CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2012 and 2011

And

Independent Auditors' Report

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

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Independent Auditors' Report

The Board of Directors
Clemson University Foundation
Clemson, South Carolina

We have audited the accompanying statements of financial position of Clemson University Foundation (the "Foundation"), a component unit of Clemson University, as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of Clemson University Foundation as of June 30, 2012 and 2011, and the changes 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 26, 2012

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

		2012		2011
ASSETS				
Cash and cash equivalents	$	28,578,941	$	24,322,059
Contributions receivable, net		36,388,258		26,824,821
Due from related organizations		2,097,458		2,042,766
Investments		314,086,294		313,814,313
Investments held for Clemson University		137,085,667		137,802,927
Cash surrender value of life insurance		1,642,002		1,584,778
Land held for resale		11,900		11,900
Land, buildings and equipment, net		9,568,664		9,592,951
Investments held in trust for affiliate		2,324,469		2,448,946
Other assets		280,487		177,236
Total assets	$	532,064,140	$	518,622,697
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued liabilities	$	470,792	$	583,253
Due to related organizations		3,352		26,393
Accrued liability to Clemson University due to net investment appreciation		34,166,351		34,883,611
Note payable to Clemson University		102,919,316		102,919,316
Unearned revenue		-		359,500
Actuarial liability of annuities payable		5,011,383		5,831,393
Trust funds administered for affiliate		2,324,469		2,448,946
Total liabilities		144,895,663		147,052,412
Net assets:				
Unrestricted		19,520,662		19,277,081
Temporarily restricted		133,413,224		133,762,714
Permanently restricted		234,234,591		218,530,490
Total net assets		387,168,477		371,570,285
Total liabilities and net assets	$	532,064,140	$	518,622,697

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

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE INFORMATION FOR 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2012	Totals 2011
Revenues, gains, and other support:					
Gifts and bequests	$ 1,256,669	$ 20,007,422	$ 14,882,999	$ 36,147,090	$ 22,542,450
Income on investments	3,931,222	1,101,721	3	5,032,946	5,021,028
Net realized and unrealized gains (losses) on investments	(709,076)	(6,707,729)	(2,498)	(7,419,303)	55,647,844
Program income	894,289	421,819	1,990	1,318,098	1,166,825
Other income	2,016,259	2,320	68,745	2,087,324	2,029,317
Change in value of split-interest agreements	16,992	240,225	1,224,923	1,482,140	2,069,628
Reclassification of donor intent	28,236	443,825	(472,061)	-	-
Total	7,434,591	15,509,603	15,704,101	38,648,295	88,477,092
Net assets released from restrictions	15,998,917	(15,998,917)	-	-	-
Total revenues, gains and other support	23,433,508	(489,314)	15,704,101	38,648,295	88,477,092
Expenses:					
Program expenses					
Grants to Clemson University	1,573,320	-	-	1,573,320	1,573,320
Alumni operations	974,885	-	-	974,885	920,073
Endowments	6,262,444	-	-	6,262,444	4,571,793
Operations	7,400,010	-	-	7,400,010	6,674,988
Capital projects	2,198,212	-	-	2,198,212	2,418,267
Total program expenses	18,408,871	-	-	18,408,871	16,158,441
General and administrative	1,737,039	-	-	1,737,039	1,333,463
Fundraising	2,904,193	-	-	2,904,193	3,085,128
Total expenses	23,050,103	-	-	23,050,103	20,577,032
Change in net assets before other changes	383,405	(489,314)	15,704,101	15,598,192	67,900,060
Other changes					
Transfer to temporarily restricted funds due to underwater endowments	(139,824)	139,824	-	-	-
Total other changes	(139,824)	139,824	-	-	-
Change in net assets	243,581	(349,490)	15,704,101	15,598,192	67,900,060
Net assets at beginning of year	19,277,081	133,762,714	218,530,490	371,570,285	303,670,225
Net assets at end of year	$ 19,520,662	$ 133,413,224	$ 234,234,591	$ 387,168,477	$ 371,570,285

