

Clemson University Foundation
(A Component Unit of Clemson University)

Consolidated Financial Statements
June 30, 2011 and 2010
(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, 2011 and 2010, 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert + Holland, L.L.P.

Greenville, South Carolina
September 27, 2011

Clemson University Foundation
(A Component Unit of Clemson University)

Consolidated Statements of Financial Position
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 24,322,059	\$ 21,763,807
Contributions receivable, net	26,824,821	25,353,314
Other receivables	-	359,373
Due from related organizations	2,042,766	1,976,546
Investments	313,814,313	250,265,067
Investments held for Clemson University	137,802,927	103,534,778
Cash surrender value of life insurance	1,584,778	1,298,481
Land held for resale	11,900	11,900
Land, buildings and equipment, net	9,592,951	9,652,849
Investments held in trust for affiliate	2,448,946	2,058,029
Other assets	177,236	140,369
Total assets	<u>\$ 518,622,697</u>	<u>\$ 416,414,513</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 583,253	\$ 633,465
Due to related organizations	26,393	919,183
Accrued liability to Clemson University due to net investment appreciation	34,883,611	13,247,427
Note payable to Clemson University	102,919,316	90,287,351
Deferred revenue	359,500	-
Actuarial liability of annuities payable	5,831,393	5,598,833
Trust funds administered for affiliate	2,448,946	2,058,029
Total liabilities	<u>147,052,412</u>	<u>112,744,288</u>
Net assets:		
Unrestricted	19,277,081	8,467,212
Temporarily restricted	133,762,714	87,891,799
Permanently restricted	218,530,490	207,311,214
Total net assets	<u>371,570,285</u>	<u>303,670,225</u>
Total liabilities and net assets	<u>\$ 518,622,697</u>	<u>\$ 416,414,513</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, 2011
(With comparative information for 2010)

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

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)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>	
	<u>2010</u>	<u>2009</u>			
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	<u>7,686,413</u>	<u>36,849,264</u>	<u>7,946,616</u>	<u>52,482,293</u>	<u>(43,964,671)</u>
Net assets released from restrictions	<u>15,908,866</u>	<u>(15,908,866)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>23,595,279</u>	<u>20,940,398</u>	<u>7,946,616</u>	<u>52,482,293</u>	<u>(43,964,671)</u>
Expenses:					
Program expenses					
Grants 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	<u>20,159,027</u>	<u>-</u>	<u>-</u>	<u>20,159,027</u>	<u>24,973,665</u>
General and administrative	1,218,922	-	-	1,218,922	1,237,935
Fundraising	1,901,246	-	-	1,901,246	2,198,007
Total expenses	<u>23,279,195</u>	<u>-</u>	<u>-</u>	<u>23,279,195</u>	<u>28,409,607</u>
Change in net assets before other changes	<u>316,084</u>	<u>20,940,398</u>	<u>7,946,616</u>	<u>29,203,098</u>	<u>(72,374,278)</u>
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	<u>8,172,575</u>	<u>(8,590,911)</u>	<u>-</u>	<u>(418,336)</u>	<u>-</u>
Change in net assets	<u>8,488,659</u>	<u>12,349,487</u>	<u>7,946,616</u>	<u>28,784,762</u>	<u>(72,374,278)</u>
Net assets (deficit) at beginning of year	<u>(21,447)</u>	<u>75,542,312</u>	<u>199,364,598</u>	<u>274,885,463</u>	<u>347,259,741</u>
Net assets at end of year	<u>\$ 8,467,212</u>	<u>\$ 87,891,799</u>	<u>\$ 207,311,214</u>	<u>\$ 303,670,225</u>	<u>\$ 274,885,463</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 67,900,060	\$ 28,784,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(55,647,844)	(22,559,073)
Property and equipment transferred to Clemson University	83,768	132,387
Transfer of CULR LLC to CURF	-	418,336
Depreciation expense	59,898	80,938
Investment income on long-term investments	(1,699)	(305)
Change in value of split interest agreements on long-term investments	(1,806,144)	314,372
Gifts restricted for long-term investment	(9,108,729)	(9,053,644)
Other income – permanently restricted	(251,733)	(75,338)
Change in assets and liabilities:		
(Increase) decrease in contributions receivable	(1,471,507)	1,638,897
(Increase) decrease in other receivables	359,373	(359,373)
Increase in due from related organizations	(66,220)	(174,847)
Increase in cash surrender value of life insurance	(286,297)	(100,489)
Increase in investments held in trust for affiliate	(390,917)	(154,907)
(Increase) decrease in other assets	(36,867)	90,426
Increase in accounts payable and accrued liabilities	21,585,972	8,919,373
Increase in note payable to Clemson University	12,631,965	-
Increase (decrease) in due to related organizations	(892,790)	891,092
Increase (decrease) in deposits held for others	359,500	(1,178,891)
Increase in actuarial liability of annuities payable	232,560	84,994
Increase in trust funds administered for affiliate	390,917	154,907
Net cash provided by operating activities	<u>33,643,266</u>	<u>7,853,617</u>
Cash flows from investing activities:		
Proceeds from sales of investments	58,571,508	33,212,939
Purchases of investments	(100,741,059)	(48,720,436)
Purchase of property and equipment	(83,768)	(132,387)
Net cash used in investing activities	<u>(42,253,319)</u>	<u>(15,639,884)</u>
Cash flows from financing activities:		
Gifts restricted for long-term investment	9,108,729	9,053,644
Investment income on long-term investments	1,699	305
Change in value of split interest agreements on long-term investments	1,806,144	(314,372)
Other income – permanently restricted	251,733	75,338
Net cash provided by financing activities	<u>11,168,305</u>	<u>8,814,915</u>
Net increase in cash and cash equivalents	<u>2,558,252</u>	<u>1,028,648</u>
Cash and cash equivalents, beginning of year	<u>21,763,807</u>	<u>20,735,159</u>
Cash and cash equivalents, end of year	<u>\$ 24,322,059</u>	<u>\$ 21,763,807</u>

