Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Financial Statements
June 30, 2008 and 2007
(With Independent Auditors' Report Thereon)

Clemson University Foundation

(A Component Unit of Clemson University)

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CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

The Board of Directors
Clemson University Foundation
Clemson, South Carolina

We have audited the accompanying consolidated statements of financial position of Clemson University Foundation (the "Foundation"), a component unit of Clemson University, as of June 30, 2008 and 2007, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clemson University Foundation as of June 30, 2008 and 2007, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Greenville, South Carolina
September 25, 2008

Clemson University Foundation

(A Component Unit of Clemson University)

Consolidated Statements of Financial Position
June 30, 2008 and 2007

Assets		**2008**		**2007**
Cash and cash equivalents	$	30,417,004	$	30,381,429
Contributions receivable, net		25,433,522		29,630,571
Other receivables		66,641		108,306
Due from related organizations		2,030,637		2,093,851
Investments		288,186,851		291,857,550
Investments held for Clemson University		115,733,085		98,385,593
Cash surrender value of life insurance		1,153,859		1,145,920
Land held for resale		11,900		11,900
Land, buildings and equipment, net		9,295,920		9,376,266
Investments held in trust for affiliate		2,447,387		2,658,995
Other assets		671,781		317,267
Total assets	$	475,448,587	$	465,967,648
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$	2,129,755	$	468,169
Due to related organizations		17,708		65,063
Accrued liability to Clemson University due to net investment appreciation		25,445,734		33,958,917
Note payable to Clemson University		90,287,351		64,426,676
Deferred revenue		-		353,833
Deposits held for others		1,469,637		-
Actuarial liability of annuities payable		6,391,274		7,600,630
Trust funds administered for affiliate		2,447,387		2,658,995
Total liabilities		128,188,846		109,532,283
Net assets:				
Unrestricted		33,898,417		33,589,269
Temporarily restricted		116,323,520		135,442,134
Permanently restricted		197,037,804		187,403,962
Total net assets		347,259,741		356,435,365
Total liabilities and net assets	$	475,448,587	$	465,967,648

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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

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

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 2007	Totals 2006
Revenues, gains, and other support:					
Gifts and bequests	$ 4,033,393	$ 10,042,622	$ 9,629,972	$ 23,705,987	$ 25,370,234
Income on investments	3,434,916	2,513,889	29,983	5,978,788	4,971,727
Net realized and unrealized gains on investments	3,754,096	32,932,158	319,229	37,005,483	18,392,203
Program income	728,810	652,925	-	1,381,735	1,300,024
Other income	694,891	10,708	45,900	751,499	676,202
Change in value of split-interest agreements	64,608	101,901	2,033,926	2,200,435	659,139
Total revenues and gains	12,710,714	46,254,203	12,059,010	71,023,927	51,369,529
Net assets released from restrictions	11,441,401	(11,441,401)	-	-	-
Total revenues, gains and other support	24,152,115	34,812,802	12,059,010	71,023,927	51,369,529
Expenses:					
Program expenses – board allocation to Clemson University	1,140,642	-	-	1,140,642	872,280
Program expenses – alumni operations	288,446	-	-	304,544	282,336
Program expenses – endowments	4,997,410	-	-	4,997,410	4,930,784
Program expenses – operations	5,238,879	-	-	5,238,879	4,934,930
Program expenses – capital projects	1,488,567	-	-	1,488,567	854,579
Total program expenses	13,153,944	-	-	13,170,042	11,874,909
General and administrative	1,057,509	-	-	1,036,292	963,672
Fundraising	1,590,519	-	-	1,595,638	1,124,777
Total expenses	15,801,972	-	-	15,801,972	13,963,358
Change in net assets	8,350,143	34,812,802	12,059,010	55,221,955	37,406,171
Net assets at beginning of year	25,239,126	100,629,332	175,344,952	301,213,410	263,807,239
Net assets at end of year	$ 33,589,269	$ 135,442,134	$ 187,403,962	$ 356,435,365	$ 301,213,410

See accompanying notes to consolidated financial statements.

