Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Financial Statements
June 30, 2009 and 2008
(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, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clemson University Foundation as of June 30, 2009 and 2008, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Greenville, South Carolina
September 29, 2009

Clemson University Foundation
(A Component Unit of Clemson University)

Consolidated Statements of Financial Position
June 30, 2009 and 2008

Assets		**2009**		**2008**
Cash and cash equivalents	$	20,735,159	$	30,417,004
Contributions receivable, net		26,992,211		25,433,522
Other receivables		-		66,641
Due from related organizations		1,801,699		2,030,637
Investments		220,930,265		288,186,851
Investments held for Clemson University		94,803,010		115,733,085
Cash surrender value of life insurance		1,197,992		1,153,859
Land held for resale		11,900		11,900
Land, buildings and equipment, net		9,733,787		9,295,920
Investments held in trust for affiliate		1,903,122		2,447,387
Other assets		649,131		671,781
Total assets	$	378,758,276	$	475,448,587
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$	445,860	$	2,129,755
Due to related organizations		28,091		17,708
Accrued liability to Clemson University due to net investment appreciation		4,515,659		25,445,734
Note payable to Clemson University		90,287,351		90,287,351
Deposits held for others		1,178,891		1,469,637
Actuarial liability of annuities payable		5,513,839		6,391,274
Trust funds administered for affiliate		1,903,122		2,447,387
Total liabilities		103,872,813		128,188,846
Net assets:				
Unrestricted		(21,447)		33,898,417
Temporarily restricted		75,542,312		116,323,520
Permanently restricted		199,364,598		197,037,804
Total net assets		274,885,463		347,259,741
Total liabilities and net assets	$	378,758,276	$	475,448,587

See accompanying notes to consolidated financial statements.

Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Statement of Activities
Year ended June 30, 2009
(With comparative information for 2008)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 2009	Totals 2008
Revenues, gains, and other support:					
Gifts and bequests	$ 1,255,912	$ 13,813,620	$ 7,834,744	$ 22,904,276	$ 28,122,429
Income on investments	2,683,700	3,612,344	-	6,296,044	7,115,792
Net realized and unrealized (losses) gains on investments	(5,759,513)	(65,247,728)	518	(71,006,723)	(24,229,238)
Program income	865,171	629,250	53	1,494,474	1,384,836
Other income	563,888	1,447	50,769	616,104	747,846
Change in value of split-interest agreements	117,302	(82,536)	(4,303,612)	(4,268,846)	(1,674,969)
Reclassification of donor intent	(253,314)	1,508,992	(1,255,678)	-	-
Total revenues and gains	(526,854)	(45,764,611)	2,326,794	(43,964,671)	11,466,696
Net assets released from restrictions	22,497,912	(22,497,912)	-	-	-
Total revenues, gains and other support	21,971,058	(68,262,523)	2,326,794	(43,964,671)	11,466,696
Expenses:					
Program expenses – grant to Clemson University	1,570,819	-	-	1,570,819	1,370,819
Program expenses – alumni operations	605,009	-	-	605,009	520,775
Program expenses – endowments	7,455,105	-	-	7,455,105	6,063,811
Program expenses – operations	5,754,011	-	-	5,754,011	5,235,770
Program expenses – capital projects	9,597,718	-	-	9,597,718	4,208,604
Total program expenses	24,982,662	-	-	24,982,662	17,399,779
General and administrative	1,227,933	-	-	1,227,933	1,130,743
Fundraising	2,199,012	-	-	2,199,012	2,111,798
Total expenses	28,409,607	-	-	28,409,607	20,642,320
(Decrease) increase in net assets before other changes	(6,438,549)	(68,262,523)	2,326,794	(72,374,278)	(9,175,624)
Other changes					
Losses on investments, net of distributions	(16,523,334)	16,523,334	-	-	-
(Decrease) increase in net assets before cumulative effect of change in accounting principle	(22,961,883)	(51,739,189)	2,326,794	(72,374,278)	(9,175,624)
Cumulative effect of change in accounting principle	(10,957,981)	10,957,981	-	-	-
Change in net assets	(33,919,864)	(40,781,208)	2,326,794	(72,374,278)	(9,175,624)
Net assets at beginning of year	33,898,417	116,323,520	197,037,804	347,259,741	356,435,365
Net assets at end of year	$ (21,447)	$ 75,542,312	$ 199,364,598	$ 274,885,463	$ 347,259,741

