

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

CLEMSON UNIVERSITY FOUNDATION
(A Component Unit of Clemson University)
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Report of Independent Auditor

To the Board of Directors
Clemson University Foundation
Clemson, South Carolina

Opinion

We have audited the accompanying consolidated financial statements of the Clemson University Foundation (the "Foundation"), a component unit of Clemson University, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 20, 2020. In our opinion, the summarized comparative information presented on the consolidated statement of activities herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Cherry Bekaert LLP

Greenville, South Carolina
September 13, 2022

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

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 76,978,527	\$ 69,900,170
Contributions receivable, net	72,997,389	79,487,188
Trusts held by others	6,014,155	7,021,734
Due from related organizations	3,716,667	5,489,962
Investments	699,188,068	715,870,080
Investments held for Clemson University	240,447,398	251,138,535
Cash surrender value of life insurance	3,749,580	2,608,902
Land, buildings, and equipment, net	9,156,613	9,184,396
Funds held in trust for affiliates:		
Non-pooled assets, net	22,821,161	13,528,755
Pooled investments	52,979,235	53,360,484
Contributions receivable, net	29,163,512	32,137,882
Other assets	1,467,426	1,222,375
Total Assets	\$ 1,218,679,731	\$ 1,240,950,463
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 426,439	\$ 901,646
Due to related organizations	708,793	1,047,816
Accrued liability to Clemson University due to net investment appreciation	93,769,743	104,460,880
Note payable to Clemson University	146,677,655	146,677,655
Actuarial liability of annuities payable	3,240,933	3,909,010
Funds administered for affiliates	104,963,908	99,027,121
Total Liabilities	349,787,471	356,024,128
Net Assets:		
Without donor restrictions	59,045,075	62,654,828
With donor restrictions	809,847,185	822,271,507
Total Net Assets	868,892,260	884,926,335
Total Liabilities and Net Assets	\$ 1,218,679,731	\$ 1,240,950,463

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

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

YEAR ENDED JUNE 30, 2022 (WITH SUMMARIZED INFORMATION FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 5,115,739	\$ 36,275,244	\$ 41,390,983	\$ 90,280,592
Investment return, net	1,186,746	(18,581,370)	(17,394,624)	172,751,251
Program income	522,225	251,598	773,823	849,351
Other income	539,051	8,936	547,987	883,231
Change in value of split-interest agreements	39,117	(1,891,546)	(1,852,429)	3,184,040
Total	7,402,878	16,062,862	23,465,740	267,948,465
Net assets released from restrictions	28,716,013	(28,716,013)	-	-
Total Revenues, Gains, and Other Support	36,118,891	(12,653,151)	23,465,740	267,948,465
Expenses:				
Program expenses in support of Clemson University	31,431,179	-	31,431,179	26,751,344
Administrative and investment support	3,241,201	-	3,241,201	3,227,232
Fundraising	4,955,977	-	4,955,977	3,668,315
Total Expenses	39,628,357	-	39,628,357	33,646,891
Change in net assets before other changes	(3,509,466)	(12,653,151)	(16,162,617)	234,301,574
Other Changes:				
Transfers (to) from related entities	(100,287)	228,829	128,542	672,915
Total Other Changes	(100,287)	228,829	128,542	672,915
Change in net assets	(3,609,753)	(12,424,322)	(16,034,075)	234,974,489
Net assets, beginning of year	62,654,828	822,271,507	884,926,335	649,951,846
Net assets, end of year	\$ 59,045,075	\$ 809,847,185	\$ 868,892,260	\$ 884,926,335

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues, Gains, and Other Support:				
Gifts and bequests	\$ 8,294,709	\$ 81,985,883	\$ 90,280,592	\$ 45,318,951
Investment return, net	22,372,716	150,378,535	172,751,251	10,766,897
Program income	571,713	277,638	849,351	2,283,415
Other income	847,453	35,778	883,231	1,694,815
Change in value of split-interest agreements	60,372	3,123,668	3,184,040	(743,282)
Total	32,146,963	235,801,502	267,948,465	59,320,796
Net assets released from restrictions	24,303,350	(24,303,350)	-	-
Total Revenues, Gains, and Other Support	56,450,313	211,498,152	267,948,465	59,320,796
Expenses:				
Program expenses in support of Clemson University	26,751,344	-	26,751,344	31,271,664
Administrative and investment support	3,227,232	-	3,227,232	4,478,123
Fundraising	3,668,315	-	3,668,315	4,622,969
Total Expenses	33,646,891	-	33,646,891	40,372,756
Change in net assets before other changes	22,803,422	211,498,152	234,301,574	18,948,040
Other Changes:				
Transfers (to) from related entities	(303,407)	976,322	672,915	(326,015)
Total Other Changes	(303,407)	976,322	672,915	(326,015)
Change in net assets	22,500,015	212,474,474	234,974,489	18,622,025
Net assets, beginning of year	40,154,813	609,797,033	649,951,846	631,329,821
Net assets, end of year	\$ 62,654,828	\$ 822,271,507	\$ 884,926,335	\$ 649,951,846

