	(747,039)
Net appreciation	1,669,853	35,059,761	36,729,614
	<u>23,339,082</u>	<u>466,956,829</u>	<u>490,295,911</u>
Contributions	346,028	15,595,640	15,941,668
Additions to endowments from trusts or donor designation changes	-	2,327,576	2,327,576
Appropriation of endowment assets for expenditure	<u>(756,664)</u>	<u>(23,881,593)</u>	<u>(24,638,257)</u>
Endowment net assets, June 30, 2018	<u>\$ 22,928,446</u>	<u>\$ 460,998,452</u>	<u>\$ 483,926,898</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. There were no deficiencies, or “underwater endowments,” of this nature reported in as of June 30, 2019 or 2018. 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 2019 and 2018, the spending percentage was 4% based on average fair value of endowment funds as of the end of the 12 prior quarters. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs.

Note 8—Leases

The Foundation has entered into operating lease agreements for vehicles and office space that expire over the next year. Total rent expense incurred under these agreements was \$120,893 and \$128,987 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under the operating lease agreements is \$27,195 in 2020.

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Note 9—Related party transactions

At June 30, 2019 and 2018, amounts due from and due to organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2019</u>	<u>2018</u>
Due from:		
Clemson University Real Estate Foundation	\$ 176,716	\$ 177,591
Clemson University Land Stewardship Foundation	932,472	932,472
Clemson University	1,000,616	487,837
	<u>\$ 2,109,804</u>	<u>\$ 1,597,900</u>
Due to:		
IPTAY	\$ 26	\$ 49,394
Clemson Architectural Foundation	2,028	3,241
Alumni Association	17,458	366
Clemson University	466,236	525,183
	<u>\$ 485,748</u>	<u>\$ 578,184</u>

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

	<u>2019</u>	<u>2018</u>
Clemson University	\$ 1,903,903	\$ 1,968,684
IPTAY	155,489	189,431
Clemson Alumni Association	128,732	132,011
Clemson Architectural Foundation	27,689	25,934
	<u>\$ 2,215,813</u>	<u>\$ 2,316,060</u>

The Foundation purchased and transferred equipment with a net book value of \$344,215 and \$174,040 during the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the Foundation reimbursed the University approximately \$2 million for this support, funded through its annual operating budget.

The University and the Foundation have a Memorandum of Understanding (“MOU”) whereby the University loans certain endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the funds available for scholarships and other University programs. The principal balance outstanding at June 30, 2019 and 2018 was \$146,677,655 and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$61,015,189 and \$52,990,581, respectively. The MOU was for a term of ten years beginning on July 11, 2003 and is reviewed annually by the University and the Foundation prior to the anniversary date and the term is automatically renewed each year for a 12-month period unless either party provides written notice of its objection to the extension at least 30 days prior to the anniversary date. Should the University determine the loaned funds are to be repaid, pursuant to the MOU the Foundation is required to pay back the funds to the University with interest at a rate equal to the total cumulative return (consisting of appreciation and income less any payouts to the University) earned from the investment of such funds by the Foundation. The University is prohibited from requesting a return of the loaned funds if the total cumulative return is negative.

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Note 9—Related party transactions (continued)

The Foundation charged an annual fee of 1.25% in 2019 and 2018 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, 2019 and 2018 are \$8,982,820 and \$10,683,497, 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 \$2,617,996 and \$3,013,138 at June 30, 2019 and 2018, 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 \$1,263,692 and \$1,005,091 at June 30, 2019 and 2018, respectively, has been reported in the accompanying consolidated statements of financial position.

Trusts held and managed by trustees other than the Foundation, but the Foundation is the remainder beneficiary are included at fair value as of the end of 2019 and 2018 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:

	2019	2018
Fair value	\$ 12,376,535	\$ 12,472,502
Less unamortized discount	(6,269,889)	(6,486,890)
Trusts held by others	<u>\$ 6,106,646</u>	<u>\$ 5,985,612</u>

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Note 11—Life insurance policies

The Foundation is owner and beneficiary of various life insurance policies on 24 individuals with an aggregate face value of \$5,764,412 and \$6,131,752 for the years ended June 30, 2019 and 2018, respectively. The cash surrender value at June 30, 2019 and 2018 was \$2,058,456 and \$1,999,906, respectively.