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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Consolidated Statement of Activities
Year ended June 30, 2008
(With comparative information for 2007)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 2008	Totals 2007
Revenues, gains, and other support:					
Gifts and bequests	$ 3,458,809	$ 13,395,022	$ 11,268,598	$ 28,122,429	$ 23,705,987
Income on investments	3,827,813	3,286,823	1,156	7,115,792	5,978,788
Net realized and unrealized (losses) gains on investments	(2,671,446)	(21,540,490)	(17,302)	(24,229,238)	37,005,483
Program income	716,699	668,137		1,384,836	1,381,735
Other income	715,403	-	32,443	747,846	751,499
Change in value of split-interest agreements	6,657	(30,573)	(1,651,053)	(1,674,969)	2,200,435
Total revenues and gains	6,053,935	(4,221,081)	9,633,842	11,466,696	71,023,927
Net assets released from restrictions	14,897,533	(14,897,533)	-	-	-
Total revenues, gains and other support	20,951,468	(19,118,614)	9,633,842	11,466,696	71,023,927
Expenses:					
Program expenses – grant to Clemson University	1,370,819	-	-	1,370,819	1,140,642
Program expenses – alumni operations	520,775	-	-	520,775	304,544
Program expenses – endowments	6,063,811	-	-	6,063,811	4,997,410
Program expenses – operations	5,235,770	-	-	5,235,770	5,238,879
Program expenses – capital projects	4,208,604	-	-	4,208,604	1,488,567
Total program expenses	17,399,779	-	-	17,399,779	13,170,042
General and administrative	1,130,743	-	-	1,130,743	1,036,292
Fundraising	2,111,798	-	-	2,111,798	1,595,638
Total expenses	20,642,320	-	-	20,642,320	15,801,972
Change in net assets	309,148	(19,118,614)	9,633,842	(9,175,624)	55,221,955
Net assets at beginning of year	33,589,269	135,442,134	187,403,962	356,435,365	301,213,410
Net assets at end of year	$ 33,898,417	$ 116,323,520	$ 197,037,804	$ 347,259,741	$ 356,435,365

See accompanying notes to consolidated financial statements.

Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Statements of Cash Flows
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (72,374,278)	$ (9,175,624)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized losses on investments	71,006,723	24,229,238
Investment income on long-term investments	-	(1,156)
Change in value of split interest agreements on long-term investments	4,303,612	1,651,053
Property and equipment transferred to Clemson University	120,527	142,076
Depreciation expense	91,430	80,346
Gifts restricted for long-term investment	(7,834,744)	(11,268,598)
Other income – permanently restricted	(50,822)	(32,443)
Change in assets and liabilities:		
(Increase) decrease in contributions receivable	(1,558,689)	4,197,049
Decrease in other receivables	66,641	41,665
Decrease in due from related organizations	228,938	63,214
Increase in cash surrender value of life insurance	(44,133)	(7,939)
Decrease in investments held in trust for affiliate	544,265	211,608
Decrease (increase) in other assets	22,650	(354,514)
(Decrease) increase in accounts payable and accrued liabilities	(22,613,970)	19,009,078
Increase (decrease) in due to related organizations	10,383	(47,355)
Decrease in deferred revenue	-	(353,833)
(Decrease) increase in deposits held for others	(290,746)	1,469,637
Decrease in actuarial liability of annuities payable	(877,435)	(1,209,356)
Decrease in trust funds administered for affiliate	(544,265)	(211,608)
Net cash (used in) provided by operating activities	(29,793,913)	28,432,538
Cash flows from investing activities:		
Proceeds from sales of investments	24,626,649	55,515,651
Purchases of investments	(7,446,711)	(93,421,682)
Purchase of property and equipment	(649,824)	(142,076)
Net cash provided by (used in) investing activities	16,530,114	(38,048,107)
Cash flows from financing activities:		
Gifts restricted for long-term investment	7,834,744	11,268,598
Investment income on long-term investments	-	1,156
Change in value of split interest agreements on long-term investments	(4,303,612)	(1,651,053)
Other income – permanently restricted	50,822	32,443
Net cash provided by financing activities	3,581,954	9,651,144
Net (decrease) increase in cash and cash equivalents	(9,681,845)	35,575
Cash and cash equivalents, beginning of year	30,417,004	30,381,429
Cash and cash equivalents, end of year	$ 20,735,159	$ 30,417,004

See accompanying notes to consolidated financial statements

Clemson University Foundation
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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

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.
>
> *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.