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

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE INFORMATION FOR 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2011	Totals 2010
Revenues, gains, and other support:					
Gifts and bequests	$ 1,442,666	$ 11,991,055	$ 9,108,729	$ 22,542,450	$ 23,733,242
Income on investments	3,702,531	1,316,798	1,699	5,021,028	4,054,933
Net realized and unrealized gains on investments	2,806,210	52,806,204	35,430	55,647,844	22,559,073
Program income	677,776	489,049	-	1,166,825	1,094,421
Other income	1,776,176	1,408	251,733	2,029,317	1,232,282
Change in value of split-interest agreements	138,872	124,612	1,806,144	2,069,628	(191,658)
Reclassification of donor intent	(323,762)	308,221	15,541	-	-
Total	10,220,469	67,037,347	11,219,276	88,477,092	52,482,293
Net assets released from restrictions	13,858,008	(13,858,008)	-	-	-
Total revenues, gains and other support	24,078,477	53,179,339	11,219,276	88,477,092	52,482,293
Expenses:					
Program expenses					
Grants to Clemson University	1,573,320		-	1,573,320	1,570,819
Alumni operations	920,073	-	-	920,073	807,432
Endowments	4,571,793	-	-	4,571,793	6,088,022
Operations	6,674,988	-	-	6,674,988	7,173,190
Capital projects	2,418,267	-	-	2,418,267	4,519,564
Total program expenses	16,158,441	-	-	16,158,441	20,159,027
General and administrative	1,333,463	-	-	1,333,463	1,218,922
Fundraising	3,085,128	-	-	3,085,128	1,901,246
Total expenses	20,577,032	-	-	20,577,032	23,279,195
Change in net assets before other changes	3,501,445	53,179,339	11,219,276	67,900,060	29,203,098
Other changes					
Transfer from temporarily restricted funds due to underwater endowments	7,308,424	(7,308,424)	-	-	-
Transfer of interest in CULR, LLC	-	-	-	-	(418,336)
Total other changes	7,308,424	(7,308,424)	-	-	(418,336)
Change in net assets	10,809,869	45,870,915	11,219,276	67,900,060	28,784,762
Net assets at beginning of year	8,467,212	87,891,799	207,311,214	303,670,225	274,885,463
Net assets at end of year	$ 19,277,081	$ 133,762,714	$ 218,530,490	$ 371,570,285	$ 303,670,225

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

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 15,598,192	$ 67,900,060
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	7,419,303	(55,647,844)
Property and equipment transferred to Clemson University	105,324	83,768
Depreciation expense	57,452	59,898
Investment income on long-term investments	(3)	(1,699)
Change in value of split interest agreements on long-term investments	2,498	(1,806,144)
Gifts restricted for long-term investment	(14,882,999)	(9,108,729)
Other income – permanently restricted	(70,735)	(251,733)
Change in assets and liabilities:		
Contributions receivable	(9,563,437)	(1,471,507)
Other receivables	-	359,373
Due from related organizations	(54,692)	(66,220)
Cash surrender value of life insurance	(57,224)	(286,297)
Investments held in trust for affiliate	124,477	(390,917)
Other assets	(103,251)	(36,867)
Accounts payable and accrued liabilities	(829,721)	21,585,972
Note payable to Clemson University	-	12,631,965
Due to related organizations	(23,041)	(892,790)
Unearned revenue	(359,500)	359,500
Actuarial liability of annuities payable	(820,010)	232,560
Trust funds administered for affiliate	(124,477)	390,917
Net cash provided by (used in) operating activities	(3,581,844)	33,643,266
Cash flows from investing activities:		
Proceeds from sales of investments	58,156,848	58,571,508
Purchases of investments	(65,130,872)	(100,741,059)
Purchase of property and equipment	(138,489)	(83,768)
Net cash used in investing activities	(7,112,513)	(42,253,319)
Cash flows from financing activities:		
Gifts restricted for long-term investment	14,882,999	9,108,729
Investment income on long-term investments	3	1,699
Change in value of split interest agreements on long-term investments	(2,498)	1,806,144
Other income – permanently restricted	70,735	251,733
Net cash provided by financing activities	14,951,239	11,168,305
Net increase in cash and cash equivalents	4,256,882	2,558,252
Cash and cash equivalents, beginning of year	24,322,059	21,763,807
Cash and cash equivalents, end of year	$ 28,578,941	$ 24,322,059

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

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 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.

Note 2—Summary of Significant Accounting Policies (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 cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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

> 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 or by law;
>
> As increases or decreases in unrestricted net assets in all other cases.

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. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts.

