

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Consolidated Financial Statements  
June 30, 2010 and 2009  
(With Independent Auditors' Report Thereon)

**Clemson University Foundation**  
(A Component Unit of Clemson University)

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## **Independent Auditors' Report**

The Board of Directors  
Clemson University Foundation  
Clemson, South Carolina

We have audited the accompanying consolidated statements of financial position of Clemson University Foundation (the "Foundation"), a component unit of Clemson University, as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 24, 2010

# Clemson University Foundation

(A Component Unit of Clemson University)

## Consolidated Statements of Financial Position

June 30, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 21,763,807	\$ 20,735,159
Contributions receivable, net	25,353,314	26,992,211
Other receivables	359,373	-
Due from related organizations	1,976,546	1,801,699
Investments	250,265,067	220,930,265
Investments held for Clemson University	103,534,778	94,803,010
Cash surrender value of life insurance	1,298,481	1,197,992
Land held for resale	11,900	11,900
Land, buildings and equipment, net	9,652,849	9,733,787
Investments held in trust for affiliate	2,058,029	1,903,122
Other assets	140,369	649,131
Total assets	<u>\$ 416,414,513</u>	<u>\$ 378,758,276</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 633,465	\$ 445,860
Due to related organizations	919,183	28,091
Accrued liability to Clemson University due to net investment appreciation	13,247,427	4,515,659
Note payable to Clemson University	90,287,351	90,287,351
Deposits held for others	-	1,178,891
Actuarial liability of annuities payable	5,598,833	5,513,839
Trust funds administered for affiliate	2,058,029	1,903,122
Total liabilities	<u>112,744,288</u>	<u>103,872,813</u>
Net assets (deficit):		
Unrestricted	8,467,212	(21,447)
Temporarily restricted	87,891,799	75,542,312
Permanently restricted	207,311,214	199,364,598
Total net assets	<u>303,670,225</u>	<u>274,885,463</u>
Total liabilities and net assets	<u>\$ 416,414,513</u>	<u>\$ 378,758,276</u>

See accompanying notes to consolidated financial statements.

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Consolidated Statement of Activities  
Year ended June 30, 2010  
(With comparative information for 2009)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals	
				2010	2009
Revenues, gains, and other support:					
Gifts and bequests	\$ 1,306,813	\$ 13,372,785	\$ 9,053,644	\$ 23,733,242	\$ 22,904,276
Income on investments	3,276,176	778,452	305	4,054,933	6,296,044
Net realized and unrealized gains (losses) on investments	1,147,493	21,406,463	5,117	22,559,073	(71,006,723)
Program income	554,499	539,922	-	1,094,421	1,494,474
Other income	1,155,550	1,394	75,338	1,232,282	616,104
Change in value of split-interest agreements	45,350	77,364	(314,372)	(191,658)	(4,268,846)
Reclassification of donor intent	200,532	672,884	(873,416)	-	-
Total	7,686,413	36,849,264	7,946,616	52,482,293	(43,964,671)
Net assets released from restrictions	15,908,866	(15,908,866)	-	-	-
Total revenues, gains and other support	23,595,279	20,940,398	7,946,616	52,482,293	(43,964,671)
Expenses:					
Program expenses					
Grant to Clemson University	1,570,819	-	-	1,570,819	1,570,819
Alumni operations	807,432	-	-	807,432	611,157
Endowments	6,088,022	-	-	6,088,022	7,439,960
Operations	7,173,190	-	-	7,173,190	5,767,423
Capital projects	4,519,564	-	-	4,519,564	9,584,306
Total program expenses	20,159,027	-	-	20,159,027	24,973,665
General and administrative	1,218,922	-	-	1,218,922	1,237,935
Fundraising	1,901,246	-	-	1,901,246	2,198,007
Total expenses	23,279,195	-	-	23,279,195	28,409,607
Change in net assets before other changes	316,084	20,940,398	7,946,616	29,203,098	(72,374,278)
Other changes					
Gains on investments, net of distributions	8,590,911	(8,590,911)	-	-	-
Transfer of interest in CULR, LLC	(418,336)	-	-	(418,336)	-
Total other changes	8,172,575	(8,590,911)	-	(418,336)	-
Change in net assets	8,488,659	12,349,487	7,946,616	28,784,762	(72,374,278)
Net assets (deficit) at beginning of year	(21,447)	75,542,312	199,364,598	274,885,463	347,259,741
Net assets at end of year	\$ 8,467,212	\$ 87,891,799	\$ 207,311,214	\$ 303,670,225	\$ 274,885,463

See accompanying notes to consolidated financial statements.