Clemson University Foundation

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Consolidated Statements of Cash Flows
Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ (9,175,624)	$ 55,221,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	24,229,238	(37,005,483)
Investment income on long-term investments	(1,156)	(29,983)
Change in value of split interest agreements on long-term investments	1,651,053	(2,033,926)
Property and equipment transferred to Clemson University	142,076	174,297
Depreciation expense	80,346	78,280
Gifts restricted for long-term investment	(11,268,598)	(9,629,972)
Other income – permanently restricted	(32,443)	(45,900)
Change in assets and liabilities:		
(Increase) decrease in contributions receivable	4,197,049	(844,687)
(Increase) decrease in other receivables	41,665	(65,836)
Decrease in due from related organizations	63,214	118,196
Increase in cash surrender value of life insurance	(7,939)	(54,671)
Increase in other assets	(354,514)	(147,726)
(Increase) decrease in investments held in trust for affiliate	211,608	(269,824)
Increase in accounts payable and accrued liabilities	19,009,078	21,087,263
Decrease in due to related organizations	(47,355)	(355,971)
Increase (decrease) in deferred revenue	(353,833)	344,098
Increase in deposits held for others	1,469,637	-
Increase (decrease) in actuarial liability of annuities payable	(1,209,356)	237,601
Increase (decrease) in trust funds administered for affiliate	(211,608)	269,824
Net cash provided by operating activities	28,432,538	27,047,535
Cash flows from investing activities:		
Proceeds from sales of investments	55,515,651	36,576,712
Purchases of investments	(93,421,682)	(68,479,337)
Purchase of property and equipment	(142,076)	(270,207)
Net cash used in investing activities	(38,048,107)	(32,172,832)
Cash flows from financing activities:		
Gifts restricted for long-term investment	11,268,598	9,629,972
Investment income on long-term investments	1,156	29,983
Change in value of split interest agreements on long-term investments	(1,651,053)	2,033,926
Other income – permanently restricted	32,443	45,900
Net cash provided by financing activities	9,651,144	11,739,781
Net increase in cash and cash equivalents	35,575	6,614,484
Cash and cash equivalents, beginning of year	30,381,429	23,766,945
Cash and cash equivalents, end of year	$ 30,417,004	$ 30,381,429

See accompanying notes to consolidated financial statements

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 1 - Organization

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

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

> *Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations. This includes funds that are designated for discretionary use by the Foundation and board designated funds functioning as endowments.
>
> *Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. This includes annuity and life income funds, term endowments, the present value of contributions receivable, and earnings on investments.

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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

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

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

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies, continued

Principles of Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents include interest bearing money market accounts and short-term investments with an original maturity of less than three months. The Foundation's cash deposits at financial institutions may exceed insured limits at various times during the year.

Investments

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

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

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, earnings, not to exceed a specified percentage, could be used to support the intended purposes. Any such earnings used to support the intended purposes are allocated only from those funds which have a market value in excess of historical value.

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

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies, continued

Investments, continued

is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition. Cost for donated assets is stated at the appraised fair market value on the date of donation. Equipment with a value in excess of $5,000 and a useful life in excess of one year is capitalized. Buildings and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Land Held for Resale

Land held for resale is recorded at the lower of cost or fair value. Cost of donated land represents the fair value at the date of the donation and is appraised by a certified, independent appraiser. A certified title examination is performed and if appropriate, an environmental survey is obtained. Land held for resale is reviewed every two to three years and reappraised as deemed necessary.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which the Foundation serves as trustee and charitable remainder trusts administered by others. Assets held in these trusts whereby the Foundation serves as trustee are included in investments. Contribution revenues are recognized at the dates the trusts are established, after recording liabilities for the present value of the estimated future payments to be made to donors or other beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes related to estimated future donor-related payments.

Trust assets administered by others are recorded at fair value as contributions receivable and are adjusted annually for changes in market value.

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies, continued

Income Taxes

The Foundation is recognized as an organization exempt from Federal income tax on related income under Section 501(a) of the Internal Revenue Code (the "Code") as described as an organization in Section 501(c)(3) of the Code. Accordingly, only unrelated business income, as defined by Section 513 of the Code, is subject to Federal income tax.

Fair Value of Financial Instruments

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

Concentrations of Credit Risk

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

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.