As of June 30, 2012, the Foundation had a $14,416,961 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. During the year ended June 30, 2012, the Foundation had $15,231,995 on deposit in excess of the insured limits and collateralized amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 2—Summary of Significant Accounting Policies (continued)

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. An appropriation from the endowment for expenditures that support the intended purpose may be made to the extent it is deemed prudent, unless otherwise restricted by the donor in the gift instrument.

The Foundation's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that 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 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 is 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.

Note 2—Summary of Significant Accounting Policies (continued)

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.

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") and described as an organization in Section 501(c)(3) of the Code. Accordingly, only unrelated business income, as defined by Section 513 of the Code, is subject to Federal income tax.

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes that there are no such positions as of June 30, 2012 and, accordingly, no liability has been accrued. The open tax years for the Foundation include the years ended June 30, 2009, 2010 and 2011.

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 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.

Note 2—Summary of Significant Accounting Policies (continued)

Reclassifications - Certain reclassifications have been made to the 2011 financial statement presentation to correspond to the 2012 presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

Note 3—Fair Value Measurements

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

Level 1 - valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 - valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the financial instrument.

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

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2012 and 2011, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring or quarterly basis at June 30, 2012:

Description	Level 1	Level 2	Level 3
Investments:			
Publically traded funds:			
Money market funds	$ 9,572,473	$ -	$ -
Treasury/agency	19,624,379	-	-
Mortgage backed securities	9,330,118	-	-
Corporate bonds	8,582,017	-	-
International bonds	1,492,530	-	-
U.S. equities	202,463,816	-	-
Global equities	63,847,747	-	-
Commodities	10,768,240	-	7,668,030
Hedge funds	-	-	67,177,022
Private equity	-	-	17,785,363
Real estate	-	-	14,032,753
Other	866,087	-	-
Total investments – recurring basis	$ 326,547,407	$ -	$ 106,663,168

Note 3—Fair Value Measurements (continued)

Measurement at fair value on a recurring or quarterly basis at June 30, 2011:

Description	Level 1	Level 2	Level 3
Investments:			
Publically traded funds:			
Money market funds	$ 12,656,633	$ -	$ -
Treasury/agency	17,815,018	-	-
Mortgage backed securities	10,064,052	-	-
Corporate bonds	7,903,034	-	-
International bonds	1,625,065	-	-
U.S. equities	192,805,197	-	-
Global equities	84,147,182	-	-
Commodities	12,657,640	-	-
Hedge funds	-	-	67,894,657
Private equity	-	-	15,470,843
Real estate	-	-	9,101,157
Other	971,857	-	-
Total investments – recurring basis	$ 340,645,678	$ -	$ 92,466,657

Measurement at fair value on a non-recurring basis at June 30, 2012:

Description	Level 1	Level 2	Level 3
Investments:			
Real estate	$ -	$ 285,855	$ -
Total investments – non-recurring basis	$ -	$ 285,855	$ -

Measurement at fair value on a non-recurring basis at June 30, 2011:

Description	Level 1	Level 2	Level 3
Investments:			
Real estate	$ -	$ 953,851	$ -
Total investments – non-recurring basis	$ -	$ 953,851	$ -

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using multiple approaches. Fair value for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the current year.

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 years ended June 30, 2012 and 2011:

	2012	2011
Beginning of year	$ 92,466,657	$ 50,967,605
Investment return		
Investment (loss) income (net of fees)	536,606	394,975
Realized and unrealized gains (losses)	2,486,209	6,993,826
Distributions	(8,042,268)	(6,334,492)
Expenses	(1,290,701)	(1,216,759)
Purchases	20,506,665	41,661,502
End of year	$ 106,663,168	$ 92,466,657

For investments in entities that calculate net asset value ("NAV") or its equivalent whose fair value is not readily determinable, the following table provides additional information about the probability of investments being sold at amounts different from their NAV per share at June 30, 2012:

	Fair Value	Redemption Frequency	Redemption Notice Period
Equity long/short (1)	$ 13,106,264	Quarterly	60-65 days
Multi-strategy hedge (2)	50,070,758	Quarterly/Annually	60-90 days
Private partnerships (3)	31,818,116	N/A	N/A
Commodities futures(4)	7,668,030	Monthly	5 days
Event driven(5)	4,000,000	Quarterly	60 days
Total	$ 106,663,168		

(1) This investment includes underlying investments in funds that invest long and short in domestic and international securities, primarily equity securities. Fair value is reported monthly at NAV based on valuations received from underlying investment managers. As of the June 30, 2012 fair value of these investments, all lock-up provisions had expired.