**Clemson University Foundation**  
(A Component Unit of Clemson University)

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

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

See accompanying notes to consolidated financial statements.

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Consolidated Statements of Cash Flows  
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,784,762	\$ (72,374,278)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(22,559,073)	71,006,723
Property and equipment transferred to Clemson University	132,387	120,527
Transfer of CULR LLC to CURF	418,336	-
Depreciation expense	80,938	91,430
Investment income on long-term investments	(305)	-
Change in value of split interest agreements on long-term investments	314,372	4,303,612
Gifts restricted for long-term investment	(9,053,644)	(7,834,744)
Other income – permanently restricted	(75,338)	(50,822)
Change in assets and liabilities:		
(Increase) decrease in contributions receivable	1,638,897	(1,558,689)
Decrease in other receivables	(359,373)	66,641
(Increase) decrease in due from related organizations	(174,847)	228,938
Increase in cash surrender value of life insurance	(100,489)	(44,133)
(Increase) decrease in investments held in trust for affiliate	(154,907)	544,265
Decrease in other assets	90,426	22,650
Increase (Decrease) in accounts payable and accrued liabilities	8,919,373	(22,613,970)
Increase in due to related organizations	891,092	10,383
(Decrease) increase in deposits held for others	(1,178,891)	(290,746)
Increase (decrease) in actuarial liability of annuities payable	84,994	(877,435)
Increase (decrease) in trust funds administered for affiliate	154,907	(544,265)
Net cash (used in) provided by operating activities	<u>7,853,617</u>	<u>(29,793,913)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	33,212,939	24,626,649
Purchases of investments	(48,720,436)	(7,446,711)
Purchase of property and equipment	(132,387)	(649,824)
Net cash provided by (used in) investing activities	<u>(15,639,884)</u>	<u>16,530,114</u>
Cash flows from financing activities:		
Gifts restricted for long-term investment	9,053,644	7,834,744
Investment income on long-term investments	305	-
Change in value of split interest agreements on long-term investments	(314,372)	(4,303,612)
Other income – permanently restricted	75,338	50,822
Net cash provided by financing activities	<u>8,814,915</u>	<u>3,581,954</u>
Net increase (decrease) in cash and cash equivalents	<u>1,028,648</u>	<u>(9,681,845)</u>
Cash and cash equivalents, beginning of year	<u>20,735,159</u>	<u>30,417,004</u>
Cash and cash equivalents, end of year	<u>\$ 21,763,807</u>	<u>\$ 20,735,159</u>

See accompanying notes to consolidated financial statements.

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**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**

**Principles of Consolidation**

The consolidated financial statements include the financial statements of the Foundation and its wholly-owned subsidiary CULR, LLC for the year ended June 30, 2009 and through December 31, 2009 after which ownership was transferred to the Clemson University Research Foundation (“CURF”). All significant intercompany balances and transactions have been eliminated in consolidation.

**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.



**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**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 or losses on investments are reported as follows:

As increases or decreases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;

As increases or decreases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or by law;

As increases or decreases in unrestricted net assets in all other cases.

**Cash and Cash Equivalents**

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

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 2 - Summary of Significant Accounting Policies, continued**

**Cash and Cash Equivalents, continued**

During the year, the Foundation had amounts on deposit in excess of the insured limits. As of year end, the Foundation had a \$3,982,237 bank balance which is collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. Balances held in money market accounts are not insured. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments**

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

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

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

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

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 2 - Summary of Significant Accounting Policies, continued**

**Land, Buildings and Equipment**

Land, buildings and equipment are stated at cost at the date of acquisition. Cost for donated assets is stated at the appraised fair market value on the date of donation. Equipment with a value in excess of \$5,000 and a useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 7 years. Buildings are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 20 years. Automobiles with the useful life of longer than one year are capitalized and depreciated using the straight-line method over the estimated useful lives, ranging from 3 to 7 years.

