Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Financial Statements
June 30, 2007 and 2006
(With Independent Auditors' Report Thereon)

Clemson University Foundation

(A Component Unit of Clemson University)

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

The Board of Directors
Clemson University Foundation
Clemson, South Carolina

We have audited the accompanying consolidated statements of financial position of Clemson University Foundation (the "Foundation"), a component unit of Clemson University, as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Foundation as of June 30, 2006 were audited by other auditors whose report dated October 27, 2006 expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clemson University Foundation as of June 30, 2007, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Greenville, South Carolina
October 4, 2007

Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Statements of Financial Position
June 30, 2007 and 2006

Assets	**2007**	**2006**
Cash and cash equivalents	$ 30,381,429	$ 23,766,945
Contributions receivable, net	29,630,571	28,785,884
Other receivables	108,306	42,470
Due from related organizations	2,093,851	2,212,047
Investments	291,857,550	243,889,336
Investments held for Clemson University	98,385,593	77,371,822
Cash surrender value of life insurance	1,145,920	1,091,249
Land held for resale	11,900	85,777
Land, buildings and equipment, net	9,376,266	9,358,636
Investments held in trust for affiliate	2,658,995	2,389,171
Other assets	317,267	169,541
Total assets	$ 465,967,648	$ 389,162,878
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 468,169	$ 394,677
Due to related organizations	65,063	421,034
Accrued liability to Clemson University due to net investment appreciation	33,958,917	19,945,146
Note payable to Clemson University	64,426,676	57,426,676
Deferred revenue	353,833	9,735
Actuarial liability of annuities payable	7,600,630	7,363,029
Trust funds administered for affiliate	2,658,995	2,389,171
Total liabilities	109,532,283	87,949,468
Net assets:		
Unrestricted	33,589,269	25,239,126
Temporarily restricted	135,442,134	100,629,332
Permanently restricted	187,403,962	175,344,952
Total net assets	356,435,365	301,213,410
Total liabilities and net assets	$ 465,967,648	$ 389,162,878

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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Consolidated Statement of Activities
Year ended June 30, 2007
(With comparative information for 2006)

		Unrestricted		Temporarily restricted		Permanently restricted		Totals 2007		Totals 2006
Revenues, gains, and other support:										
Gifts and bequests	$	4,033,393	$	10,042,622	$	9,629,972	$	23,705,987	$	25,370,234
Income on investments		3,434,916		2,513,889		29,983		5,978,788		4,971,727
Net realized and unrealized gains on investments		3,754,096		32,932,158		319,229		37,005,483		18,392,203
Program income		728,810		652,925		-		1,381,735		1,300,024
Other income		694,891		10,708		45,900		751,499		676,202
Change in value of split-interest agreements		64,608		101,901		2,033,926		2,200,435		659,139
Total revenues and gains		12,710,714		46,254,203		12,059,010		71,023,927		51,369,529
Net assets released from restrictions		11,441,401		(11,441,401)		-		-		-
Total revenues, gains and other support		24,152,115		34,812,802		12,059,010		71,023,927		51,369,529
Expenses:										
Program expenses – board allocation to Clemson University		1,140,642		-		-		1,140,642		872,280
Program expenses – alumni operations		288,446		-		-		288,446		282,336
Program expenses – endowments		4,997,410		-		-		4,997,410		4,930,784
Program expenses – operations		5,238,879		-		-		5,238,879		4,934,930
Program expenses – capital projects		1,488,567		-		-		1,488,567		854,579
Total program expenses		13,153,944		-		-		13,153,944		11,874,909
General and administrative		1,057,509		-		-		1,057,509		963,672
Fundraising		1,590,519		-		-		1,590,519		1,124,777
Total expenses		15,801,972		-		-		15,801,972		13,963,358
Change in net assets		8,350,143		34,812,802		12,059,010		55,221,955		37,406,171
Net assets at beginning of year		25,239,126		100,629,332		175,344,952		301,213,410		263,807,239
Net assets at end of year	$	33,589,269	$	135,442,134	$	187,403,962	$	356,435,365	$	301,213,410