(2) This category includes investments in funds that pursue multiple marketable alternative strategies across global markets. These strategies include the use of hedging and arbitrage techniques, among others, in not only equity and fixed income securities, but also currency and commodity markets and financial instruments such as commodities, options and futures. The fair value of these Funds' investments is estimated by the Fund Managers using the NAV based on valuations received from underlying investment managers. As of the June 30, 2012 fair value of these investments, all lock-up provisions had expired.

(3) This category includes investments in private equity, buyout, real estate and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using the NAV reported by the underlying partnerships. For real estate, fair value is estimated by the general partner based on an internal valuation of the underlying real estate projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated. Unfunded commitments as of June 30, 2012 were $19.1 million.

Note 3—Fair Value Measurements (continued)

(4) This class includes various physical commodities, including crude oil and related refined products, metals and agricultural products. The fair value of these investments is estimated by the Fund Managers using the NAV based on valuations received from the underlying investment managers.

(5) This class includes positions in companies involved in corporate transactions such as mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure events that have created inefficiencies in the pricing of securities. The fair value of these investments is estimated by the Fund Managers using the NAV based on valuations received from the underlying investment managers.

Note 4—Investments

A summary of investments at fair value that are presented on the statements of financial position under investments, investments held for the University and investments held in trust for affiliate as of June 30, 2012 and 2011 are as follows:

	2012	2011
Money market funds	$ 9,572,473	$ 12,656,633
Treasury/agency	19,624,379	17,815,018
Mortgage backed securities	9,330,118	10,064,052
Corporate bonds	8,582,017	7,903,034
International bonds	1,492,530	1,625,065
U.S. equities	202,463,816	192,805,197
Global equities	63,847,747	84,147,182
Commodities	18,436,270	12,657,640
Hedge funds	67,177,022	67,894,657
Private equity	17,785,363	15,470,843
Real estate	14,318,608	10,055,008
Other	866,087	971,857
Subtotal-marketable investments	433,496,430	434,066,186
Subordinated note receivable from Clemson University Real Estate Foundation, Inc. (see Note 9)	20,000,000	20,000,000
Total investments	$ 453,496,430	$ 454,066,186

	2012	2011
Reconciliation to the Statements of Financial Position		
Investments	$ 314,086,294	$ 313,814,313
Investments held for Clemson University	137,085,667	137,802,927
Investments held in trust for affiliate	2,324,469	2,448,946
	$ 453,496,430	$ 454,066,186

Note 4—Investments (continued)

The Foundation's investment activity for the years ended June 30, 2012 and 2011 follows:

	2012	2011
Net realized gains/(losses) from sales of investments	$ 1,819,166	$ (8,314)
Increase in unrealized appreciation/(depreciation)	(9,238,469)	55,656,158
Total net gains/(losses)	(7,419,303)	55,647,844
Investment income	5,032,946	5,021,028
Total gains/(losses)	$ (2,386,357)	$ 60,668,872

Investment management fees totaled $4,495,808 and $4,400,641 for the years ended 2012 and 2011, respectively. Investment management fees for the years ended June 30, 2012 and 2011 were comprised of $3,253,826 charged by the Foundation and $1,178,917 charged by external investment managers and $3,026,002 charged by the Foundation and $1,309,501 charged by external investment managers, respectively. In addition, external management fees for split interest agreements for the year ended June 30, 2012 and 2011 totaled $63,065 and $65,139, respectively.

In 1999, changes in the South Carolina Code of Laws allowed the University's Board of Trustees to loan endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the available funds for scholarships and other programs. University endowment funds of $137,085,667 and $137,802,927, respectively, were loaned to the Foundation and are included in investments held for Clemson University in the Statements of Financial Position.