See accompanying notes to consolidated financial statements.

Clemson University Foundation
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010

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 covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts.

Clemson University Foundation
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

As of June 30, 2011, the Foundation had a \$10,985,316 bank balance which is collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. Balances held in money market accounts are not insured. During the year ended June 30, 2011, the Foundation had \$13,753,085 on deposit in excess of the insured limits and collateralized amounts. 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
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Notes to Consolidated Financial Statements
June 30, 2011 and 2010

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.

Clemson University Foundation
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Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes that there are no such positions as of June 30, 2011 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 2010 consolidated financial statement presentation to correspond to the 2011 presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

Clemson University Foundation
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Notes to Consolidated Financial Statements
June 30, 2011 and 2010

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 statements of financial position, based on a three-level fair value hierarchy based on the inputs to valuation techniques as follows:

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

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

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

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30, 2011 and 2010, based on the level of input utilized to measure fair value:

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

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

Clemson University Foundation
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 3 - Fair Value Measurements, continued

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

Description	Level 1	Level 2	Level 3
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>

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

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

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

Description	Level 1	Level 2	Level 3
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>

Clemson University Foundation
(A Component Unit of Clemson University)

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

Note 3 - Fair Value Measurements, continued

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Beginning of year	\$ 50,967,605	\$ 31,495,952
Investment return		
Investment (loss) income (net of fees)	394,975	(3,016)
Realized and unrealized gains (losses)	6,993,826	(173,796)
Distributions	(6,334,492)	(425,785)
Expenses	(1,216,759)	(703,773)
Contributions	41,661,502	20,778,023
End of year	<u>\$ 92,466,657</u>	<u>\$ 50,967,605</u>

For investments in entities that calculate net asset value (“NAV”) or its equivalent whose fair value is not readily determinable, the following table provides additional information about the probability of investments being sold at amounts different from their NAV per share at June 30, 2011:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity long/short (1)	\$ 21,456,301	\$ -	Quarterly	60-65 days
Multi-strategy hedge (2)	46,438,356	-	Quarterly/Annually	60-90 days
Private partnerships (3)	24,572,000	21,902,259		
Total	<u>\$ 92,466,657</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 NAV 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 NAV based on valuations received from underlying investment managers. As of the June 30, 2011 fair value for these investments, \$23.7 million is subject to a one year lock-up provision, with \$3.1 million not redeemable until March 31, 2012 and \$20.6 million not redeemable until June 30, 2012.

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Note 3 - Fair Value Measurements, continued

(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, 2011 were \$21.9 million.