Note 12—Funds held in trust for affiliates

The Foundation holds and invests funds belonging to the Clemson Architectural Foundation (“CAF”), IPTAY, CULSF, and CAA in a custodial capacity. Funds are either held or invested in an externally managed investment pool in accordance with CUF investment policy or by separate agreement. Assets under CUF management at June 30, 2019 and 2018 were \$78,592,594 and \$76,927,902, respectively.

At June 30, 2019:

	Non-Pooled Assets, net	Pooled Investments	Contribution Receivable, net	Total
IPTAY	\$ 6,135,554	\$ 35,258,853	\$ 21,952,256	\$ 63,346,663
CAA	332,413	11,586,199	8,428	11,927,040
CAF	359,623	2,797,410	161,858	3,318,891
	<u>\$ 6,827,590</u>	<u>\$ 49,642,462</u>	<u>\$ 22,122,524</u>	<u>\$ 78,592,594</u>

At June 30, 2018:

	Non-Pooled Assets, net	Pooled Investments	Contribution Receivable, net	Total
IPTAY	\$ 6,553,582	\$ 34,622,626	\$ 19,997,047	\$ 61,173,255
CULSF	800,000	-	-	800,000
CAA	378,585	11,328,835	11,404	11,718,824
CAF	382,388	2,597,179	256,256	3,235,823
	<u>\$ 8,114,555</u>	<u>\$ 48,548,640</u>	<u>\$ 20,624,707</u>	<u>\$ 76,927,902</u>

Note 13—Commitments

The Foundation has committed \$1,587,400 and \$2,933,244 at June 30, 2019 and 2018, respectively, for building projects for the benefit of the University. At June 30, 2019, the Foundation continues to pursue fundraising from donors to fund these commitments.

Pursuant to the terms of an agreement dated September 9, 1993, the Foundation shall pay on an annual basis any short-fall occurring in the event that the “Golf Course Premises Revenues” of Clemson University Continuing Education and Conference Complex Corporation (“CECCC”) are not sufficient to pay the “Operating Expenses (excluding any debt service) and ground lease base rent and Reserves”; provided, however, the CECCC shall first pay such short-fall out of the “Reserves.” No such payments were required in 2019 or 2018.

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, 2019 and 2018.

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JUNE 30, 2019 AND 2018

Note 13—Commitments (continued)

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 much more robust information critical to successful fundraising and integrating the IPTAY fundraising system with that of the Foundation, was completed. In June 2018, 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. Funds totaling \$1,020,650 have been transferred to the CUF Data Administrator, LLC since its inception. Funding for this system is being provided by the Foundation.

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

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>2019</u>	<u>2018</u>
Net assets without donor restriction:		
Funds designated for University programs	\$ 1,021,139	\$ 834,925
IT reserves	1,260,940	1,600,000
Facilities reserves	1,389,659	1,389,659
Campaign reserves	722,414	750,000
Quasi-endowments, spending	2,856,900	1,393,740
Quasi-endowments, appreciation and corpus	24,327,063	22,928,444
Unexpected annuity actuarial losses (CGA's)	593,363	358,486
Undesignated:		
Annual fund promotions	-	69,685
Museum stores account	5,379	5,147
Clemson Fund	4,808,065	3,425,557
Net assets without donor restrictions	<u>\$ 36,984,922</u>	<u>\$ 32,755,643</u>

Note 15—Net assets released from restrictions

Net assets released from donor restrictions during the year ended June 30, 2019 and 2018 supported the following programs:

	<u>2019</u>	<u>2018</u>
Scholarships, fellowships, and awards	\$ 7,103,996	\$ 7,426,247
Chairs, professorships, and faculty awards	3,754,340	3,057,029
Departments and university programs	16,176,419	18,582,457
Capital, facilities, and equipment	4,496,705	2,916,757
Net assets released from donor restrictions	<u>\$ 31,531,460</u>	<u>\$ 31,982,490</u>