Note 5—Contributions Receivable, net

Contributions receivable, net, are summarized as follows at June 30, 2012 and 2011:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 3,827,025	$ 6,461,818
One year to five years	22,131,059	13,699,584
Over five years	30,684,050	24,443,200
	56,642,134	44,604,602
Less allowance for uncollectible contributions receivable	(5,767,238)	(3,101,608)
Less unamortized discount (discount rates of 0.72% to 6.30%)	(14,486,638)	(14,678,173)
	$ 36,388,258	$ 26,824,821

Included with pledges in contributions receivable for the years 2012 and 2011, is the present value of estimated payments of $11,245,998 and $9,249,045, respectively, to be received from forty-one 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, 2012 and 2011 follows:

	2012	2011
Land	$ 8,971,049	$ 8,971,049
Buildings	1,833,458	1,800,293
Equipment	113,878	113,878
	10,918,385	10,885,220
Less accumulated depreciation	(1,349,721)	(1,292,269)
	$ 9,568,664	$ 9,592,951

Included in land, buildings and equipment at June 30, 2012 and 2011, is land purchased or donated to the Foundation which had an appraised value of $8,971,049 in the year it was acquired. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which 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, 2012 and 2011 was $57,452 and $59,898, respectively.

Note 7—Endowment Assets

The Foundation's endowment consists of approximately 1,475 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.

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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 7—Endowment Assets (continued)

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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ (763,823)	$ 72,182,657	$ 206,014,945
Board-designated endowment funds	16,574,094	-	-
Total endowed net assets	$ 15,810,271	$ 72,182,657	$ 206,014,945

Endowment net assets consist of the following at June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ (623,999)	$ 81,298,929	$ 195,710,441
Board-designated endowment funds	17,173,139	-	-
Total endowed net assets	$ 16,549,140	$ 81,298,929	$ 195,710,441

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ (623,999)	$ 81,298,929	$ 195,710,441
Board-designated endowment funds	17,173,139	-	-
Total endowed net assets, June 30, 2011	16,549,140	81,298,929	195,710,441
Investment return:			
Investment income	60,978	1,090,073	3
Net depreciation	(588,116)	(6,108,449)	-
Transfer to temporarily restricted funds due to underwater endowments	(139,824)	139,824	-
	(666,962)	(4,878,552)	3
Contributions	163,588	2,362,470	10,329,354
Additions to endowments from trusts or donor designation changes	12,771	(648,402)	(24,853)
Appropriation of endowment assets for expenditure	(248,266)	(5,951,788)	-
Endowment net assets June 30, 2012	$ 15,810,271	$ 72,182,657	$ 206,014,945

Note 7—Endowment Assets (continued)

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ (7,932,424)	$ 40,240,391	$ 187,072,112
Board-designated endowment funds	10,567,967	-	-
Total endowed net assets, June 30, 2010	2,635,543	40,240,391	187,072,112
Investment return:			
Investment income	41,432	1,282,680	1,699
Net appreciation	1,612,693	52,204,521	35,844
Transfer from temporarily restricted funds due to underwater endowments	7,308,424	(7,308,424)	-
	8,962,549	46,178,777	37,543
Contributions	400,966	314,368	8,017,402
Additions to endowments from trusts or donor designation changes	5,015,959	11,283	583,384
Appropriation of endowment assets for expenditure	(465,877)	(5,445,890)	-
Endowment net assets June 30, 2011	$ 16,549,140	$ 81,298,929	$ 195,710,441

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 $763,823 as of June 30, 2012 and $623,999 as of June 30, 2011. 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. In 2012 losses of $139,824 are classified as a decrease 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 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 42% Russell 3000, 28% MSCI All Country World ex USA, 5% Dow Jones UBS Commodity Total Return, 5% MSCI World Natural Resources, 5% FTSE EPRA NAREIT Global Real Estate, 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.

Note 7—Endowment Assets (continued)

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 three years. Total rent expense incurred under these agreements was $116,238 in 2012 and $110,104 in 2011. Future minimum lease payments under the operating lease agreements are $114,184 in 2013, $93,086 in 2014, and $6,726 in 2015.

Note 9—Related-Party Transactions

At June 30, 2012 and 2011, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

	2012	2011
Due to:		
IPTAY	$ 470	$ 6,571
Clemson Advancement Foundation for Design + Building	2,882	-
Clemson University	-	19,822
	$ 3,352	$ 26,393
Due from:		
Clemson University Real Estate Foundation, Inc.	$ 1,061,489	$ 1,036,810
Clemson Advancement Foundation for Design + Building	-	766
Clemson University	415,969	375,190
Clemson University Continuing Education and Conference Complex Corporation	620,000	630,000
	$ 2,097,458	$ 2,042,766

The Foundation purchased and transferred equipment with a net book value of $105,324 and $83,768 during 2012 and 2011, respectively, to the University.