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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Consolidated Statement of Activities
Year ended June 30, 2006
(With comparative information for 2005)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 2006	Totals 2005
Revenues, gains, and other support:					
Gifts and bequests	$ 2,624,962	$ 8,855,574	$ 13,889,698	$ 25,370,234	$ 22,515,614
Income on investments	1,401,408	3,536,650	33,669	4,971,727	3,445,837
Net realized and unrealized gains on investments	1,508,336	16,636,577	247,290	18,392,203	17,599,961
Program income	669,847	630,177	-	1,300,024	1,223,439
Other income	625,234	9,072	41,896	676,202	157,725
Change in value of split-interest agreements	95,376	25,634	538,129	659,139	770,414
Total revenues and gains	6,925,163	29,693,684	14,750,682	51,369,529	45,712,990
Net assets released from restrictions	11,497,606	(11,497,606)	-	-	-
Total revenues, gains and other support	18,422,769	18,196,078	14,750,682	51,369,529	45,712,990
Expenses:					
Program expenses – grant to Clemson University	872,280	-	-	872,280	741,858
Program expenses – alumni operations	282,336	-	-	282,336	265,710
Program expenses – endowments	4,930,784	-	-	4,930,784	5,331,363
Program expenses – operations	4,934,930	-	-	4,934,930	4,407,282
Program expenses – capital projects	854,579	-	-	854,579	4,612,124
Total program expenses	11,874,909	-	-	11,874,909	15,358,337
General and administrative	963,672	-	-	963,672	776,163
Fundraising	1,124,777	-	-	1,124,777	765,385
Total expenses	13,963,358	-	-	13,963,358	16,899,885
Change in net assets	4,459,411	18,196,078	14,750,682	37,406,171	28,813,105
Net assets at beginning of year	20,779,715	82,433,254	160,594,270	263,807,239	234,994,134
Net assets at end of year	$ 25,239,126	$ 100,629,332	$ 175,344,952	$ 301,213,410	$ 263,807,239

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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Consolidated Statements of Cash Flows
Years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	$ 55,221,955	$ 37,406,171
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(37,005,483)	(18,392,203)
Investment income on long-term investments	(29,983)	(33,669)
Change in value of split interest agreements on long-term investments	(2,033,926)	(538,129)
Property and equipment transferred to Clemson University	174,297	22,955
Depreciation expense	11,299	75,022
Gifts restricted for long-term investment	(9,629,972)	(13,889,698)
Other income – permanently restricted	(45,900)	(41,896)
Change in assets and liabilities:		
Increase in contributions receivable	(844,687)	(1,306,603)
(Increase) decrease in other receivables	(65,836)	142,978
(Increase) decrease in due from related organizations	118,196	(78,704)
Increase in cash surrender value of life insurance	(54,671)	(11,170)
Increase in other assets	(147,726)	(107,095)
Increase in investments held in trust for affiliate	(269,824)	(137,632)
Increase in accounts payable and accrued liabilities	21,087,263	16,810,691
Increase (decrease) in due to related organizations	(355,971)	278,901
Increase in deferred revenue	344,098	9,735
Increase (decrease) in actuarial liability of annuities payable	237,601	(268,210)
Increase in trust funds administered for affiliate	269,824	137,632
Net cash provided by operating activities	26,980,554	20,079,076
Cash flows from investing activities:		
Proceeds from sales of investments	36,576,712	5,887,198
Purchases of investments	(68,412,356)	(29,410,843)
Purchase of property and equipment	(270,207)	(70,595)
Net cash used in investing activities	(32,105,851)	(23,594,240)
Cash flows from financing activities:		
Gifts restricted for long-term investment	9,629,972	13,889,698
Investment income on long-term investments	29,983	33,669
Change in value of split interest agreements on long-term investments	2,033,926	538,129
Other income – permanently restricted	45,900	41,896
Net cash provided by financing activities	11,739,781	14,503,392
Net increase in cash and cash equivalents	6,614,484	10,988,228
Cash and cash equivalents, beginning of year	23,766,945	12,778,717
Cash and cash equivalents, end of year	$ 30,381,429	$ 23,766,945