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Note 16—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, 2019:

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

The following represents the expenditures by functional and natural classifications for the year ended June 30, 2018:

	Program Support	Administrative and Investment Support	Fundraising	Total
Clemson University program support	\$ 29,501,067	\$ -	\$ -	\$ 29,501,067
Functions and events	2,060,028	166,791	1,155,380	3,382,199
Contract and professional services	658,422	807,005	250,874	1,716,301
Compensation and shared services costs	-	886,757	1,522,914	2,409,671
Travel and fundraising operations	137,414	32,938	498,385	668,737
Material, supplies, and other operating costs	489,529	743,579	493,775	1,726,883
IT services and operations	67,595	764,420	94,155	926,170
Development fees	896,501	-	-	896,501
Rent and opportunity	130,617	115,269	53,857	299,743
Promotions and sponsorships	146,349	2,745	78,564	227,658
Insurance	-	-	68,082	68,082
Depreciation	36,872	-	-	36,872
Total	<u>\$ 34,124,394</u>	<u>\$ 3,519,504</u>	<u>\$ 4,215,986</u>	<u>\$ 41,859,884</u>

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Note 16—Expenditures by functional and natural classifications (continued)

The above allocation of expenses at June 30, 2019 and 2018 are based upon direct expenditures to each functional category.

Note 17—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific future periods:		
Unconditional promises to give-not received	\$ 26,919,204	\$ 22,124,809
Specific to expenditure for specific purpose	43,063,016	43,183,612
Specific to spending policy and appropriation	170,223,867	157,148,991
Perpetual endowments	311,988,366	300,238,158
Specific to passage of time or specific event:		
Gifts awaiting donor direction	2,413,015	1,520,254
Trusts held by others	6,106,646	5,985,612
Charitable remainder trusts and unitrusts	6,078,494	5,917,572
Term endowments	27,280,244	27,818,071
Trusts	272,047	249,817
Net assets with donor restrictions	<u>\$ 594,344,899</u>	<u>\$ 564,186,896</u>

Note 18—Availability of financial assets

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

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 627,272,401	\$ 592,743,107
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time restrictions	(360,485,724)	(351,701,292)
Subject to appropriation and satisfaction of donor restrictions	(213,888,337)	(200,332,603)
Investments held in annuity trust	(14,903,818)	(12,153,001)
Board designations:		
Clemson University purposes	(1,021,139)	(834,925)
Quasi-endowment fund, primarily for long-term investing	(17,795,017)	(16,686,127)
Amounts set aside for IT, facilities, campaign, and actuarial loss	(3,966,376)	(4,098,145)
Plus: Board approved endowment appropriation	15,493,000	15,565,450
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 30,704,990</u>	<u>\$ 22,502,464</u>

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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.

Note 20—Transfer of certain operations-Clemson Alumni Association

With the separation of CAA's operations from the Foundation, as described in Note 1, the Foundation identified assets totaling \$12,268,288 that were directly attributable to CAA as of July 1, 2017. These assets consisted of \$10,895,220 in quasi-endowment funds, \$400,149 in restricted operating funds, and \$972,919 in cash. The cash was transferred to CAA, with endowment funds and restricted funds, while remaining under the management of the Foundation were reclassified from Foundation owned investments to funds held in trust for affiliates. Further, the unrestricted net assets for the Foundation were reduced by the amount of the CAA identified assets as reflected in the consolidated statement of activities in the contributions to related entities total.

Note 21—Transfers (to) from related entities

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

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

Transfers(to) from related entities consisted of the following at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
CAA	\$ 975,805	\$ 11,292,483	\$ 12,268,288
CAF	-	12,144	12,144
IPTAY	25	119,574	119,599
CU	2,050	139,295	141,345
Total	<u>\$ 977,880</u>	<u>\$ 11,563,496</u>	<u>\$ 12,541,376</u>

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Note 22—Subsequent events

The Foundation has evaluated subsequent events through September 18, 2019, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.