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

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

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (16,034,075)	\$ 234,974,489
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized losses (gains) on investments	25,350,327	(165,794,653)
Depreciation expense	27,783	32,327
Change in value of split-interest agreements on long-term investments	1,824,183	(313,670)
Gifts restricted for long-term investments	(23,830,099)	(20,257,804)
Other income – permanently restricted	(6,944)	(33,846)
Change in operating assets and liabilities:		
Contributions receivable, net	6,489,799	(42,250,000)
Trusts held by others	1,007,579	(1,556,162)
Due from related organizations	1,773,295	(3,843,832)
Cash surrender value of life insurance	(1,140,678)	(344,751)
Net change in funds held in trust for affiliates	(5,936,787)	(14,666,904)
Other assets	(245,051)	(790,391)
Accounts payable and accrued liabilities	(475,207)	644,225
Due to related organizations	(339,023)	409,521
Deferred revenue	-	(4,000,000)
Actuarial liability of annuities payable	(668,077)	370,409
Net change in funds administered for affiliates	5,936,787	14,666,904
Net cash flows from operating activities	<u>(6,266,188)</u>	<u>(2,754,138)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	145,767,240	89,594,543
Purchases of investments	<u>(154,435,555)</u>	<u>(105,246,361)</u>
Net cash flows from investing activities	<u>(8,668,315)</u>	<u>(15,651,818)</u>
Cash flows from financing activities:		
Gifts restricted for long-term investments	23,830,099	20,257,804
Change in value of split-interest agreements on long-term investments	(1,824,183)	313,670
Other income – permanently restricted	6,944	33,846
Net cash flows from financing activities	<u>22,012,860</u>	<u>20,605,320</u>
Net change in cash and cash equivalents	7,078,357	2,199,364
Cash and cash equivalents, beginning of year	69,900,170	67,700,806
Cash and cash equivalents, end of year	<u>\$ 76,978,527</u>	<u>\$ 69,900,170</u>

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

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

JUNE 30, 2022 AND 2021

Note 1—Organization

The Clemson University Foundation (the “Foundation”), an independent, nonprofit, tax-exempt public charity, was incorporated in 1933 under the laws of South Carolina for the purposes of promoting the welfare and future development of Clemson University (the “University”) in its educational and scientific research and to seek gifts or public funds for the benefit of the University through endowment giving, fundraising, or other programs and to prudently manage and disburse such funds. The Foundation includes the wholly-owned subsidiaries of Clemson University Foundation Holdings, LLC and CUF Data Administrator, LLC. Due to the nature and significance of its relationship with the University, the Foundation is considered a component unit of the University as defined by the provision of the Governmental Accounting Standards Board 14, *The Financial Reporting Entity*, with Foundation financial information presented discretely in the financial reporting of the University. The Foundation is governed by an independent, 27-member volunteer Board of Directors, with additional honorary and ex-officio directors.

Note 2—Summary of significant accounting policies

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

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

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

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

The Foundation recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*, Topic 320, *Investments – Debt Securities*, Topic 321, *Investments – Equity Securities*, and ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

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

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

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Contributions, including unconditional contributions receivable, are recognized as revenues in the period received. Conditional contributions receivable – that is, those with a measurable performance or other barrier and a right of return or release – are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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

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

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

The Foundation's investment management fees, as included in investment return, net on the consolidated statements of activities, are governed by FASB ASC Topic 606, which contains a single performance obligation via a provided service or series of services that are substantially the same with the same pattern of service delivery to the related organization. The Foundation follows the "as-invoiced" practical expedient provided within FASB ASC Topic 606, and as such, revenue is recognized at a single point-in-time, for services provided through the billing date.

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

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

At June 30, 2022 and 2021, the Foundation had \$75,049,082 and \$67,159,073, respectively, on deposit in excess of the insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments – Investment securities are generally recorded at fair value. In the case of certain less marketable investments, principally private equity and real estate investments, value is established based on either external events which substantiate a change in value or a reasonable methodology that exists to capture and quantify changes in value. In some instances, those changes in value may require use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed.

Investment income, net of external and internal management expenses and fees, and gains and losses arising from the sale or other disposition of investments and other noncash assets is distributed to the various endowments using a pooled income approach. This approach distributes income following the fair value unit method, which is based on the number of units each endowment owns in the managed investment pool.

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

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, earnings, not to exceed a specified percentage, could be used to support the intended purposes. An appropriation from the endowment for expenditures that support the intended purpose may be made to the extent it is deemed prudent, unless otherwise restricted by the donor in the gift instrument.

The Foundation's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Land, Building, and Equipment, Net – Land, buildings, and equipment are stated at cost at the date of acquisition. Cost for donated assets is stated at the appraised fair value on the date of donation. Equipment with a value in excess of \$5,000 and a useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from five to seven years. Buildings are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 20 years.