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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 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:

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

Principles of Consolidation

The consolidated financial statements include the financial statements of the Foundation and its wholly-owned subsidiary CULR, LLC in 2009 and its wholly-owned subsidiaries CULR, LLC and AMREC, LLC in 2008. AMREC, LLC was dissolved in 2008 and assets of $1,990 were transferred to the Foundation. All significant intercompany balances and transactions have been eliminated in consolidation.

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

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. In October and November 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to $250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to $100,000. During the year, the Foundation from time to time may have had amounts on deposit in excess of the insured limits. As of year end, the Foundation had a $3,153,458 bank balance which is collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. Balances held in money market accounts are not insured. The Company 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 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.

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

Investments, continued

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 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. Equipment with a value in excess of $5,000 and a useful life in excess of one year are capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 7 years. Buildings are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 20 years. Automobiles with the useful life of longer than one year are capitalized and depreciated using the straight-line method over the estimated useful lives, ranging from 3 to 7 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'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 whereby 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.

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

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 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.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 requires entities to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. This interpretation also provides guidance on derecognition, classification, accounting in interim periods, and expanded disclosure requirements. FASB Staff Position (FSP) 48-3 defers the effective date of FIN 48 for certain non-public enterprises for fiscal years beginning after December 15, 2008. The Foundation has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, the Foundation will continue to evaluate uncertain tax positions utilizing the underlying principles of SFAS 109 and Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*.

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 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

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

Concentrations of Credit Risk, continued

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 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.

Adoption of New Accounting Standard

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157") which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Effective July 1, 2008, the Foundation adopted SFAS No. 157. SFAS No. 157 defines fair value as 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 statement established a framework for measuring fair value and expands disclosures regarding fair value measurements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

A key component of the implementation of SFAS No. 157 includes the development of a three-tiered fair value hierarchy. Assets and liabilities reported at fair value are placed in one of the three tiers based upon the "inputs" used to determine fair value at the measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – financial instruments with valuations based on quoted priced in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies, continued

Adoption of New Accounting Standard, continued

Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

Effective July 1, 2008, the Foundation adopted the provisions of FASB Staff Position No. 117-1, *Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds. South Carolina enacted a version of UPMIFA into the Code of Laws effective July 1, 2008. See Note 18 for further discussion.

Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

Note 3 - Fair Value Measurements

See "Adoption of New Accounting Standard" in Note 2 above for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's investments.

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2009, based on the level of input utilized to measure fair value:

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 3 - Fair Value Measurements, continued

Measurement at fair value on a recurring or quarterly basis:

Description	Level 1	Level 2	Level 3
Investments:			
Money market funds	$ 15,039,479	$ -	$ -
Treasury/agency	19,108,079	-	-
Mortgage backed securities	4,482,236	-	-
Corporate bonds	17,521,222	-	-
International bonds	910,338	-	-
US equities	145,986,890	-	-
Global equities	50,927,963	-	-
Commodities	9,953,520	-	-
Hedge funds	-	-	15,515,583
Private investment funds	-	-	8,455,848
Real estate	-	-	7,524,521
Other	36,296	-	-
Total investments – recurring basis	$ 263,966,023	$ -	$ 31,495,952

Measurement at fair value on a non-recurring or annual basis:

Description	Level 1	Level 2	Level 3
Investments:			
Closely-held securities	$ -	$ 1,220,571	$ -
Real estate	-	953,851	-
Total investments – recurring basis	$ -	$ 2,174,422	$ -

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Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 3 - Fair Value Measurements, continued

For assets and liabilities 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 year ended June 30, 2009:

		Investments
Beginning of year	$	45,641,797
Investment return		
Investment (loss) income (net of fees)		(134,699)
Realized and unrealized loss		(4,818,821)
Redemptions		(11,851,151)
Distributions		(1,159,388)
Expenses		(454,577)
Payments to beneficiaries		-
Contributions		4,272,791
Actuarial adjustments		-
End of year	$	31,495,952

Note 4 - 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, 2009 and 2008 follows:

		2009		2008
Money market funds	$	15,039,479	$	22,641,488
Treasury/agency		19,108,079		27,521,818
Mortgage backed securities		4,482,236		3,776,058
Auction rate certificates-student loan backed		-		1,228,500
Corporate bonds		17,521,222		5,951,102
Global bonds		910,338		1,173,064
U.S. equities		145,986,890		189,626,330
Global equities		50,927,963		86,093,905
Hedge funds		15,515,583		29,586,594
Private equity		8,455,848		7,892,772
Real estate		8,478,372		9,287,391
Commodities		9,953,520		-
Closely-held securities		1,220,571		-
Other		36,296		1,578,301
Subtotal-marketable investments		297,636,397		386,367,323
Subordinated note receivable from Clemson University Real Estate Foundation, Inc. (see Note 9)		20,000,000		20,000,000
Total investments	$	317,636,397	$	406,367,323

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Note 4 - Investments, continued

		2009		2008
Reconciliation to the Statements of Financial Position				
Investments	$	220,930,265	$	288,186,851
Investments held for Clemson University		94,803,010		115,733,085
Investments held in trust for affiliate		1,903,122		2,447,387
	$	317,636,397	$	406,367,323

The Foundation's investment activity for the years ended June 30, 2009 and 2008 follows:

		2009		2008
Net realized gains from sale of investments	$	640,214	$	264,913
Decrease in unrealized appreciation		(71,646,937)		(24,494,151)
Total net loss		(71,006,723)		(24,229,238)
Investment income		6,296,044		7,115,792
Total losses	$	(64,710,679)	$	(17,113,446)

Investment management fees totaled $1,772,054 and $2,118,158 in 2009 and 2008, respectively. In 2009, $1,282,403 was internal and $489,651 was external and in 2008, $1,694,241 was internal and $423,917 was external. In addition, external management fees for split interest agreements totaled $79,990 and $90,085 in 2009 and 2008, 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 $94,803,010 and $115,733,085 loaned to the Foundation are included in investments in 2009 and 2008, respectively.

Note 5 - Contributions Receivable, net

Contributions receivable, net, are summarized as follows at June 30, 2009 and 2008:

		2009		2008
Unconditional promises expected to be collected in:				
Less than one year	$	4,432,286	$	4,045,498
One year to five years		17,244,326		13,501,115
Over five years		23,919,760		28,889,439
		45,596,372		46,436,052
Less allowance for uncollectible contributions receivable		(3,259,519)		(2,487,539)
Less unamortized discount (discount rates of 2.27% to 6.30%)		(15,344,642)		(18,514,991)
	$	26,992,211	$	25,433,522

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Note 5 - Contributions Receivable, net, continued

Included with pledges in contributions receivable for the years 2009 and 2008, is the present value of estimated payments of $8,521,602 and $11,337,467, respectively, to be received from forty irrevocable trusts for which the Foundation is not the trustee.

Note 6 - Land, Buildings and Equipment, net

A summary of land, buildings and equipment, net at June 30, 2009 and 2008 follows:

	2009	2008
Land	$ 8,971,049	$ 8,971,049
Buildings	1,800,293	1,277,799
Equipment	138,414	139,918
	10,909,756	10,388,766
Less accumulated depreciation	(1,175,969)	(1,092,846)
	$ 9,733,787	$ 9,295,920

Included in land, buildings and equipment at June 30, 2009 and 2008, is land purchased or donated to the Foundation which had an appraised value of $8,971,049 in both years. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which require the land to remain in its undeveloped state but allow for the construction, operation and management of a research and educational facility. The carrying value is comprised of land of $917,418 and Conservation Easements of $8,053,631.

Depreciation expense for the years ended June 30, 2009 and 2008 was $91,430 and $80,346, respectively.

Note 7 - Endowment Assets

See "Adoption of New Accounting Standard" in Note 2 above for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's investments.

The Foundation's endowment consists of approximately 1,350 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors 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.

