



**CLEMSON UNIVERSITY REAL ESTATE
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2014 and 2013

And Report of Independent Auditor

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position 2
Consolidated Statements of Activities 3 - 4
Consolidated Statements of Cash Flows 5
Notes to Consolidated Financial Statements 6 - 10

Report of Independent Auditor

To the Board of Directors
Clemson University Real Estate Foundation, Inc.
Clemson, South Carolina

We have audited the accompanying consolidated financial statements of Clemson University Real Estate Foundation, Inc. (the "Foundation") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Greenville, South Carolina
August 25, 2014

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 30,784	\$ 11,155
Real estate investments	5,539,638	4,865,858
Real estate, net	<u>700,000</u>	<u>700,000</u>
Total assets	<u><u>\$ 6,270,422</u></u>	<u><u>\$ 5,577,013</u></u>
LIABILITIES AND NET ASSETS		
Due to Clemson University Foundation	<u>\$ 104,965</u>	<u>\$ 76,128</u>
Total liabilities	<u>104,965</u>	<u>76,128</u>
Net assets:		
Temporarily restricted	<u>6,165,457</u>	<u>5,500,885</u>
Total net assets	<u>6,165,457</u>	<u>5,500,885</u>
Total liabilities and net assets	<u><u>\$ 6,270,422</u></u>	<u><u>\$ 5,577,013</u></u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE INFORMATION FOR 2013)

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
Revenues, gains, and other support:				
Gifts	\$ -	\$ 743,793	\$ 743,793	\$ 1,128,599
Rental revenues	-	33,259	33,259	485,499
Common area fees	-	-	-	263,229
Other	-	-	-	20,133
Unrealized gain (loss) on real estate investments	-	(25,393)	(25,393)	-
Total revenues and gains	-	751,659	751,659	1,897,460
Restricted net assets transferred to a related foundation	43,466	(43,466)	-	-
Total revenues, gains, and other support	43,466	708,193	751,659	1,897,460
Program expenses:				
Gifted property	43,466	-	43,466	78,702
CU-ICAR campus	-	-	-	356,410
Total program expenses	43,466	-	43,466	435,112
Interest expense	-	-	-	132,907
Contributions to a related foundation	-	43,621	43,621	9,211,060
Total expenses	43,466	43,621	87,087	9,779,079
Change in net assets	-	664,572	664,572	(7,881,619)
Net assets at beginning of year	-	5,500,885	5,500,885	13,382,504
Net assets at end of year	\$ -	\$ 6,165,457	\$ 6,165,457	\$ 5,500,885

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2013 (WITH COMPARATIVE INFORMATION FOR 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Revenues, gains, and other support:				
Gifts	\$ -	\$ 1,128,599	\$ 1,128,599	\$ 1,487,143
Rental revenues	446,528	38,971	485,499	784,150
Federal grant	-	-	-	300,486
Common area fees	263,229	-	263,229	383,175
Other	20,133	-	20,133	66,708
Unrealized gain (loss) on real estate investments	-	-	-	(7,570,078)
Total revenues and gains	<u>729,890</u>	<u>1,167,570</u>	<u>1,897,460</u>	<u>(4,548,416)</u>
Restricted net assets transferred to a related foundation	11,931,892	(11,931,892)	-	-
Total revenues, gains, and other support	<u>12,661,782</u>	<u>(10,764,322)</u>	<u>1,897,460</u>	<u>(4,548,416)</u>
Program expenses:				
Gifted property	78,702	-	78,702	150,775
CU-ICAR campus	356,410	-	356,410	643,732
Total program expenses	<u>435,112</u>	<u>-</u>	<u>435,112</u>	<u>794,507</u>
Interest expense	132,907	-	132,907	300,782
Contributions to a related foundation	9,211,060	-	9,211,060	-
Total expenses	<u>9,779,079</u>	<u>-</u>	<u>9,779,079</u>	<u>1,095,289</u>
Change in net assets	2,882,703	(10,764,322)	(7,881,619)	(5,643,705)
Net assets at beginning of year	<u>(2,882,703)</u>	<u>16,265,207</u>	<u>13,382,504</u>	<u>19,026,209</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 5,500,885</u>	<u>\$ 5,500,885</u>	<u>\$ 13,382,504</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 664,572	\$ (7,881,619)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss on investments	25,393	-
Noncash gifts	(743,793)	(1,128,599)
Noncash transfer of resources	-	8,591,393
Depreciation expense	-	66,870
Increase (decrease) in assets:		
Receivables	-	250,837
Other assets	-	(394,362)
Increase (decrease) in liabilities:		
Accounts payable	-	(187,942)
Accrued interest payable	-	(8,205)
Deferred revenue	-	68,219
Due to Clemson University Foundation	28,837	(52,889)
Net cash used in operating activities	<u>(24,991)</u>	<u>(676,297)</u>
Cash flows from investing activities:		
Proceeds from sale of land held for resale	44,620	-
Net cash provided by investing activities	<u>44,620</u>	<u>-</u>
Cash flows from financing activities:		
Principal payments on notes payable	-	(223,226)
Net cash used in financing activities	<u>-</u>	<u>(223,226)</u>
Net increase (decrease) in cash and cash equivalents	19,629	(899,523)
Cash and cash equivalents, beginning of year	<u>11,155</u>	<u>910,678</u>
Cash and cash equivalents, end of year	<u>\$ 30,784</u>	<u>\$ 11,155</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 132,907</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1—Organization