Split-Interest Agreements – The Foundation has been named as beneficiary of split-interest agreements consisting of irrevocable charitable remainder trusts and charitable gift annuities. The assets for trusts and annuities where the Foundation serves as trustee are included in investments. Contribution revenues are recognized at the dates the trusts are established and liabilities recorded for the present value of the estimated future payments to be made to donors or other beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes related to estimated future donor-related payments. Trust assets administered by others are recorded as trusts held by others and are adjusted annually for changes in fair value.

Tax Status – The Foundation is recognized as an organization exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code ("IRC") and described as an organization in Section 501(c)(3) of the IRC. Accordingly, only unrelated business income, as defined by Section 513 of the IRC, is subject to federal income tax. Because any unrelated business income tax liability is primarily the result of flow through business income from private investment partnerships, unrelated business income tax is included as an endowment expense on the consolidated statements of activities. The single member LLCs are disregarded for tax purposes.

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

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

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

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

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

Comparative Information – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2020 from which the summarized information was derived.

Recently Issued Accounting Pronouncement Adopted – In September 2020, FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. The adoption of this standard did not have a material effect on the Foundation's consolidated financial statements.

Recently Issued Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard is effective for the fiscal year ending June 30, 2022. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for a deferral of the effective date of Topic 842 by one year, due to the ongoing uncertainties and difficulties related to the COVID-19 pandemic. Under this deferral, the effective date of Topic 842 is for the fiscal year ended June 30, 2023. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

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

JUNE 30, 2022 AND 2021

Note 3—Fair value measurements

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

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

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

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

Investments measured at net asset value (“NAV”) are those which the Foundation has applied a practical expedient and concluded that NAV reported by the underlying fund approximated the fair value of investments, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The Foundation has no plans to sell these investments in the secondary market at amounts substantially different from NAV.

The following tables summarize the valuation of the Foundation’s financial assets and liabilities measured at fair value as of June 30, 2022 and 2021, based on the level of input utilized to measure fair value.

Measurement at fair value on a recurring or quarterly basis at June 30, 2022:

Description	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 4,552,234	\$ -	\$ -	\$ 4,552,234
Treasury/agency	-	51,700,860	-	-	51,700,860
Mortgage backed securities	-	27,190,783	-	-	27,190,783
Corporate bonds	-	16,799,772	-	-	16,799,772
International bonds	-	1,359,965	-	-	1,359,965
U.S. equities	-	362,228,522	-	-	362,228,522
Global equities	-	126,415,790	-	-	126,415,790
Commodities	-	19,228,058	32,664,126	-	51,892,184
Public real assets	-	1,124,541	-	-	1,124,541
Hedge funds	128,915,163	-	-	-	128,915,163
Private equity	166,334,051	-	-	-	166,334,051
Private real assets	32,357,630	-	-	-	32,357,630
Other	-	1,473,206	-	-	1,473,206
Total investments – recurring basis	327,606,844	612,073,731	32,664,126	-	972,344,701
Investments – nonrecurring basis:					
Real estate	-	-	270,000	-	270,000
Total marketable investments	\$ 327,606,844	\$ 612,073,731	\$ 32,934,126	\$ -	\$ 972,614,701
Trusts held by others (Note 10)	\$ -	\$ -	\$ -	\$ 6,014,155	\$ 6,014,155

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

JUNE 30, 2022 AND 2021

Note 3—Fair value measurements (continued)

Measurement at fair value on a recurring or quarterly basis at June 30, 2021:

Description	Investments Measured at NAV	Level 1	Level 2	Level 3	Total
Investments – recurring basis:					
Publicly traded funds:					
Money market funds	\$ -	\$ 7,414,972	\$ -	\$ -	\$ 7,414,972
Treasury/agency	-	63,085,115	-	-	63,085,115
Mortgage backed securities	-	20,887,273	-	-	20,887,273
Corporate bonds	-	28,601,822	-	-	28,601,822
U.S. equities	-	423,887,936	-	-	423,887,936
Global equities	-	148,553,972	-	-	148,553,972
Commodities	-	3,954,068	14,916,301	-	18,870,369
Public real assets	-	580,875	-	-	580,875
Hedge funds	132,698,821	-	-	-	132,698,821
Private equity	127,803,074	-	-	-	127,803,074
Private real assets	22,075,833	-	-	-	22,075,833
Other	-	5,676,187	-	-	5,676,187
Total investments – recurring basis	<u>282,577,728</u>	<u>702,642,220</u>	<u>14,916,301</u>	<u>-</u>	<u>1,000,136,249</u>
Investments – nonrecurring basis:					
Real estate	-	-	232,850	-	232,850
Total marketable investments	<u>\$ 282,577,728</u>	<u>\$ 702,642,220</u>	<u>\$ 15,149,151</u>	<u>\$ -</u>	<u>\$ 1,000,369,099</u>
Trusts held by others (Note 10)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,021,734</u>	<u>\$ 7,021,734</u>

The majority of the Foundation’s underlying fund managers use a market approach to value an investment. In addition, the following inputs/valuation techniques are used-comparable security analysis, recent transactions, earnings and cash flow forecasts, market multiple analysis, discounted cash flow/time value of money, internal valuation models, third party appraisals, bona fide offers, and at cost for the period just subsequent to acquisition.