See accompanying notes to consolidated financial statements

Clemson University Foundation

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 1 - Organization

The Clemson University Foundation (the "Foundation"), a component unit of Clemson University (the "University") as defined by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, is an independent, nonprofit, tax exempt public charity incorporated in South Carolina. The Foundation exists solely to raise, receive, and manage private gifts for the advancement and benefit of the University. The Foundation is considered a component unit of the University, and is discretely presented in the University's financial statements, because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete.

The Foundation is governed by an independent, forty-three member volunteer board of directors, with additional honorary and ex-officio directors, as approved.

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.

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:

> *Unrestricted net assets* – 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.
>
> *Temporarily restricted net assets* – 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.

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

> *Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. This includes the historical dollar amounts of gifts, the present value of contributions receivable, and earnings required to be added to the corpus as stipulated by the donor.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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.

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 on investments are reported as follows:

> As increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
>
> As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
>
> As increases in unrestricted net assets in all other cases.

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies, continued

Principles of Consolidation

The consolidated financial statements include the financial statements of the Foundation and its wholly-owned subsidiaries AMREC, LLC and CULR, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short-term investments with an original maturity of less than three months.

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. Otherwise such investments are carried at cost. 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 market value unit method, which is based on the number of units each endowment owns in the managed investment pool.

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. Any such earnings used to support the intended purposes are allocated only from those funds which have a market value in excess of historical value.

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 change in the values of investment securities will occur in the

Note 2 - Summary of Significant Accounting Policies, continued

Investments

near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition. Cost for donated assets is stated at the appraised fair market value on the date of donation. Buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Land Held for Resale

Land held for resale is recorded at the lower of cost or fair value. Cost of donated land represents the 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's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which the Foundation serves as trustee and charitable remainder trusts administered by others. Assets held in these trusts where the Foundation serves as trustee are included in investments. Contribution revenues are recognized at the dates the trusts are established, after recording liabilities 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 at fair value as contributions receivable and are adjusted annually for changes in market value.

Income Taxes

The Foundation is recognized as an organization exempt from Federal income tax on related income under Section 501(a) of the Internal Revenue Code (the code) as described as an

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Notes to Consolidated Financial Statements
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Note 2 - Summary of Significant Accounting Policies, continued

Income Taxes, continued

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.

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 market values. The liabilities for trust funds and notes payable are related to investments and investments held in trust for affiliate and, accordingly, are reported at quoted market values. 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.

Comparative Data

The 2006 statement of activities includes 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 financial statements for the year ended June 30, 2005, from which the summarized information was derived.

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of the 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts included in the 2006 financial statements have been reclassified to conform to the 2007 presentation. These reclassifications have no effect on change in net assets or total net assets as previously reported.

Note 3 - Investments

A summary of investments at fair value that are presented on the statements of financial position under the investments, investments held for the University and investments held in trust for affiliate as of June 30, 2007 and 2006 follows:

	2007	2006
U.S. Government obligations	$ 34,476,472	$ 42,976,829
Corporate bonds	1,840,104	1,275,048
U.S. equities	208,708,085	179,377,742
Global equities	90,017,473	46,412,876
Hedge funds	30,685,754	26,509,180
Private equity	5,480,712	2,928,851
Real estate	5,873,357	2,117,688
Money market funds	15,032,274	21,809,129
Other	787,907	242,986
	$ 392,902,138	$ 323,650,329

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 3 - Investments, continued

The Foundation's investment activity for the year ended June 30, 2007 and 2006 follows:

	2007	2006
Net realized gains from sale of investments	$ 302,014	$ 1,251,877
Increase in unrealized appreciation	36,703,469	17,140,326
Total net gain	37,005,483	18,392,203
Investment income	5,978,788	4,971,727
Total gains and income	$ 42,984,271	$ 23,363,930

Investment management fees totaled $1,969,231 and $1,700,954 in 2007 and 2006, respectively. In 2007, $1,475,863 was internal and $493,368 was external and in 2006, $1,286,079 was internal and $414,872 was external. In addition, external management fees for split interest agreements totaled $92,634 and $81,416 in 2007 and 2006, respectively.

In 1999, changes in the South Carolina Code of Laws allowed the University 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. University endowment funds of $98,385,593 and $77,371,822 loaned to the Foundation are included in investments in 2007 and 2006, respectively.

Note 4 - Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30, 2007 and 2006:

	2007	2006
Unconditional promises expected to be collected in:		
Less than one year	$ 3,313,594	$ 7,582,205
One year to five years	17,979,253	13,737,027
Over five years	31,625,952	30,059,500
	52,918,799	51,378,732
Less allowance for uncollectible contributions receivable	(2,940,840)	(3,016,321)
Less unamortized discount (discount rates of 2.27% to 6.30%)	(20,347,388)	(19,576,527)
	$ 29,630,571	$ 28,785,884

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 4 - Contributions Receivable, continued

Included with pledges in contributions receivable for the years 2007 and 2006, is the present value of estimated payments of $12,965,809 and $11,693,396, respectively, to be received from forty-two irrevocable trusts for which the Foundation is not the trustee.

Note 5 - Land, Buildings and Equipment

A summary of land, buildings and equipment at June 30, 2007 and 2006 follows:

	2007	2006
Land	$ 8,971,049	$ 8,971,049
Buildings	1,277,799	1,277,799
Equipment	139,918	110,989
	10,388,766	10,359,837
Less accumulated depreciation	(1,012,500)	(1,001,201)
	$ 9,376,266	$ 9,358,636

Included in land, buildings and equipment at June 30, 2007 and 2006, is land donated to the Foundation which had an appraised value of $7,145,000 in both years. In 1996, a Conservation Easement was assigned which required the land to remain in its undeveloped state but allowed for the construction, operation and management of a research and educational facility. Accordingly, the subject property was reappraised and the market value is comprised of land of $575,000 and the Conservation Easement of $6,570,000.

Note 6 - Leases

The Foundation has entered into operating lease agreements for vehicles and equipment that expire over the next two years. Total rent expense incurred under these agreements was $39,874 in 2007 and $39,240 in 2006. Future minimum lease payments under the operating lease agreements are as follows: $30,668 in 2008 and $5,722 in 2009.

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 7 - Related Party Transactions

At June 30, 2007 and 2006, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

	2007	2006
Due to:		
IPTAY	$ 5,545	$ 3,899
Clemson Advancement Foundation for Design and Building	3,506	1,939
Clemson University Continuing Education and Conference Complex Corporation	-	2,369
Clemson University Research Foundation	26,000	-
Clemson University	30,012	412,827
	$ 65,063	$ 421,034
Due from:		
Clemson University Real Estate Foundation, Inc.	$ 948,693	$ 937,200
Clemson University	435,158	554,847
Clemson University Continuing Education and Conference Complex Corporation	710,000	720,000
	$ 2,093,851	$ 2,212,047

During 2007, the Foundation purchased and transferred equipment with a net book value of $163,133 to the University. In addition, a handicapped equipped van purchased in 2000 with a book value of $11,164 was transferred to the University.

In December, 2006, the Foundation purchased a 0.69 acre lot which included two buildings in Charleston, SC for a purchase price of $5,625,000. The Foundation sold the property and buildings to the University for the appraised value of $5,142,800. The property will be used for the Clemson architecture program located in Charleston. Funds donated to the Foundation specifically for the Charleston architecture program funded the balance of the purchase.