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 ended June 30, 2012 and 2011 were $448,552 and $492,820, 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, 2012 and 2011 was $620,000 and $630,000, 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, 2022. The principal balance outstanding at June 30, 2012 and 2011 was $102,919,316 and $102,919,316, respectively, and the accrued liability to the University due to net investment appreciation on the principal outstanding was $34,166,351 and $34,883,611, respectively. The Foundation charged an annual fee of 1.25% in 2012 and 2011 for managing the University's endowments. The fee is assessed quarterly and $402,158 and $375,190 was due to the Foundation at June 30, 2012 and 2011, 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 TD Bank. The loan is not due until the CUREF outstanding bank debt is paid in full.

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 seven year period and expired in June 2012. Under the terms of the agreement, MBNA America paid $650,000 in June 2011 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 statements of activities. Royalty revenue is being recognized as earned during the period of the contract. A total of $359,500 and $359,500 of royalty revenue was recognized during each of the years ended June 30, 2012 and 2011, 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, 2012 and 2011, is $11,532,978 and $12,510,053, 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 statements of financial position an actuarial liability of $4,163,403 and $4,804,645 at June 30, 2012 and 2011, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder annuity trusts and unitrusts, taking into consideration their life expectancy and discounted at applicable interest rates.

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation's promise to pay a fixed amount to a designated individual for a specified period of time. The assets contributed are held as general assets of the Foundation and an actuarial liability which represents the present value of estimated future payments to beneficiaries of charitable gift annuities of $847,980 and $1,026,748 at June 30, 2012 and 2011, respectively, has been reported in the accompanying statements of financial position.

Note 12—Life Insurance Policies

The Foundation is owner and beneficiary of various life insurance policies on 25 individuals with an aggregate face value of $4,159,752 and $4,170,055 at June 30, 2012 and 2011, respectively. The cash surrender value at June 30, 2012 and 2011 was $1,642,002 and $1,584,778, respectively.

Note 13—Investments Held in Trust for Affiliate

The Foundation holds and invests assets belonging to the Clemson Advancement Foundation for Design + 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 under management at June 30, 2012 and 2011 was $2,324,469 and $2,448,946, respectively.

Note 14—Commitments

At June 30, 2012, the Foundation has committed $1,823,150 for building projects for the benefit of the University. At June 30, 2012, the Foundation has received cash from donors that covers this 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 ground lease 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 2012 or 2011.

The Foundation has entered into a memorandum of understanding with the University whereby it agrees to make any debt service payments due and not made by CUREF or LICAR, LLC for the Center for Emerging Technologies building. In exchange for any debt service payments made, the Foundation may reduce its annual allocation to the University by a like amount. No such payments were required in 2012 or 2011.

Note 15—Net Assets Released from Restrictions

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2012 and 2011 as follows:

	2012	2011
Purpose restricted contributions for:		
Scholarships, fellowships and awards	$ 2,302,053	$ 2,337,410
Chairs, professorships and faculty awards	1,217,289	1,073,760
Department and University programs	10,209,800	7,642,049
Facilities and equipment	71,563	386,522
Time restricted contributions for:		
Clemson University capital projects	2,198,212	2,418,267
Total	$ 15,998,917	$ 13,858,008

Note 16—Net Assets

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

	2012	2011
Programs	$ 32,330,930	$ 27,669,953
Accumulated appreciation and unspent income	59,946,127	66,358,644
Term endowments	26,007,370	28,494,722
Pledges	14,291,515	10,480,563
Interests in trusts held by others	63,268	64,527
Charitable remainder trusts and unitrusts	774,014	694,305
	$ 133,413,224	$ 133,762,714

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

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

	2012	2011
Endowments	$ 206,014,945	$ 195,710,443
Pledges	10,850,747	7,095,213
Interests in trusts held by others	11,182,728	9,184,518
Gifts pending agreements	868,123	898,045
Charitable remainder trusts and unitrusts	5,318,048	5,642,271
	$ 234,234,591	$ 218,530,490

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

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—Subsequent Events

The Foundation has evaluated subsequent events through September 26, 2012, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.