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Note 3—Fair value measurements (continued)

For investments in entities that calculate NAV or its equivalent whose fair value is not readily determinable, the following tables provide additional information about the unfunded commitments and redemption availability at June 30, 2022 and 2021.

	<u>Fair Value at June 30, 2022</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships ⁽¹⁾				
Private equity	\$ 166,334,051	\$ 112,288,472	N/A	N/A
Private real assets	32,357,630	26,927,325	N/A	N/A
Hedge funds	<u>128,915,163</u>		Monthly to Annually	33-95 days
Total	<u>\$ 327,606,844</u>			
	<u>Fair Value at June 30, 2021</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private partnerships ⁽¹⁾				
Private equity	\$ 127,803,074	\$ 53,852,882	N/A	N/A
Private real assets	22,075,833	15,134,267	N/A	N/A
Hedge funds	<u>132,698,821</u>	-	Monthly to Annually	33-95 days
Total	<u>\$ 282,577,728</u>			

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

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Note 4—Investments

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

	2022	2021
Money market funds	\$ 4,552,234	\$ 7,414,972
Treasury/agency	51,700,860	63,085,115
Mortgage backed securities	27,190,783	20,887,273
Corporate bonds	16,799,772	28,601,822
International bonds	1,359,965	-
U.S. equities	362,228,522	423,887,936
Global equities	126,415,790	148,553,972
Commodities	51,892,184	18,870,369
Hedge funds	128,915,163	132,698,821
Private equity	166,334,051	127,803,074
Public real assets	1,124,541	580,875
Private real assets	32,627,630	22,308,683
Other	1,473,206	5,676,187
Subtotal-marketable investments	<u>972,614,701</u>	<u>1,000,369,099</u>
Subordinated note receivable from Clemson University Land Stewardship Foundation, Inc. (Note 9)	<u>20,000,000</u>	<u>20,000,000</u>
Total investments	<u>\$ 992,614,701</u>	<u>\$ 1,020,369,099</u>
	2022	2021
Reconciliation to the consolidated statements of financial position:		
Investments	\$ 699,188,068	\$ 715,870,080
Investments held for Clemson University	240,447,398	251,138,535
Funds held in trust for affiliates - pooled investments	<u>52,979,235</u>	<u>53,360,484</u>
	<u>\$ 992,614,701</u>	<u>\$ 1,020,369,099</u>

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

	2022	2021
Net realized gains from sales of investments	\$ 27,400,665	\$ 11,665,559
Net unrealized (depreciation) appreciation of investments	<u>(52,750,992)</u>	<u>154,129,094</u>
Total net (losses) gains	<u>(25,350,327)</u>	<u>165,794,653</u>
Investment income, net	<u>7,955,703</u>	<u>6,956,598</u>
Total investment return, net	<u>\$ (17,394,624)</u>	<u>\$ 172,751,251</u>

The Foundation assesses a management fee, as included in investment return, net on the consolidated statements of activities, to individual endowment funds to provide support for fundraising, donor stewardship, and endowment administration. For 2022 and 2021, this fee was 1.25% of the 12-quarter trailing average fair value of endowment funds and totaled approximately \$8.5 and \$8.0 million, respectively.

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Note 4—Investments (continued)

The South Carolina Code of Laws allows the University's Board of Trustees to loan endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the available funds for scholarships and other programs. For the years ended June 30, 2022 and 2021, University endowment funds of \$240,447,398 and \$251,138,535, respectively, were loaned to the Foundation and are included in investments held for the University in the consolidated statements of financial position.

Note 5—Contributions receivable, net

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

	<u>2022</u>	<u>2021</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 20,426,207	\$ 19,120,328
One year to five years	33,468,094	38,296,536
Over five years	<u>28,457,850</u>	<u>32,326,030</u>
	82,352,151	89,742,894
Less allowance for uncollectible contributions receivable	(5,835,215)	(6,424,289)
Less unamortized discount (discount rates of 0.29% to 3.01%)	<u>(3,519,547)</u>	<u>(3,831,417)</u>
	<u>\$ 72,997,389</u>	<u>\$ 79,487,188</u>

During the year ended June 30, 2020, the Foundation received certain promises to give totaling \$60,000,000 that were conditional based on future events or activities. As the required events or activities had not yet occurred at June 30, 2020, the Foundation did not recognize an asset or contribution revenue for such. During the year ended June 30, 2020, \$4,000,000 related to these conditional promises to give was received and included as a deferred revenue line item on the consolidated statements of financial position. The conditions related to these promises to give were satisfied during the year ended June 30, 2021 and the related revenue and deferred revenue were recognized in full. There were no additional conditional promises to give during the years ended June 30, 2022 and 2021.