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies, continued

New Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The FSP applies to not-for-profit organizations with donor restricted endowment funds and may result in net asset reclassifications and new endowment disclosure requirements. The provisions of the FSP will be effective for the Foundation in July 2008.

Note 3 - Investments

A summary of investments at fair value that are presented on the statements of financial position under the investments, investments held for the University and investments held in trust for affiliate as of June 30, 2008 and 2007 follows:

		2008		2007
U.S. Government obligations	$	33,436,125	$	34,476,472
Auction rate certificates-student loan backed		1,228,500		-
Corporate bonds		3,812,853		1,840,104
Global bonds		1,173,064		-
U.S. equities		189,577,960		208,708,085
Global equities		86,152,275		90,017,473
Hedge funds		29,586,594		30,685,754
Private equity		7,892,772		5,480,712
Real estate		9,287,391		5,873,357
Money market funds		22,641,488		15,032,274
Other		1,578,301		787,907
Subtotal-marketable investments		386,367,323		392,902,138
Subordinated note receivable from Clemson University Real Estate Foundation, Inc. (see Note 7)		20,000,000		-
Total investments	$	406,367,323	$	392,902,138
Reconciliation to the Statements of Financial Position				
Investments	$	288,186,851	$	291,857,550
Investments held for Clemson Univestity		115,733,085		98,385,593
Investments held in trust for affiliate		2,447,387		2,658,995
	$	406,367,323	$	392,902,138

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 3 - Investments, continued

The Foundation's investment activity for the year ended June 30, 2008 and 2007 follows:

		2008		2007
Net realized gains from sale of investments	$	264,913	$	302,014
Increase (decrease) in unrealized appreciation		(24,494,151)		36,703,469
Total net gain (loss)		(24,229,238)		37,005,483
Investment income		7,115,792		5,978,788
Total gains (losses) and income (loss)	$	(17,113,446)	$	42,984,271

Investment management fees totaled $2,118,158 and $1,969,231 in 2008 and 2007, respectively. In 2008, $1,694,241 was internal and $423,197 was external and in 2007, $1,475,863 was internal and $493,368 was external. In addition, external management fees for split interest agreements totaled $90,085 and $92,634 in 2008 and 2007, respectively.

In 1999, changes in the South Carolina Code of Laws allowed the University board of trustees to loan endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the available funds for scholarships and other programs. University endowment funds of $115,733,085 and $98,385,593 loaned to the Foundation are included in investments in 2008 and 2007, respectively.

Note 4 - Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30, 2008 and 2007:

		2008		2007
Unconditional promises expected to be collected in:				
Less than one year	$	4,045,498	$	3,313,594
One year to five years		13,501,115		17,979,253
Over five years		28,889,439		31,625,952
		46,436,052		52,918,799
Less allowance for uncollectible contributions receivable		(2,487,539)		(2,940,840)
Less unamortized discount (discount rates of 2.27% to 6.30%)		(18,514,991)		(20,347,388)
	$	25,433,522	$	29,630,571

Included with pledges in contributions receivable for the years 2008 and 2007, is the present value of estimated payments of $11,337,467 and $12,965,809, respectively, to be received from forty-two irrevocable trusts for which the Foundation is not the trustee.

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 5 - Land, Buildings and Equipment

A summary of land, buildings and equipment at June 30, 2008 and 2007 follows:

	2008	2007
Land	$ 8,971,049	$ 8,971,049
Buildings	1,277,799	1,277,799
Equipment	139,918	139,918
	10,388,766	10,388,766
Less accumulated depreciation	(1,092,846)	(1,012,500)
	$ 9,295,920	$ 9,376,266

Included in land, buildings and equipment at June 30, 2008 and 2007, is land donated to the Foundation which had an appraised value of $7,145,000 in both years. In 1996, a Conservation Easement was assigned which required the land to remain in its undeveloped state but allowed for the construction, operation and management of a research and educational facility. Accordingly, the subject property was reappraised and the market value is comprised of land of $575,000 and the Conservation Easement of $6,570,000.

Depreciation expense for the year ended June 30, 2008 and 2007 was $80,346 and $78,280, respectively.