Individuals working on behalf of the Foundation are employees of and paid by the University. The Foundation reimburses the University for the time University employees spend on Foundation matters. Funds are reimbursed to the University as part of the annual board allocation to the University and are recorded as expenses by the Foundation. The amounts reimbursed for the years ending June 30, 2007 and 2006 were $480,059 and $454,534, respectively.

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Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 7 - Related Party Transactions, continued

In 1999, the Foundation approved a noninterest bearing loan of $600,000 to the Clemson University Continuing Education and Conference Complex Corporation (the "Complex Corporation") for landscaping, drainage, and irrigation improvements to the Walker Golf Course. In 2000, the Foundation approved an additional $300,000 noninterest bearing loan for enhancements to the entrance and parking of the Complex Corporation. The balance outstanding at June 30, 2007 and 2006 was $710,000 and $720,000, respectively. The loans are not due until the Complex Corporation's outstanding bank debt is paid in full.

The University and the Foundation have a memorandum of understanding 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. These funds are managed with an asset allocation similar to that of the Foundation. The agreement is for a period of ten years and will be reviewed annually and automatically extended each year for an additional twelve month period unless either party provides written notice of objection. Either party may terminate the agreement with 180 days notice. The current agreement expires July 11, 2015. The principal balance outstanding at June 30, 2007 and 2006 was $64,426,676 and 57,426,676, respectively, and the accrued liability to the University due to net investment appreciation on the principal outstanding were $33,958,917 and $19,945,146, respectively. The Foundation charged an annual fee of 0.64% for managing the University endowments. The fee is assessed quarterly and $154,270 was due to the Foundation at June 30, 2007.

Funds loaned to the Foundation will be paid back 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.

In January 2002, the Foundation authorized a $600,000 loan to the University to construct an addition to the Clemson Apparel Research building to allow for expansion of the Department of Graphics Communication. The loan is for a period of five years and interest is calculated based on the prime rate charged by large banks adjusted semi-annually. In June 2005 the loan was renegotiated. Interest only payments will be made semi-annually and beginning December 2006 payments of $75,553 will be made until June 2009. The principal balance on the loan at June 30, 2007 and 2006 was $280,838 and $409,285, respectively. The interest rate in effect is 6% and will remain constant for the term of the loan.

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Note 7 - Related Party Transactions, continued

At June 30, 2007, miscellaneous funds of $30,012 were due from the Foundation to the University. In addition to the investment management fee of $154,270 and the outstanding note from the Graphics Communication department of $280,838, other miscellaneous funds totaling $50 were due from the University to the Foundation.

In April, 2007, CULR, LLC and the University entered into a performance agreement whereby the University will perform the responsibilities assigned to CULR under a lease and license agreement and a joint use agreement in exchange for an annual management fee of $10,000. No fee was paid in fiscal year 2007.

Note 8 - Royalty Revenue

In September 1999, the Foundation, on behalf of the Clemson Alumni Association, entered into an agreement with MBNA America Bank to provide an affinity credit card to Clemson alumni, students and friends. The agreement was amended and restated for an additional five year period in January 2006. Under the terms of the agreement, MBNA America paid $700,000 in fiscal years ended June 30, 2007 and 2006, respectively, to the Foundation as an advance against royalties to be earned during the contract. A portion of the funds received each year are payable immediately to the University athletic department. Accordingly, these amounts are not recognized as revenue on the Foundation's consolidated statements of activities. Royalty revenue is being recognized as earned during the period of the contract. A total of $386,000 and $497,305 of royalty revenue was recognized during each of the years ended June 30, 2007 and 2006, respectively, and is included in program income.