**Land Held for Resale**

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

**Split-Interest Agreements**

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

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

**Income Taxes**

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

The Foundation adopted the provisions of the Financial Accounting Standards Board ("FASB") guidance on Accounting for Uncertainty in Income Taxes on July 1, 2009. The Foundation's

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 2 - Summary of Significant Accounting Policies, continued**

**Income Taxes, continued**

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, 2010 and, accordingly, no liability has been accrued.

**Fair Value of Financial Instruments**

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

**Concentrations of Credit Risk**

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

**Use of Estimates**

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

**Reclassifications**

Certain reclassifications have been made to the 2009 consolidated financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 3 - Fair Value Measurements**

Fair value, as defined under generally accepted accounting principles, 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 balance sheet, 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 and liabilities measured at fair value as of June 30, 2010 and 2009, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring or quarterly basis at June 30, 2010:

Description	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Publically traded funds:			
Money market funds	\$ 2,597,535	\$ -	\$ -
Treasury/agency	26,946,502	-	-
Mortgage backed securities	4,621,718	-	-
Corporate bonds	12,561,842	-	-
International bonds	2,117,818	-	-
US equities	165,318,971	-	-
Global equities	58,059,416	-	-
Commodities	10,087,520	-	-
Hedge funds	-	-	33,411,773
Private investment funds	-	-	11,378,075
Real estate	-	-	6,177,757
Other	404,525	-	-
Total investments – recurring basis	\$ <u>282,715,847</u>	\$ <u>-</u>	\$ <u>50,967,605</u>

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 3 - Fair Value Measurements, continued**

Measurement at fair value on a recurring or quarterly basis at June 30, 2009:

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

Measurement at fair value on a non-recurring basis at June 30, 2010:

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

Measurement at fair value on a non-recurring basis at June 30, 2009:

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

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2010 and 2009:

**Clemson University Foundation**  
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 3 - Fair Value Measurements, continued**

	<u>2010</u>	<u>2009</u>
Beginning of year	\$ 31,495,952	\$ 45,641,797
Investment return		
Investment (loss) income (net of fees)	(3,016)	(134,699)
Realized and unrealized loss	(173,796)	(4,818,821)
Redemptions	-	(11,851,151)
Distributions	(425,785)	(1,159,388)
Expenses	(703,773)	(454,577)
Contributions	20,778,023	4,272,791
End of year	<u>\$ 50,967,605</u>	<u>\$ 31,495,952</u>

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides additional information about the probability of investments being sold at amounts different from their net asset value per share at June 30, 2010:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity long/short (1)	\$ 5,978,261	\$ -	Quarterly	65 days
Multi-strategy hedge (2)	27,433,512	-	Quarterly/Annually	60-90 days
Private partnerships (3)	<u>17,555,832</u>	21,774,229		
Total	<u>\$ 50,967,605</u>			

(1) This investment includes underlying investments in funds that invest long and short in domestic and international securities, primarily equity securities. Fair value is reported monthly at net asset value based on valuations received from underlying investment managers.

(2) This category includes investments in funds that pursue multiple marketable alternative strategies across global markets. These strategies include the use of hedging and arbitrage techniques, among others, in not only equity and fixed income securities, but also currency and commodity markets and financial instruments such as commodities, options and futures. The fair value of these Funds' investments is estimated by the Fund Managers using the net asset value based on valuations received from underlying investment managers. As of the June 30, 2010 fair value for these investments, \$8.5 million is subject to a one year lock-up provision, therefore not redeemable until June 30, 2011.