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Note 7 - Endowment Assets, continued

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 requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation of earnings required to be added to the permanent endowment as stipulated by the donor applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ (16,523,334)	$ 28,557,828	$ 178,757,880
Board-designated endowment funds	10,672,234	-	-
Total endowed net assets	$ (5,851,100)	$ 28,557,828	$ 178,757,880

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Note 7 - Endowment Assets, continued

Endowment net assets consist of the following at June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ 66,496,512	$ 171,412,323
Board-designated endowment funds	28,208,230	-	-
Total endowed net assets	$ 28,208,230	$ 66,496,512	$ 171,412,323

Changes in endowment net assets for the year ending June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ 66,496,512	$ 171,412,322
Board-designated endowment funds	28,208,230	-	-
Total endowed net assets	28,208,230	66,496,512	171,412,322
Net asset reclassification based on change in law	(10,600,533)	10,600,533	-
Endowment net assets after reclassification	17,607,697	77,097,045	171,412,322
Investment return:			
Investment income	188,099	3,587,393	-
Net depreciation	(4,278,832)	(63,442,303)	(3,727)
Move temporarily restricted endowment losses to unrestricted	(16,523,334)	16,523,334	-
	(20,614,067)	(43,331,576)	(3,727)
Contributions	369,197	1,074,138	6,800,433
Additions to endowments from trusts or donor designation changes	(2,853,397)	1,508,565	548,852
Appropriation of endowment assets for expenditure	(360,530)	(7,790,344)	-
Endowment net assets June 30, 2009	$ (5,851,100)	$ 28,557,828	$ 178,757,880

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Notes to Consolidated Financial Statements
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Note 7 - Endowment Assets, continued

Changes in endowment net assets for the year ending June 30, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ 90,787,311	$ 159,507,046
Board-designated endowment funds	26,437,759	-	-
Total endowed net assets	26,437,759	90,787,311	159,507,046
Endowment net assets after reclassification			
Investment return:			
Investment income	328,760	3,244,819	1,156
Net depreciation	(2,033,820)	(21,434,082)	(25,534)
	(1,705,060)	(18,189,263)	(24,378)
Contributions	3,108,155	947	11,298,646
Additions to endowments from trusts or donor designation changes	732,478	11,533	631,008
Appropriation of endowment assets for expenditure	(365,102)	(6,114,016)	-
Endowment net assets June 30, 2008	$ 28,208,230	$ 66,496,512	$ 171,412,322

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $16,523,334 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and, to a degree by continued appropriation for certain programs that was deemed prudent by the Board of Directors. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

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

Note 7 - Endowment Assets, continued

Return Objectives and Risk Parameters, continued

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 that meet or exceed the composite return and are within the risk parameters of a benchmark composed of 70% Wilshire 5000, 15% MSCI EAFE and 15% Barclays Capital 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 spending policy appropriates for distribution each year a certain percentage of its endowment funds' average fair value for the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the expected return on its endowment. 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. Real growth is achieved through new gifts and any excess investment return.

Note 8 - Leases

The Foundation has entered into operating lease agreements for vehicles and office space that expire over the next four years. Total rent expense incurred under these agreements was $106,670 in 2009 and $71,655 in 2008. Future minimum lease payments under the operating lease agreements are $104,355 in 2010, $101,396 in 2011, $82,067 in 2012, and $21,643 in 2013.

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Note 8 - Leases, continued

In April 2007, CULR, LLC entered into a twenty year non-cancellable lease agreement for fiber optic cable. In addition, CULR entered into a ten year joint use agreement for the design and deployment of a dedicated optical wave network. The fiber optic cable lease required an advance lease payment of $581,658 which is being amortized over the twenty year lease term and is included in program expenses-operating. Total lease expense under this agreement was $29,083 in 2009 and 2008. Annual maintenance fees of $79,317 are payable during the twenty year lease term.

Future maintenance fee payments for years subsequent to June 30, 2009 are as follows:

Year ending:		
2010	$	79,317
2011		79,317
2012		79,317
2013		79,317
2014		79,317
Thereafter		1,031,121
	$	1,427,706

Note 9 - Related Party Transactions

At June 30, 2009 and 2008, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

		2009		2008
Due to:				
IPTAY	$	4,172	$	5,812
Clemson Advancement Foundation for Design and Building		2,761		1,896
Clemson University		21,158		10,000
	$	28,091	$	17,708
Due from:				
Clemson University Real Estate Foundation, Inc.	$	1,001,260	$	989,409
Clemson University Research Foundation		7,500		-
Clemson University		122,939		351,228
Clemson University Continuing Education and Conference Complex Corporation		670,000		690,000
	$	1,801,699	$	2,030,637

During 2009, the Foundation purchased and transferred equipment with a net book value of $120,527 to the University.