Note 6 - Leases

The Foundation has entered into operating lease agreements for vehicles and equipment that expire over the next four years. Total rent expense incurred under these agreements was $38,779 in 2008 and $39,874 in 2007. Future minimum lease payments under the operating lease agreements are $25,441 in 2009, $18,297 in 2010, $11,340 in 2011 and $3,231 in 2012.

In April 2007, CULR, LLC entered into a twenty year non-cancellable lease agreement for fiber optic cable. In addition, CULR entered into a ten year joint use agreement for the design and deployment of a dedicated optical wave network. The fiber optic cable lease required an advance lease payment of $581,658 which is being amortized over the twenty year lease term. Total lease expense under these agreements was $29,083 in 2008. No expense was incurred in 2007. Annual maintenance fees of $79,317 are payable during the twenty year lease term.

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Notes to Consolidated Financial Statements
June 30, 2008 and 2007

Note 6 - Leases, continued

Future maintenance fee payments for years subsequent to June 30, 2008 are as follows:

Year ending		
2009	$	79,317
2010		79,317
2011		79,317
2012		79,317
2013		79,317
Thereafter		1,110,438
Total maintenance fee payments	$	1,507,023

Note 7 - Related Party Transactions

At June 30, 2008 and 2007, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

		2008		2007
Due to:				
IPTAY	$	5,812	$	5,545
Clemson Advancement Foundation for Design and Building		1,896		3,506
Clemson University Research Foundation		-		26,000
Clemson University		10,000		30,012
	$	17,708	$	65,063
Due from:				
Clemson University Real Estate Foundation, Inc.	$	989,409	$	948,693
Clemson University		351,228		435,158
Clemson University Continuing Education and Conference Complex Corporation		690,000		710,000
	$	2,030,637	$	2,093,851

During 2008, the Foundation purchased and transferred equipment with a net book value of $142,026 to the University.

Individuals working on behalf of the Foundation are employees of and paid by the University. The Foundation reimburses the University for the time University employees spend on Foundation matters. Funds are reimbursed to the University as part of the annual board allocation to the University and are recorded as expenses by the Foundation. The amounts reimbursed for the years ending June 30, 2008 and 2007 were $505,985 and $480,059, respectively.

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Notes to Consolidated Financial Statements
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Note 7 - Related Party Transactions, continued

In 1999, the Foundation approved a noninterest bearing loan of $600,000 to the Clemson University Continuing Education and Conference Complex Corporation (the "Complex Corporation") for landscaping, drainage, and irrigation improvements to the Walker Golf Course. In 2000, the Foundation approved an additional $300,000 noninterest bearing loan for enhancements to the entrance and parking of the Complex Corporation. The balance outstanding at June 30, 2008 and 2007 was $690,000 and $710,000, respectively. The loans are not due until the Complex Corporation's outstanding bank debt is paid in full.

The University and the Foundation have a memorandum of understanding whereby the University loans certain endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the funds available for scholarships. These funds are managed with an asset allocation similar to that of the Foundation. The agreement is for a period of ten years and will be reviewed annually and automatically extended each year for an additional twelve month period unless either party provides written notice of objection. Either party may terminate the agreement with 180 days notice. The current agreement expires July 11, 2015. The principal balance outstanding at June 30, 2008 and 2007 was $90,287,351 and $64,426,676, respectively, and the accrued liability to the University due to net investment appreciation on the principal outstanding was $25,445,734 and $33,958,917, respectively. The Foundation charged an annual fee of 0.65% for managing the University endowments. The fee is assessed quarterly and $160,779 and $154,270 was due to the Foundation at June 30, 2008 and 2007, 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 January 2002, the Foundation authorized a $600,000 loan to the University to construct an addition to the Clemson Apparel Research building to allow for expansion of the Department of Graphics Communication. The loan is for a period of five years and interest is calculated based on the prime rate charged by large banks adjusted semi-annually. In June 2005 the loan was renegotiated. Interest only payments will be made semi-annually and beginning December 2006 payments of $75,553 will be made until June 2009. The principal balance on the loan at June 30, 2008 and 2007 was $144,569 and $280,838, respectively. The interest rate in effect is 6% and will remain constant for the term of the loan.

At June 30, 2008, the annual management fee of $10,000 was due from CULR, LLC to the University. The investment management fee of $160,779 and the outstanding note from the Graphics Communication department of $144,569 were due from the University to the Foundation.