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Note 6—Land, buildings, and equipment, net

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

	2022	2021
Land	\$ 8,971,049	\$ 8,971,049
Buildings	1,785,818	1,785,818
Equipment	113,878	113,878
	<u>10,870,745</u>	<u>10,870,745</u>
Less accumulated depreciation	(1,714,132)	(1,686,349)
	<u>\$ 9,156,613</u>	<u>\$ 9,184,396</u>

Included in land, buildings, and equipment at June 30, 2022 and 2021 is land donated to the Foundation which had an appraised value of \$8,971,049 in the year it was acquired. Conservation easements have been assigned to property located in Georgetown County, South Carolina which requires the land to remain in its undeveloped state but allow for the construction, operation, and management of a research and educational facility. The carrying value is comprised of land of \$917,418 and conservation easements of \$8,053,631. Depreciation expense for the years ended June 30, 2022 and 2021 was \$27,783 and \$32,327, respectively.

Note 7—Endowment assets

The Foundation's endowment consists of approximately 2,100 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors of the Foundation to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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Note 7—Endowment assets (continued)

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

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

Endowment net assets consist of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 640,711,294	\$ 640,711,294
Board-designated endowment funds	46,109,560	-	46,109,560
Total endowed net assets	<u>\$ 46,109,560</u>	<u>\$ 640,711,294</u>	<u>\$ 686,820,854</u>

Endowment net assets consist of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 651,141,999	\$ 651,141,999
Board-designated endowment funds	42,609,189	-	42,609,189
Total endowed net assets	<u>\$ 42,609,189</u>	<u>\$ 651,141,999</u>	<u>\$ 693,751,188</u>

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Note 7—Endowment assets (continued)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 651,141,999	\$ 651,141,999
Board-designated endowment funds	42,609,189	-	42,609,189
Total endowed net assets, June 30, 2021	<u>42,609,189</u>	<u>651,141,999</u>	<u>693,751,188</u>
Investment return, net	<u>(1,390,433)</u>	<u>(18,560,609)</u>	<u>(19,951,042)</u>
	41,218,756	632,581,390	673,800,146
Contributions	3,446,026	24,829,115	28,275,141
Additions to endowments from trusts or donor designation changes	2,390,654	2,315,179	4,705,833
Appropriation of endowment assets for expenditure	<u>(945,876)</u>	<u>(19,014,390)</u>	<u>(19,960,266)</u>
Endowment net assets, June 30, 2022	<u>\$ 46,109,560</u>	<u>\$ 640,711,294</u>	<u>\$ 686,820,854</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 487,969,986	\$ 487,969,986
Board-designated endowment funds	27,700,265	-	27,700,265
Total endowed net assets, June 30, 2020	<u>27,700,265</u>	<u>487,969,986</u>	<u>515,670,251</u>
Investment return, net	<u>8,129,677</u>	<u>150,315,691</u>	<u>158,445,368</u>
	35,829,942	638,285,677	674,115,619
Contributions	7,867,351	26,325,225	34,192,576
Additions to endowments from trusts or donor designation changes	29,417	3,364,605	3,394,022
Appropriation of endowment assets for expenditure	<u>(1,117,521)</u>	<u>(16,833,508)</u>	<u>(17,951,029)</u>
Endowment net assets, June 30, 2021	<u>\$ 42,609,189</u>	<u>\$ 651,141,999</u>	<u>\$ 693,751,188</u>

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Note 7—Endowment assets (continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions or underwater endowments were \$661,031 and \$2,031 at June 30, 2022 and 2021, respectively. Deficiencies would result from unfavorable market fluctuations occurring after the investment of permanently restricted contributions and, to a degree by continued appropriation for certain programs deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. As authorized by board approved policies, these assets are invested to maximize long-term returns, while simultaneously mitigating risk through maintaining a diversified portfolio. A multi-generational window not only allows for the typical diversification across asset classes, but also for time diversification across both up and down markets.

The assets are invested in a manner that is intended to produce results, in the long term, that meet or exceed the composite return and are within the risk parameters of a benchmark composed of 42% Russell 3000 Index, 28% MSCI All Country World Ex US Index, 5% Bloomberg Commodity Total Return Index, 5% S&P Global Natural Resources Index, 5% FTSE/EPRA NAREIT Global Real Estate Index, and 15% Barclays Aggregate Bond Index.

The long-term objective is to attain, within acceptable risk parameters, an average annual total return that exceeds the sum of the Foundation's approved payout rate plus inflation, plus investment management and related fees. The objective is expected to be obtained over time but not in each and every reporting period.

Strategies Employed for Achieving Objectives – To address its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation endowment spending policy appropriates for distribution each year a certain percentage of its endowment funds' based on fair value averages. For 2022 and 2021, the spending percentage was 4% based on average fair value of endowment funds as of the end of the 12 prior quarters. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs.