(3) This category includes investments in private equity, buyout, real estate and venture capital funds. These funds invest primarily in domestic companies across a broad spectrum of industries. Fair value of the partnerships is determined by the Fund Manager using the NAV reported by the underlying partnerships. For real estate, fair value is estimated by the general partner based on an internal valuation of the underlying real estate projects. Generally these funds cannot be redeemed; instead, the nature of the investments is that distributions will be received as the underlying investments of the fund are liquidated. Unfunded commitments as of June 30, 2010 were \$21.8 million.

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**Note 4 - Investments**

A summary of investments at fair value that are presented on the statements of financial position under the investments, investments held for the University and investments held in trust for affiliate as of June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 2,597,535	\$ 15,039,479
Treasury/agency	26,946,502	19,108,079
Mortgage backed securities	4,621,718	4,482,236
Corporate bonds	12,561,842	17,521,222
Global bonds	2,117,818	910,338
U.S. equities	165,318,971	145,986,890
Global equities	58,059,416	50,927,963
Hedge funds	33,411,773	15,515,583
Private equity	11,378,075	8,455,848
Real estate	7,131,608	8,478,372
Commodities	10,087,520	9,953,520
Closely-held securities	1,220,571	1,220,571
Other	404,525	36,296
Subtotal-marketable investments	<u>335,857,874</u>	<u>297,636,397</u>
Subordinated note receivable from Clemson University		
Real Estate Foundation, Inc. (see Note 9)	20,000,000	20,000,000
Total investments	<u>\$ 355,857,874</u>	<u>\$ 317,636,397</u>
	<u>2010</u>	<u>2009</u>
Reconciliation to the Statements of Financial Position		
Investments	\$ 250,265,067	\$ 220,930,265
Investments held for Clemson University	103,534,778	94,803,010
Investments held in trust for affiliate	2,058,029	1,903,122
	<u>\$ 355,857,874</u>	<u>\$ 317,636,397</u>

The Foundation's investment activity for the years ended June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Net realized gains (losses) from sale of investments	\$ (1,090,363)	\$ 640,214
Increase (decrease) in unrealized appreciation	23,649,436	(71,646,937)
Total net gain (loss)	<u>22,559,073</u>	<u>(71,006,723)</u>
Investment income	4,054,933	6,296,044
Total gains (losses)	<u>\$ 26,614,006</u>	<u>\$ (64,710,679)</u>



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**Note 4 – Investments, continued**

Investment management fees totaled \$3,477,286 and \$1,772,054 in 2010 and 2009, respectively. In 2010, \$2,638,174 was internal and \$839,112 was external and in 2009, \$1,282,403 was internal and \$489,651 was external. In addition, external management fees for split interest agreements totaled \$62,548 and \$79,990 in 2010 and 2009, 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 \$103,534,778 and \$94,803,010 loaned to the Foundation are included in investments in 2010 and 2009, respectively.

**Note 5 - Contributions Receivable, net**

Contributions receivable, net, are summarized as follows at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,626,638	\$ 4,432,286
One year to five years	15,964,064	17,244,326
Over five years	<u>23,216,438</u>	<u>23,919,760</u>
	42,807,140	45,596,372
Less allowance for uncollectible contributions receivable	(3,091,655)	(3,259,519)
Less unamortized discount (discount rates of 1.79% to 6.30%)	<u>(14,362,171)</u>	<u>(15,344,642)</u>
	<u>\$ 25,353,314</u>	<u>\$ 26,992,211</u>

Included with pledges in contributions receivable for the years 2010 and 2009, is the present value of estimated payments of \$7,833,935 and \$8,521,602, respectively, to be received from thirty-nine irrevocable trusts for which the Foundation is not the trustee.

**Note 6 - Land, Buildings and Equipment, net**

A summary of land, buildings and equipment, net at June 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 8,971,049	\$ 8,971,049
Buildings	1,800,293	1,800,293
Equipment	<u>138,414</u>	<u>138,414</u>
	10,909,756	10,909,756
Less accumulated depreciation	<u>(1,256,907)</u>	<u>(1,175,969)</u>
	<u>\$ 9,652,849</u>	<u>\$ 9,733,787</u>

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**Note 6 - Land, Buildings and Equipment, net, continued**

Included in land, buildings and equipment at June 30, 2010 and 2009, is land purchased or donated to the Foundation which had an appraised value of \$8,971,049 in both years. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which require the land to remain in its undeveloped state but allow for the construction, operation and management of a research and educational facility. The carrying value is comprised of land of \$917,418 and Conservation Easements of \$8,053,631.