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Note 8 - Royalty Revenue

In September 1999, the Foundation, on behalf of the Clemson Alumni Association, entered into an agreement with MBNA America Bank to provide an affinity credit card to Clemson alumni, students and friends. The agreement was amended and restated for an additional five year period in January 2006. Under the terms of the agreement, MBNA America paid $700,000 in fiscal years ended June 30, 2008 and 2007, respectively, to the Foundation as an advance against royalties to be earned during the contract. A portion of the funds received each year are payable immediately to the University athletic department. Accordingly, these amounts are not recognized as revenue on the Foundation's consolidated statements of activities. Royalty revenue is being recognized as earned during the period of the contract. A total of $386,000 and $386,000 of royalty revenue was recognized during each of the years ended June 30, 2008 and 2007, respectively, and is included in program income.

Note 9 - Split Interest Agreements

The Foundation has entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Included in investments at June 30, 2008 and 2007, is $12,261,583 and $14,165,613, respectively, of assets held under the agreements and are comprised of U.S. Government obligations, corporate bonds, and U.S. and global equities.

The Foundation has reported in the accompanying consolidated financial statements an actuarial liability of $4,978,007 and $6,370,401 at June 30, 2008 and 2007, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder annuities and unitrusts, taking into consideration their life expectancy and discounted at applicable interest rates.

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation's promise to pay a fixed amount to a designated individual 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 $1,413,267 and $1,230,229 at June 30, 2008 and 2007, respectively, has been reported in the accompanying consolidated financial statements.

Note 10 - Life Insurance Policies

The Foundation is owner and beneficiary of various life insurance policies on 28 individuals with an aggregate face value of $3,820,055 and 4,032,278, at June 30, 2008 and 2007, respectively. The cash surrender value at June 30, 2008 and 2007 was $1,153,859 and $1,145,920, respectively.

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Note 11 - Investments Held in Trust for Affiliate

The Foundation holds and invests assets belonging to the Clemson Advancement Foundation for Design and Building ("CAFDB") in a custodial capacity. The funds are invested in an externally managed investment pool by joint agreement with CAFDB management. The total of the funds at June 30, 2008 and 2007 was $2,447,387 and $2,658,995, respectively.

Note 12 - Commitments

At June 30, 2008, the Foundation has committed $7,526,862 for building projects for the benefit of the University. At June 30, 2008, the Foundation has received $12,081,762 in cash and pledges from donors towards the commitment.

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

Pursuant to the terms of an agreement dated September 9, 1993, the Foundation shall pay on an annual basis any short-fall occurring in the event that the "Golf Course Premises Revenues" of the Complex Corporation are not sufficient to pay the "Operating Expenses (excluding any debt service) and Groundlease base rent and Reserves"; provided, however, the Complex Corporation shall first pay such short-fall out of the "Reserves". No such payments were required in 2008 or 2007.

The Foundation has future commitments of $13,707,990 under investment fund agreements to periodically advance additional funding for private equity investments at June 30, 2008. These funds may be drawn down at the request of the general partners until 2018.

Note 13 - Net Assets Released from Restrictions

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2008 and 2007 as follows:

	2008	2007
Purpose restricted contributions for:		
Scholarships, fellowships and awards	$ 2,334,284	$ 2,157,463
Chairs, professorships and faculty awards	1,296,889	1,044,954
Department and University programs	6,845,944	6,767,068
Facilities and equipment	211,812	145,582
Time restricted contributions for:		
Clemson University capital projects	4,208,604	1,326,334
Total	$ 14,897,533	$ 11,441,401

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Note 14 - Net Assets

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

		2008		2007
Programs	$	36,523,780	$	33,128,660
Endowment gains and unspent income restricted by donor		70,996,957		94,300,631
Term endowments		8,100,543		7,239,469
Charitable remainder trusts and unitrusts		702,240		773,373
	$	116,323,520	$	135,442,133

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

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

		2008		2007
Endowments	$	190,456,461	$	180,076,071
Charitable remainder trusts and unitrusts		6,581,343		7,327,891
	$	197,037,804	$	187,403,962

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

Note 15 - Risk Management

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