The Clemson University Real Estate Foundation, Inc. (the "Foundation") was formed to serve the needs of Clemson University (the "University") and/or Clemson University Foundation (CUF) in the acceptance of gifts of property and real estate. Proceeds from sales of property and real estate are contributed to CUF and/or the University for the benefit of donor imposed programs and endowments. Beginning December 1, 2012, programmatic and development property held by the Foundation was contributed to the Clemson University Land Stewardship Foundation. The contribution included the wholly owned subsidiaries of LICAM LLC and LICAR LLC. As a result, the remaining properties held by the Foundation represent gifted properties. It is the Foundation's intent to sell these properties and invest the proceeds to further the donor's directive through CUF.

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 in accordance with accounting principles generally accepted in the United States of America.

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.

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.

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.

Gifts of property and real estate, 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 net realized and unrealized gains (losses) on investments are reported as follows:

As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;

As increases (decreases) in unrestricted net assets in all other cases.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 2—Summary of significant accounting policies (continued)

Principles of Consolidation - The fiscal year 2013 consolidated financial statements shown for comparative purposes include the financial statements of the Foundation and its wholly owned subsidiaries LICAM LLC and LICAR LLC. All significant intercompany balances and transactions have been eliminated in consolidation. As mentioned earlier, the subsidiaries were transferred to the Clemson University Land Stewardship Foundation beginning December 1, 2012.

Cash and Cash Equivalents - The Foundation considers all interest bearing money market accounts with an initial maturity of three months or less at the date of purchase to be cash equivalents. Bank balances are insured for \$250,000 through the Federal Depository Insurance Corporation (FDIC). During the year, the Foundation from time to time may have had amounts on deposit in excess of the insured limits.

Receivables - Receivables primarily consist of amounts due from private sources in connection with reimbursement of allowable expenditures. The Foundation's management reviews the outstanding receivables balance and determines the appropriate valuation reserve based on a historical percentage. Accounts are charged off when management believes the account will not be realized. Based on the payment history, management believes that no allowance for possible uncollectible amounts is necessary.

Real Estate Investments - Real estate investments consist of donated properties, gifts of life estate properties, land leased to tenants and land held for development. All real estate investments are presented at fair value with the exception of life estates, which are presented at fair value less a discount to present value. Real estate investments are appraised every two to three years and reviewed annually by management.

Donated properties are appraised by a certified, independent appraiser and recorded at fair value at the time of donation. A certified title examination is performed and if appropriate, an environmental survey is obtained.

Life estate properties are restricted gifts whereby the Foundation's right to realize the economic benefits is restricted for a defined time period. As a result, the gifts are recorded at the discounted present value at applicable interest rates at the time of the gift.

Real Estate - Real estate consists of land, buildings and infrastructure in use or held for later programmatic use. Real estate is recorded at the lower of cost or the appraised fair value on the date of donation.

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, 2014 and 2013 and, accordingly, no liability has been accrued. The open tax years for the Foundation include the years ended June 30, 2011, 2012, 2013 and 2014.