Note 4 - Investments

A summary of investments at fair value that are presented on the statements of financial position under investments, investments held for the University and investments held in trust for affiliate as of June 30, 2011 and 2010 are as follows:

	2011	2010
Money market funds	\$ 12,656,633	\$ 2,597,535
Treasury/agency	17,815,018	26,946,502
Mortgage backed securities	10,064,052	4,621,718
Corporate bonds	7,903,034	12,561,842
Global bonds	1,625,065	2,117,818
U.S. equities	192,805,197	165,318,971
Global equities	84,147,182	58,059,416
Hedge funds	67,894,657	33,411,773
Private equity	15,470,843	11,378,075
Real estate	10,055,008	7,131,608
Commodities	12,657,640	10,087,520
Closely-held securities	-	1,220,571
Other	971,857	404,525
Subtotal-marketable investments	434,066,186	335,857,874
Subordinated note receivable from Clemson University Real Estate Foundation, Inc. (see Note 9)	20,000,000	20,000,000
Total investments	\$ 454,066,186	\$ 355,857,874
	2011	2010
Reconciliation to the Statements of Financial Position		
Investments	\$ 313,814,313	\$ 250,265,067
Investments held for Clemson University	137,802,927	103,534,778
Investments held in trust for affiliate	2,448,946	2,058,029
	\$ 454,066,186	\$ 355,857,874

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Note 4 - Investments, continued

The Foundation's investment activity for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Net realized losses from sales of investments	\$ (8,314)	\$ (1,090,363)
Increase in unrealized appreciation	55,656,158	23,649,436
Total net gains	55,647,844	22,559,073
Investment income	5,021,028	4,054,933
Total gains	\$ <u>60,668,872</u>	\$ <u>26,614,006</u>

Investment management fees totaled \$4,184,785 and \$3,611,651 in 2011 and 2010, respectively. Investment management fees for the years ended June 30, 2011 and 2010 were comprised of \$3,026,002 charged by the Foundation and \$1,158,783 charged by external investment managers and \$2,638,174 charged by the Foundation and \$973,477 charged by external investment managers, respectively. In addition, external management fees for split interest agreements totaled \$65,139 and \$62,548 in 2011 and 2010, respectively.

In 1999, changes in the South Carolina Code of Laws allowed the University's Board of Trustees to loan endowment funds to the Foundation for the purpose of maximizing the investment yield and increasing the available funds for scholarships and other programs. University endowment funds of \$137,802,927 and \$103,534,778 loaned to the Foundation are included in investments in 2011 and 2010, respectively.

Note 5 - Contributions Receivable, net

Contributions receivable, net, are summarized as follows at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,461,818	\$ 3,626,638
One year to five years	13,699,584	15,964,064
Over five years	24,443,200	23,216,438
	44,604,602	42,807,140
Less allowance for uncollectible contributions receivable	(3,101,608)	(3,091,655)
Less unamortized discount (discount rates of 1.79% to 6.30%)	(14,678,173)	(14,362,171)
	\$ <u>26,824,821</u>	\$ <u>25,353,314</u>

Included with pledges in contributions receivable for the years 2011 and 2010, is the present value of estimated payments of \$9,249,045 and \$7,833,935, respectively, to be received from thirty-nine irrevocable trusts for which the Foundation is not the trustee.

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Note 6 - Land, Buildings and Equipment, net

A summary of land, buildings and equipment, net at June 30, 2011 and 2010 follows:

	2011		2010
Land	\$ 8,971,049	\$	8,971,049
Buildings	1,800,293		1,800,293
Equipment	113,878		138,414
	10,885,220		10,909,756
Less accumulated depreciation	(1,292,269)		(1,256,907)
	<u>\$ 9,592,951</u>	\$	<u>9,652,849</u>

Included in land, buildings and equipment at June 30, 2011 and 2010, is land purchased or donated to the Foundation which had an appraised value of \$8,971,049 in the year it was acquired. Conservation Easements have been assigned to property located in Georgetown County, South Carolina which require the land to remain in its undeveloped state but allow for the construction, operation and management of a research and educational facility. The carrying value is comprised of land of \$917,418 and Conservation Easements of \$8,053,631.

Depreciation expense for the years ended June 30, 2011 and 2010 was \$59,898 and \$80,938, 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.

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Note 7 - Endowment Assets, continued

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

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

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

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

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>

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Note 7 - Endowment Assets, continued

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
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	<u>(5,851,100)</u>	<u>28,557,828</u>	<u>178,757,880</u>
Investment return:			
Investment income	30,836	764,566	305
Net appreciation	595,339	19,619,494	5,564
Gains on investments, net of distributions	<u>8,590,911</u>	<u>(8,590,911)</u>	<u>-</u>
	9,217,086	11,793,149	5,869
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	<u>(124,557)</u>	<u>(3,357,385)</u>	<u>-</u>
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

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 \$623,999 as of June 30, 2011 and \$7,932,423 as of June 30, 2010. 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 2011 subsequent gains of \$7,308,424 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 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.