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Note 9 - Related Party Transactions, continued

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, 2009 and 2008 were $472,371 and $505,985, respectively.

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, 2009 and 2008 was $670,000 and $690,000, 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 and other University programs. 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, 2009 and 2008 was $90,287,351 and $90,287,351, respectively, and the accrued liability to the University due to net investment appreciation on the principal outstanding was $4,515,659 and $25,445,734, respectively. The Foundation charged an annual fee of 0.65% for managing the University endowments. The fee is assessed quarterly and $122,939 and $160,779 was due to the Foundation at June 30, 2009 and 2008, respectively.

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 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 CU-ICAR. The Foundation note is unsecured and is subordinate to CUREF notes payable to Carolina First Bank. The loan is not due until the CUREF outstanding bank debt is paid in full.

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Note 9 - Related Party Transactions, continued

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 was for a period of five years and interest was calculated based on the prime rate charged by large banks adjusted semi-annually. The principal balance on the loan of $144,459 on June 30, 2008 was paid in full at June 30, 2009.

Note 10 - 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 and expires in June 2010. Under the terms of the agreement, MBNA America paid $700,000 in fiscal years ended June 30, 2009 and 2008, 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 $353,833 and $386,000 of royalty revenue was recognized during each of the years ended June 30, 2009 and 2008, respectively, and is included in program income.

Note 11 - 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, 2009 and 2008, is $9,276,509 and $12,261,583, 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 $4,260,960 and $4,978,007 at June 30, 2009 and 2008, respectively, which represents 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

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Note 11 - Split Interest Agreements, continued

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 $1,252,879 and $1,413,267 at June 30, 2009 and 2008, respectively, has been reported in the accompanying consolidated financial statements.

Note 12 - Life Insurance Policies

The Foundation is owner and beneficiary of various life insurance policies on 28 individuals with an aggregate face value of $3,820,055, at June 30, 2009 and 2008. The cash surrender value at June 30, 2009 and 2008 was $1,197,992 and $1,153,859, respectively.

Note 13 - 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, 2009 and 2008 was $1,903,122 and $2,447,387, respectively.

Note 14 - Commitments

At June 30, 2009, the Foundation has committed $2,920,471 for building projects for the benefit of the University. At June 30, 2009, the Foundation has received $4,214,886 in cash and pledges from donors towards the commitment.

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.

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 2009 or 2008.

The Foundation has future commitments of $16,405,154 under investment fund agreements to periodically advance additional funding for private equity investments at June 30, 2009. These funds may be drawn down at the request of the general partners until 2021.

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Note 15 - Net Assets Released from Restrictions

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2009 and 2008 as follows:

	2009	2008
Purpose restricted contributions for:		
Scholarships, fellowships and awards	$ 3,226,887	$ 2,334,284
Chairs, professorships and faculty awards	2,211,904	1,296,889
Department and University programs	7,410,584	6,845,944
Facilities and equipment	50,819	211,812
Time restricted contributions for:		
Clemson University capital projects	9,597,718	4,208,604
Total	$ 22,497,912	$ 14,897,533

Note 16 - Net Assets

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

	2009	2008
Programs	$ 24,357,712	$ 36,523,780
Endowment gains and unspent income restricted by donor	21,629,280	70,996,957
Term endowments	29,005,826	8,100,543
Charitable remainder trusts and unitrusts	549,494	702,240
	$ 75,542,312	$ 116,323,520

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

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

	2009	2008
Endowments	$ 194,898,543	$ 190,456,461
Charitable remainder trusts and unitrusts	4,466,055	6,581,343
	$ 199,364,598	$ 197,037,804

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

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Notes to Consolidated Financial Statements
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Note 17 - 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 18 - Change in Accounting Principle

As disclosed in Note 2, adoption of new accounting standards, the Foundation adopted the provisions of FASB Staff Position ("FSP") No. 117-1, "*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*". This standard requires gifts and accumulated appreciation with a donor-imposed restriction and functioning as board designated endowments to be classified as temporarily restricted net assets effective July 1, 2008. The cumulative effect of this change reclassifies unrestricted net assets of $10,957,981 to temporarily restricted net assets.