Use of Estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management of the Foundation to make estimates and assumptions that affect the reported amount 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.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 3—Fair value measurements

Fair value, as defined under 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 statement 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.
- 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 measured at fair value as of June 30, 2014 and 2013, based on the level of input utilized to measure fair value:

Measurement at fair value on a non-recurring basis at June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 5,356,600	\$ -
Life estate properties, net	-	183,038	-
Total assets measured on a non-recurring basis	<u>\$ -</u>	<u>\$ 5,539,638</u>	<u>\$ -</u>

Measurement at fair value on a non-recurring basis at June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 4,351,600	\$ -
Life estate properties, net	-	514,258	-
Total assets measured on a non-recurring basis	<u>\$ -</u>	<u>\$ 4,865,858</u>	<u>\$ -</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 4—Real estate investments

Real estate held for resale at June 30, 2014 and 2013 is as follows:

Description/Location	2014	2013
Easley, South Carolina 4.864 acres	\$ -	\$ 45,000
Concord, North Carolina Lot 1A, 1.418 acres	1,080,000	1,080,000
Lake Hartwell, Anderson, South Carolina Lot 2, Clearwater Shores	23,000	23,000
Powdersville, South Carolina Lot 1 – 1.827 acres and lot 3 – 2.283 acres	685,000	685,000
Riverpoint Condominium, Clemson, South Carolina, Unit 38	310,000	-
Salem, South Carolina Flagship Drive, Lot 78 including residence – Keowee Key	193,500	193,500
Hartwell Property 83.15 acres	740,000	-
Florence, South Carolina Lot 3 – 1.88 acres; lot 4 – 2.34 acres; and tract C - .64 acres	1,295,100	1,295,100
Lake Wylie, Charlotte, North Carolina 11100 Limehurst Place, lot including residence	790,000	790,000
Fulton County, Georgia 4.005 acres	240,000	240,000
Total land held for resale	<u>\$ 5,356,600</u>	<u>\$ 4,351,600</u>

The Foundation received two gifts of real estate from donors who have retained the right to use the property until their deaths. At the date of donation the gifts had an appraised value of \$157,700 and \$126,000, respectively. The Foundation has recorded the gifts at fair value and discounted the gifts at the present value of the appraised amounts because the economic benefit of the properties will not be realized until the restriction of the right to use the properties ends. One of these gifts matured during the fiscal year with the passing of the donor.

The present value calculation considered the life expectancy of the donors and discounted the gifts at applicable interest rates, at the time of the gifts. Accretion recorded was \$3,793 and \$3,599 in 2014 and 2013, respectively.

Life estate properties consist of the following at June 30, 2014 and 2013:

Description/Location	2014	2013
Riverpoint Condominium, Clemson, South Carolina, Unit 38	\$ -	\$ 335,013
Houston Street, Clemson, South Carolina, Lot 5	183,038	179,245
	<u>\$ 183,038</u>	<u>\$ 514,258</u>

There was no interest expense capitalized for the years ended June 30, 2014 and 2013.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 5—Real estate, net

Land, buildings and infrastructure located throughout the State have been acquired or donated to the Foundation and are restricted for the use and benefit of the CUF and University educational programs.

	<u>2014</u>	<u>2013</u>
Land	\$ <u>700,000</u>	\$ <u>700,000</u>
Total	\$ <u>700,000</u>	\$ <u>700,000</u>

96.23 acres of land, which is part of the Pinnacle Falls Camp located in Pickens County, South Carolina were donated to the Foundation and recorded at the appraised fair value. The land has an appraised value of \$700,000. Restrictive covenants require the land to remain largely in its natural state and used for the benefit of University educational programs.

There was no depreciation expense for the year ended June 30, 2014 and \$66,870 of depreciation was recorded for the year ended June 30, 2013.

Note 6—Related party

At June 30, 2014 and 2013, amounts due to CUF are due in the normal course of business, bear no interest, and are as follows:

	<u>2014</u>	<u>2013</u>
Due to CUF:		
Expenditures associated with gifted land held for resale	\$ <u>104,965</u>	\$ <u>76,128</u>
	\$ <u>104,965</u>	\$ <u>76,128</u>

In December 2012, the Foundation transferred assets to the Clemson University Land Stewardship Foundation. See Notes 1 and 2.

Note 7—Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions released in 2014 and 2013 were \$43,466 and \$11,931,892, respectively.

Note 8—Net assets

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Contributions restricted for educational programs of CUF	\$ <u>6,165,457</u>	\$ <u>5,500,885</u>

Note 9—Subsequent events

The Foundation has evaluated subsequent events through August 25, 2014, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.