Depreciation expense for the years ended June 30, 2010 and 2009 was \$80,938 and \$91,430, respectively.

**Note 7 - Endowment Assets**

The Foundation's endowment consists of approximately 1,400 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted July 1, 2008 in the State of South Carolina as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation of earnings required to be added to the permanent endowment as stipulated by the donor applicable donor gift instrument.

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

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

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**Note 7 - Endowment Assets, continued**

Endowment net assets consist of the following at June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ (7,932,424)	\$ 40,240,391	\$ 187,072,112
Board-designated endowment funds	10,567,967	-	-
Total endowed net assets	<u>\$ 2,635,543</u>	<u>\$ 40,240,391</u>	<u>\$ 187,072,112</u>

Endowment net assets consist of the following at June 30, 2009:

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

Changes in endowment net assets for the year ending June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ (16,523,334)	\$ 28,557,828	\$ 178,757,880
Board-designated endowment funds	10,672,234	-	-
Total endowed net assets, June 20, 2009	(5,851,100)	28,557,828	178,757,880
Investment return:			
Investment income	30,836	764,566	305
Net appreciation	595,339	19,619,494	5,564
Gains on investments, net of distributions	8,590,911	(8,590,911)	-
	<u>9,217,086</u>	<u>11,793,149</u>	<u>5,869</u>
Contributions	278,509	685,904	9,181,779
Additions to endowments from trusts or donor designation changes	(884,395)	2,560,895	(873,416)
Appropriation of endowment assets for expenditure	(124,557)	(3,357,385)	-
Endowment net assets June 30, 2010	<u>\$ 2,635,543</u>	<u>\$ 40,240,391</u>	<u>\$ 187,072,112</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 66,496,512	\$ 171,412,322
Board-designated endowment funds	28,208,230	-	-
Total endowed net assets, June 30, 2008	28,208,230	66,496,512	171,412,322
Net asset reclassification based on change in law	(10,600,533)	10,600,533	-
Endowment net assets after reclassification	17,607,697	77,097,045	171,412,322
Investment return:			
Investment income	188,099	3,587,393	-
Net depreciation	(4,278,832)	(63,442,303)	(3,727)
Losses on investments, net of distributions	(16,523,334)	16,523,334	-
	(20,614,067)	(43,331,576)	(3,727)
Contributions	369,197	1,074,138	6,800,433
Additions to endowments from trusts or donor designation changes	(2,853,397)	1,508,565	548,852
Appropriation of endowment assets for expenditure	(360,530)	(7,790,344)	-
Endowment net assets June 30, 2009	\$ (5,851,100)	\$ 28,557,828	\$ 178,757,880

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$7,932,423 as of June 30, 2010 and \$16,523,334 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and, to a degree by continued appropriation for certain programs that was deemed prudent by the Board of Directors. In 2010 subsequent gains of \$8,590,911 restored the fair value of the assets of the endowment fund to the required level and are classified as an increase in unrestricted net assets.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board designated funds. As authorized by Board approved policies, these assets are invested to maximize long term returns, while simultaneously mitigating risk through maintaining a diversified portfolio. A multi-generational

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**Note 7 - Endowment Assets, continued**

window not only allows for the typical diversification across asset classes, but also for time diversification across both up and down markets. The assets are invested in a manner that is intended to produce results that meet or exceed the composite return and are within the risk parameters of a benchmark composed of 70% Wilshire 5000, 15% MSCI EAFE and 15% Barclays Capital Aggregate Bond Index. The long term objective is to attain, within acceptable risk parameters, an average annual total return that exceeds the sum of the Foundation's approved payout rate plus inflation, plus investment management and related fees. The objective is expected to be obtained over time but not in each and every reporting period.