Note 8—Leases

The Foundation has entered into operating lease agreements for vehicles and office space that expire over the next three years. Total rent expense incurred under these agreements was \$116,906 and \$139,222 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments under the operating lease agreements are \$26,419 in 2023, \$16,373 in 2024 and \$4,382 in 2025.

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Note 9—Related party transactions

At June 30, 2022 and 2021, amounts due from and due to organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2022</u>	<u>2021</u>
Due from:		
Clemson University Real Estate Foundation	\$ 240,023	\$ 252,198
Clemson University Land Stewardship Foundation	2,938,544	4,723,411
Clemson University	<u>538,100</u>	<u>514,353</u>
	<u>\$ 3,716,667</u>	<u>\$ 5,489,962</u>
Due to:		
IPTAY	\$ 33,690	\$ 6,500
Clemson Architectural Foundation	8,131	1,186
Clemson University Land Stewardship Foundation	692	79,024
Clemson Alumni Association	8,288	-
Clemson University	<u>657,992</u>	<u>961,106</u>
	<u>\$ 708,793</u>	<u>\$ 1,047,816</u>

Administrative management fees, as included in investment return, net on the consolidated statements of activities, from related parties for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Clemson University	\$ 2,152,398	\$ 2,057,413
IPTAY	345,367	292,679
Clemson Alumni Association	138,793	135,789
Clemson Architectural Foundation	<u>32,766</u>	<u>30,562</u>
	<u>\$ 2,669,324</u>	<u>\$ 2,516,443</u>

The Foundation purchased and transferred equipment with a net book value of \$49,028 and \$229,064, during the years ended June 30, 2022 and 2021, respectively, to the University.

In accordance with the Affiliation Agreement between the University and the Foundation, the Foundation will reimburse the University for services provided by University employees that support core fundraising and investment management activities of the Foundation. During each of the years ended June 30, 2022 and 2021, the Foundation reimbursed the University approximately \$3 million for this support, funded through its annual operating budget.

In October 2020, the Foundation entered a loan agreement with Clemson University Land Stewardship Foundation (“CULSF”), for CULSF to purchase an office building for the use and benefit of Clemson University. The loan amount advanced to CULSF was \$3,765,177 and accrued interest at the rate of 1% was \$25,762 at June 30, 2021. The funds advanced to CULSF are included in due from related organizations on the consolidated statement of financial position at June 30, 2021. In April 2022, the loan proceeds were received in full from CULSF and the accrued interest was forgiven and recognized in investment return, net on the consolidated statement of activities.

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Note 9—Related party transactions (continued)

In June 2022, the Foundation entered into a loan agreement with CULSF to purchase land for development for the future use and benefit of Clemson University. The loan amount advanced was \$2,006,075. The funds advanced to CULSF are included in the due from related organizations on the consolidated statements of financial position at June 30, 2022. Interest will be accrued based on the prime rate plus 25 basis points and calculated annually with annual adjustments on the anniversary date. The interest rate on the purchase closing date was 4.25%. The loan allows for either monthly or annual payments with a maturity of June 2028. The loan is based upon a 20 year amortization with a final balloon payment at maturity.

The University and the Foundation have a Memorandum of Understanding (“MOU”) whereby the University loans certain endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the funds available for scholarships and other University programs. The principal balance outstanding at June 30, 2022 and 2021 was \$146,677,655 and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$93,769,743 and \$104,460,880, respectively. The MOU was for a term of 10 years beginning on July 11, 2003 and is reviewed annually by the University and the Foundation prior to the anniversary date and the term is automatically renewed each year for a 12-month period unless either party provides written notice of its objection to the extension at least 30 days prior to the anniversary date. Should the University determine the loaned funds are to be repaid, pursuant to the MOU the Foundation is required to pay back the funds to the University with interest at a rate equal to the total cumulative return (consisting of appreciation and income less any payouts to the University) earned from the investment of such funds by the Foundation. The University is prohibited from requesting a return of the loaned funds if the total cumulative return is negative.

The Foundation charged an annual fee of 1.25% in 2022 and 2021 for managing the University’s endowments. These funds are managed with an asset allocation similar to that of the Foundation.

In December 2007, the Foundation approved a non-interest-bearing loan of \$20,000,000 to the Clemson University Real Estate Foundation (“CUREF”) for investment in land acquisitions and improvements at Clemson University-International Center for Automotive Research. This loan was assigned to CULSF in December 2012 with the transfer of the underlying asset.

Note 10—Split-interest agreements

The Foundation has entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Included in investments at June 30, 2022 and 2021 are \$7,689,876 and \$9,536,168, respectively, of assets held under the agreements and are comprised of U.S. government obligations, corporate bonds, and U.S. and global equities.

The Foundation has reported in the accompanying consolidated statements of financial position an actuarial liability of \$2,053,807 and \$2,736,056 at June 30, 2022 and 2021, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder annuity trusts and unitrusts, taking into consideration their life expectancy and discounted at applicable interest rates.