Note 9 - 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, 2007 and 2006, is $14,165,613 and $13,092,927, 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 financial statements an actuarial liability of $6,370,401 and $6,108,842 at June 30, 2007 and 2006, respectively, which represents

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Note 9 - Split Interest Agreements, continued

the present value of estimated future payments to beneficiaries of the charitable remainder annuities 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 $1,230,229 and $1,254,187 at June 30, 2007 and 2006, respectively, has been reported in the accompanying consolidated financial statements.

Note 10 - Life Insurance Policies

The Foundation is owner and beneficiary of various life insurance policies on 31 individuals with an aggregate face value of $4,032,278 and 4,067,278, at June 30, 2007 and 2006, respectively. The cash surrender value at June 30, 2007 and 2006 was $1,145,920 and $1,091,249, respectively.

Note 11 - Investments Held in Trust for Affiliate

The Foundation holds and invests assets belonging to the Clemson Advancement Foundation for Design and Building (CAFDB) in a custodial capacity. The funds are invested in an externally managed investment pool by joint agreement with CAFDB management. The total of the funds at June 30, 2007 and 2006 was $2,658,995 and $2,389,171, respectively.

Note 12 - Commitments

At June 30, 2007, the Foundation has committed $3,573,000 for building projects for the benefit of the University. At June 30, 2007, the Foundation has received $3,128,900 in pledges from donors towards the commitment and $2,171,537 has been received toward these pledges.

The Foundation has guaranteed a loan of $2.2 million with a financial institution relating to the construction of the Complex Corporation golf course and hotel. The loan is also secured by certain assets and revenues of the Complex Corporation.

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Note 12 - Commitments, continued

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 the Complex Corporation are not sufficient to pay the “Operating Expenses (excluding any debt service) and Groundlease base rent and Reserves”; provided, however, the Complex Corporation shall first pay such short-fall out of the “Reserves”. No such payments were required in 2007 or 2006.

The Foundation has future commitments of $13,707,990 under investment fund agreements to periodically advance additional funding for private equity investments at June 30, 2007. These funds may be drawn down at the request of the general partners until 2018.

In April 2007, CULR, LLC entered into a twenty year non-cancellable lease agreement for fiber optic cable. At the same time, CULR, LLC entered into a twenty year co-location license agreement. This license agreement may be cancelled with 90 days notice and payment of 50% of the monthly charge for thirty-six months. In addition, CULR entered into a ten year joint use agreement for the design and deployment of a dedicated optical wave network. No lease expense was incurred during fiscal year 2007. Future minimum lease payments for years subsequent to June 30, 2007 are as follows:

Year ending		
2008	$	79,317
2009		79,317
2010		79,317
2011		79,317
2012		79,317
Thereafter		1,189,755
Total minimum lease payment	$	1,586,340

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Note 13 - Net Assets Released from Restrictions

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2007 and 2006 as follows:

	2007	2006
Purpose restricted contributions for:		
Scholarships, fellowships and awards	$ 2,157,463	$ 2,807,313
Professorships and faculty awards	1,044,954	1,060,877
Department and University programs	6,767,068	6,754,182
Facilities and equipment	145,582	20,655
Time restricted contributions for:		
Clemson University capital projects	1,326,334	854,579
Total	$ 11,441,401	$ 11,497,606

Note 14 - Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2007	2006
Programs	$ 43,398,057	$ 39,046,674
Endowment gains and unspent income restricted by donor	84,031,235	53,514,830
Term endowments	7,239,469	7,393,438
Charitable remainder trusts and unitrusts	773,373	674,390
	$ 135,442,134	$ 100,629,332

These amounts are largely expendable for scholarships, fellowships, professorships and University programs.

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Note 14 - Net Assets, continued

Permanently restricted net assets consist of the following at June 30:

	2007	2006
Endowments	$ 180,076,071	$ 169,035,257
Charitable remainder trusts and unitrusts	7,327,891	6,309,695
	$ 187,403,962	$ 175,344,952

The income from these investments in perpetuity is expendable for scholarships, fellowships, professorships and University programs.

Note 15 - 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.