**Strategies Employed for Achieving Objectives**

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

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation spending policy appropriates for distribution each year a certain percentage of its endowment funds' average fair value for the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the expected return on its endowment. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs. Real growth is achieved through new gifts and any excess investment return.

**Note 8 - Leases**

The Foundation has entered into operating lease agreements for vehicles and office space that expire over the next four years. Total rent expense incurred under these agreements was \$105,283 in 2010 and \$106,670 in 2009. Future minimum lease payments under the operating lease agreements are \$101,396 in 2011, \$82,426 in 2012, and \$21,643 in 2013.

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**Note 8 – Leases, continued**

In April 2007, CULR, LLC entered into a twenty year non-cancellable lease agreement for fiber optic cable. In addition, CULR entered into a ten year joint use agreement for the design and deployment of a dedicated optical wave network. The fiber optic cable lease required an advance lease payment of \$581,658 which is being amortized over the twenty year lease term and is included in program expenses-operations. Total lease expense under this agreement was \$14,541 in 2010 and \$29,083 in 2009. Annual maintenance fees of \$79,317 are payable during the twenty year lease term.

During 2010, the Foundation determined that it was in the best interest of the Foundation and Clemson University to assign all of its membership interest in CULR, LLC to CURF, a South Carolina non-profit corporation and a Clemson University related organization. \$418,336 was transferred out in connection with this assignment to CURF.

**Note 9 - Related Party Transactions**

At June 30, 2010 and 2009, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2010</u>	<u>2009</u>
Due to:		
IPTAY	\$ 30,907	\$ 4,172
Clemson Advancement Foundation for Design and Building	4,527	2,761
Clemson University	883,749	21,158
	<u>\$ 919,183</u>	<u>\$ 28,091</u>
Due from:		
Clemson University Real Estate Foundation, Inc.	\$ 1,023,653	\$ 1,001,260
Clemson University Research Foundation	-	7,500
Clemson University	302,893	122,939
Clemson University Continuing Education and Conference Complex Corporation	650,000	670,000
	<u>\$ 1,976,546</u>	<u>\$ 1,801,699</u>

The Foundation purchased and transferred equipment with a net book value of \$132,387 and \$120,527 during 2010 and 2009, respectively, 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, 2010 and 2009 were \$489,886 and \$472,371, respectively.

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**Note 9 - 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, 2010 and 2009 was \$650,000 and \$670,000, respectively. The loans are not due until the Complex Corporation's outstanding bank debt is paid in full.

The University and the Foundation have a memorandum of understanding whereby the University loans certain endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the funds available for scholarships and other University programs. These funds are managed with an asset allocation similar to that of the Foundation. The agreement is for a period of ten years and will be reviewed annually and automatically extended each year for an additional twelve month period unless either party provides written notice of objection. Either party may terminate the agreement with 180 days notice. The current agreement expires July 11, 2019. The principal balance outstanding at June 30, 2010 and 2009 was \$90,287,351 and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$13,247,427 and \$4,515,659, respectively. The Foundation charged an annual fee of 1.25% in 2010 and 0.65% in 2009 for managing the University endowments. The fee is assessed quarterly and \$302,893 and \$122,939 was due to the Foundation at June 30, 2010 and 2009, respectively.

Funds loaned to the Foundation will be paid back to the University with interest at a rate equal to the total cumulative return (consisting of appreciation and income less any payouts to the University) earned from the investment of such funds by the Foundation. The University is prohibited from requesting a return of the loaned funds if the total cumulative return is negative.

In December 2007, the Foundation approved a non-interest bearing loan of \$20,000,000 to the Clemson University Real Estate Foundation ("CUREF") for investment in land acquisitions and improvements at CU-ICAR. The Foundation note is unsecured and is subordinate to CUREF notes payable to Carolina First Bank. The loan is not due until the CUREF outstanding bank debt is paid in full.