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation’s promise to pay a fixed amount to a designated individual for a specified period of time. The assets contributed are held as general assets of the Foundation and an actuarial liability which represents the present value of estimated future payments to beneficiaries of charitable gift annuities of \$1,187,126 and \$1,172,954 at June 30, 2022 and 2021, respectively, has been reported in the accompanying consolidated statements of financial position.

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Note 10—Split-interest agreements (continued)

Trusts held and managed by trustees other than the Foundation, but the Foundation is the remainder beneficiary are included at fair value as of the end of 2022 and 2021 on the consolidated statements of financial position. The fair value less the present value of the remainder interest based on donor or beneficiary is as follows:

	<u>2022</u>	<u>2021</u>
Fair value	\$ 11,236,134	\$ 13,476,102
Less unamortized discount	<u>(5,221,979)</u>	<u>(6,454,368)</u>
Trusts held by others	<u>\$ 6,014,155</u>	<u>\$ 7,021,734</u>

Note 11—Life insurance policies

The Foundation is owner and beneficiary of various life insurance policies on 24 individuals with an aggregate face value of \$5,064,412 for the years ended June 30, 2022 and 2021. The cash surrender value at June 30, 2022 and 2021 was \$3,749,580 and \$2,608,902, respectively.

Note 12—Funds held in trust for affiliates

The Foundation holds and invests funds belonging to the Clemson Architectural Foundation (“CAF”), IPTAY, and Clemson Alumni Association (“CAA”) in a custodial capacity. Funds are either held or invested in an externally managed investment pool in accordance with CUF investment policy or by separate agreement. Assets under CUF management at June 30, 2022 and 2021 were \$104,963,908 and \$99,027,121, respectively.

At June 30, 2022:

	<u>Non-Pooled Assets, Net</u>	<u>Pooled Investments</u>	<u>Contributions Receivable, Net</u>	<u>Total</u>
IPTAY	\$ 21,563,004	\$ 34,992,223	\$ 29,063,043	\$ 85,618,270
CAA	836,558	14,421,100	-	15,257,658
CAF	421,599	3,565,912	100,469	4,087,980
	<u>\$ 22,821,161</u>	<u>\$ 52,979,235</u>	<u>\$ 29,163,512</u>	<u>\$ 104,963,908</u>

At June 30, 2021:

	<u>Non-Pooled Assets, Net</u>	<u>Pooled Investments</u>	<u>Contributions Receivable, Net</u>	<u>Total</u>
IPTAY	\$ 12,789,368	\$ 35,461,554	\$ 31,970,958	\$ 80,221,880
CAA	347,198	14,235,782	-	14,582,980
CAF	392,189	3,663,148	166,924	4,222,261
	<u>\$ 13,528,755</u>	<u>\$ 53,360,484</u>	<u>\$ 32,137,882</u>	<u>\$ 99,027,121</u>

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Note 13—Commitments and contingencies

The Foundation has committed \$15,660,613 and \$9,193,233, at June 30, 2022 and 2021, respectively, for building projects for the benefit of the University. At June 30, 2022, the Foundation continues to pursue fundraising from donors to fund these commitments.

During the year ended June 30, 2018, the process of vendor identification and contract negotiation for an upgraded fundraising support software system, for the intended purpose of providing more robust information critical to successful fundraising and integrating the IPTAY fundraising system with that of the Foundation, was completed. In June 2018, the Foundation's wholly-owned subsidiary, CUF Data Administrator, LLC, entered into a five-year contractual arrangement with Blackbaud for the implementation of and the annual licensing fees for this system, with a total contract cost over a five-year period of approximately \$2.6 million.

Note 14—Designations of net assets without donor restrictions

The Foundation's governing body has established endowments and reserves to support Foundation operations as follows at June 30:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Special initiative reserves	\$ 4,076,893	\$ 2,973,639
Quasi-endowment market value	46,726,325	43,645,626
Other designated	4,192,929	4,586,395
Undesignated	4,048,928	11,449,168
Net assets without donor restrictions	<u>\$ 59,045,075</u>	<u>\$ 62,654,828</u>

Note 15—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Specific future periods:		
Unconditional contributions receivable-not received	\$ 72,997,389	\$ 79,487,188
Specific to expenditure for specific purpose	77,478,758	73,602,909
Specific to spending policy and appropriation	231,023,661	264,965,314
Perpetual endowments	374,580,189	350,246,472
Specific to passage of time or specific event:		
Gifts awaiting donor direction	4,573,944	2,008,212
Trusts held by others	6,014,155	7,021,734
Charitable remainder trusts and unitrusts	5,635,469	6,800,137
Term endowments	37,543,620	38,139,541
Net assets with donor restrictions	<u>\$809,847,185</u>	<u>\$822,271,507</u>

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Note 16—Net assets released from restrictions

Net assets released from donor restrictions during the year ended June 30, 2022 and 2021 supported the following programs:

	<u>2022</u>	<u>2021</u>
Scholarships, fellowships, and awards	\$ 6,392,373	\$ 5,713,405
Chairs, professorships, and faculty awards	4,933,975	4,369,251
Departments and University programs	15,867,196	13,524,205
Capital, facilities, and equipment	<u>1,522,469</u>	<u>696,489</u>
Net assets released from donor restrictions	<u>\$ 28,716,013</u>	<u>\$ 24,303,350</u>

Note 17—Expenditures by functional and natural classifications

Expenses have been assigned to the following functional categories at the time the expenditure was incurred. The following represents the expenditures by functional and natural classifications for the year ended June 30, 2022:

	<u>Program Expenses in Support of Clemson University</u>	<u>Administrative and Investment Support</u>	<u>Fundraising</u>	<u>Total</u>
Clemson University program support	\$ 26,182,749	\$ -	\$ -	\$ 26,182,749
Functions and events	2,216,811	59,964	807,034	3,083,809
Contract and professional services	1,205,881	1,013,096	370,758	2,589,735
Compensation and shared services costs	-	1,140,170	2,533,908	3,674,078
Travel and fundraising operations	303,455	30,165	668,115	1,001,735
Material, supplies, and other operating costs	390,418	60,722	410,173	861,313
IT services and operations	18,132	628,371	16,902	663,405
Development fees	683,378	71,256	-	754,634
Rent and occupancy	164,716	90,211	83,246	338,173
Promotions and sponsorships	254,611	3,000	65,841	323,452
Insurance	11,028	116,463	-	127,491
Depreciation	-	<u>27,783</u>	-	<u>27,783</u>
Total	<u>\$ 31,431,179</u>	<u>\$ 3,241,201</u>	<u>\$ 4,955,977</u>	<u>\$ 39,628,357</u>

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Note 17—Expenditures by functional and natural classifications (continued)

The following represents the expenditures by functional and natural classifications for the year ended June 30, 2021:

	Program Expenses in Support of Clemson University	Administrative and Investment Support	Fundraising	Total
Clemson University program support	\$ 23,683,425	\$ -	\$ -	\$ 23,683,425
Functions and events	173,214	21,634	239,011	433,859
Contract and professional services	1,393,803	1,065,626	384,015	2,843,444
Compensation and shared services costs	-	1,240,417	2,405,555	3,645,972
Travel and fundraising operations	212,924	14,316	266,581	493,821
Material, supplies, and other operating costs	334,715	70,303	245,738	650,756
IT services and operations	-	454,158	-	454,158
Development fees	662,130	77,523	4,783	744,436
Rent and occupancy	148,233	113,754	60,914	322,901
Promotions and sponsorships	131,989	-	61,718	193,707
Insurance	10,911	137,174	-	148,085
Depreciation	-	32,327	-	32,327
Total	<u>\$ 26,751,344</u>	<u>\$ 3,227,232</u>	<u>\$ 3,668,315</u>	<u>\$ 33,646,891</u>

The above allocation of expenses at June 30, 2022 and 2021 are based upon direct expenditures to each functional category.

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Note 18—Availability of financial assets

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

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 862,644,386	\$ 880,378,036
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time restrictions	(481,753,239)	(461,788,987)
Subject to appropriation and satisfaction of donor restrictions	(308,588,032)	(338,715,619)
Investments held in annuity trust	(13,704,032)	(16,558,527)
Board designations:		
Special initiative reserves and other designated funds	(8,269,822)	(7,560,034)
Quasi-endowment fund, net of perpetual fixed assets	(35,273,059)	(29,532,804)
Plus: Board approved endowment appropriation	<u>20,131,597</u>	<u>18,062,605</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 35,187,799</u>	<u>\$ 44,284,670</u>

Note 19—Risk management

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The risks are managed through the purchase of commercial insurance and self-retention of certain risks. The Foundation's affairs are conducted by the employees of the University and exposures to loss resulting from this arrangement are managed by the University through a combination of methods, including participation in various risk pools administered by the state of South Carolina, purchase of commercial insurance and self-retention of certain risks. Additional details on the University's risk management program are disclosed in the financial report of the University.

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Note 20—Transfers (to) from related entities

Transfers (to) from related entities consisted of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
CAA	\$ -	\$ 2,254	\$ 2,254
CUREF	28,385	226,675	255,060
IPTAY	(738)	-	(738)
CU	(127,934)	(100)	(128,034)
Total	<u>\$ (100,287)</u>	<u>\$ 228,829</u>	<u>\$ 128,542</u>

Transfers (to) from related entities consisted of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
CAA	\$ (16,837)	\$ 16,350	\$ (487)
CAF	(3,718)	-	(3,718)
CUREF	-	931,972	931,972
IPTAY	(30,080)	35,000	4,920
CU	(252,772)	(7,000)	(259,772)
Total	<u>\$ (303,407)</u>	<u>\$ 976,322</u>	<u>\$ 672,915</u>

Note 21—Subsequent events

The Foundation has evaluated subsequent events through September 13, 2022, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.