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**Note 10 - Royalty Revenue**

In September 1999, the Foundation, on behalf of the Clemson Alumni Association, entered into an agreement with MBNA America Bank to provide an affinity credit card to Clemson alumni, students and friends. The agreement was amended and restated for an additional five year period and expired in June 2010. Under the terms of the agreement, MBNA America paid \$450,000 and \$700,000 in fiscal years ended June 30, 2010 and 2009, 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 \$253,500 and \$353,833 of royalty revenue was recognized during each of the years ended June 30, 2010 and 2009, respectively, and is included in program income.

**Note 11 - Split Interest Agreements**

The Foundation has entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Included in investments at June 30, 2010 and 2009, is \$9,864,186 and \$9,276,509, 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 \$4,402,833 and \$4,260,960 at June 30, 2010 and 2009, 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 \$1,196,000 and \$1,252,879 at June 30, 2010 and 2009, respectively, has been reported in the accompanying consolidated financial statements.

**Note 12 - Life Insurance Policies**

The Foundation is owner and beneficiary of various life insurance policies on 28 individuals with an aggregate face value of \$3,820,055 at June 30, 2010 and 2009. The cash surrender value at June 30, 2010 and 2009 was \$1,298,481 and \$1,197,992, respectively.



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**Note 13 - Investments Held in Trust for Affiliate**

The Foundation holds and invests assets belonging to the Clemson Advancement Foundation for Design and Building (“CAFDB”) in a custodial capacity. The funds are invested in an externally managed investment pool by joint agreement with CAFDB management. The total of the funds at June 30, 2010 and 2009 was \$2,058,029 and \$1,903,122, respectively.

**Note 14 - Commitments**

At June 30, 2010, the Foundation has committed \$1,560,209 for building projects for the benefit of the University. At June 30, 2010, the Foundation has received \$3,848,995 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 2010 or 2009.

The Foundation has entered into a memorandum of understanding with the University whereby it agrees to make any debt service payments due and not made by CUREF or LICAR, LLC for the Center for Emerging Technologies building. In exchange for any debt service payments made, the Foundation may reduce its annual allocation to the University by a like amount.

**Note 15 - Net Assets Released from Restrictions**

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2010 and 2009 as follows:

	<u>2010</u>		<u>2009</u>
Purpose restricted contributions for:			
Scholarships, fellowships and awards	\$ 1,859,453	\$	3,226,887
Chairs, professorships and faculty awards	1,270,270		2,211,904
Department and University programs	8,156,862		7,410,584
Facilities and equipment	102,717		50,819
Time restricted contributions for:			
Clemson University capital projects	4,519,564		9,597,718
Total	\$ <u>15,908,866</u>	\$	<u>22,497,912</u>

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**Note 16 - Net Assets**

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

	<u>2010</u>	<u>2009</u>
Programs	\$ 24,394,990	\$ 24,357,712
Accumulated appreciation and unspent income	29,505,526	21,629,280
Term endowments	22,657,541	17,812,000
Pledges	10,625,040	11,144,555
Interests in trusts held by others	54,291	49,271
Charitable remainder trusts and unitrusts	654,411	549,494
	<u>\$ 87,891,799</u>	<u>\$ 75,542,312</u>

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

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

	<u>2010</u>	<u>2009</u>
Endowments	\$ 187,072,112	\$ 178,757,880
Pledges	6,894,340	7,326,054
Interests in trusts held by others	7,779,645	8,472,332
Gifts pending agreements	714,075	342,277
Charitable remainder trusts and unitrusts	4,851,042	4,466,055
	<u>\$ 207,311,214</u>	<u>\$ 199,364,598</u>

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

**Note 17 - Risk Management**

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

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**Note 18 - Change in Accounting Principle**

For the year ended June 30, 2009 the Foundation adopted the Financial Accounting Standards Board's guidance regarding endowments of not-for-profit organizations: net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, and enhanced disclosures for all endowment funds. This guidance requires gifts and accumulated appreciation with a donor-imposed restriction and functioning as board designated endowments to be classified as temporarily restricted net assets effective July 1, 2008. The cumulative effect of this change reclassified unrestricted net assets of \$10,600,533 to temporarily restricted net assets in 2009 (see Note 7).

**Note 19 - Subsequent Events**

The Foundation has evaluated subsequent events through September 24, 2010, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.