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Note 7 - Endowment Assets, continued

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 \$110,104 in 2011 and \$105,283 in 2010. Future minimum lease payments under the operating lease agreements are \$105,863 in 2012, \$44,476 in 2013, \$16,067 in 2014, and \$539 in 2015.

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.

During the year ended June 30, 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.

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June 30, 2011 and 2010

Note 9 - Related Party Transactions

At June 30, 2011 and 2010, amounts due to and due from organizations related to the Foundation through their affiliation with the University are as follows:

	<u>2011</u>	<u>2010</u>
Due to:		
IPTAY	\$ 6,571	\$ 30,907
Clemson Advancement Foundation for Design and Building	-	4,527
Clemson University	19,822	883,749
	<u>\$ 26,393</u>	<u>\$ 919,183</u>
Due from:		
Clemson University Real Estate Foundation, Inc.	\$ 1,036,810	\$ 1,023,653
Clemson Advancement Foundation for Design and Building	766	-
Clemson University	375,190	302,893
Clemson University Continuing Education and Conference Complex Corporation	630,000	650,000
	<u>\$ 2,042,766</u>	<u>\$ 1,976,546</u>

The Foundation purchased and transferred equipment with a net book value of \$83,768 and \$132,387 during 2011 and 2010, 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 ended June 30, 2011 and 2010 were \$492,820 and \$489,886, respectively.

In 1999, the Foundation approved a noninterest bearing loan of \$600,000 to the Clemson University Continuing Education and Conference Complex Corporation (the "Complex Corporation") for landscaping, drainage, and irrigation improvements to the Walker Golf Course. In 2000, the Foundation approved an additional \$300,000 noninterest bearing loan for enhancements to the entrance and parking of the Complex Corporation. The balance outstanding at June 30, 2011 and 2010 was \$630,000 and \$650,000, respectively. The loans are not due until the Complex Corporation's outstanding bank debt is paid in full.

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Notes to Consolidated Financial Statements
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Note 9 - Related Party Transactions, continued

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, 2021. The principal balance outstanding at June 30, 2011 and 2010 was \$102,919,316 and \$90,287,351, respectively, and the accrued liability to the University due to net investment appreciation on the principal outstanding was \$34,883,611 and \$13,247,427, respectively. The Foundation charged an annual fee of 1.25% in 2011 and 2010 for managing the University's endowments. The fee is assessed quarterly and \$375,190 and \$302,893 was due to the Foundation at June 30, 2011 and 2010, respectively.

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

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

Note 10 - Royalty Revenue

In September 1999, the Foundation, on behalf of the Clemson Alumni Association, entered into an agreement with MBNA America Bank to provide an affinity credit card to Clemson alumni, students and friends. The agreement was amended and restated for an additional seven year period and expires in June 2012. Under the terms of the agreement, MBNA America paid \$650,000 and \$450,000 in fiscal years ended June 30, 2011 and 2010, 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 \$359,500 and \$253,500 of royalty revenue was recognized during each of the years ended June 30, 2011 and 2010, respectively, and is included in program income.

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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, 2011 and 2010, is \$12,510,053 and \$9,864,186, respectively, of assets held under the agreements and are comprised of U.S. Government obligations, corporate bonds, and U.S. and global equities.

The Foundation has reported in the accompanying consolidated statements of financial position an actuarial liability of \$4,804,645 and \$4,402,833 at June 30, 2011 and 2010, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder annuity trusts and unitrusts, taking into consideration their life expectancy and discounted at applicable interest rates.

The Foundation has entered into charitable gift annuity agreements whereby donors contribute assets in exchange for the Foundation's promise to pay a fixed amount to a designated individual for a specified period of time. The assets contributed are held as general assets of the Foundation and an actuarial liability which represents the present value of estimated future payments to beneficiaries of charitable gift annuities of \$1,026,748 and \$1,196,000 at June 30, 2011 and 2010, respectively, has been reported in the accompanying consolidated statements of financial position.

Note 12 - Life Insurance Policies

The Foundation is owner and beneficiary of various life insurance policies on 26 individuals with an aggregate face value of \$4,170,055 and \$3,820,055 at June 30, 2011 and 2010, respectively. The cash surrender value at June 30, 2011 and 2010 was \$1,584,778 and \$1,298,481, respectively.

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 under management at June 30, 2011 and 2010 was \$2,448,946 and \$2,058,029, respectively.

Note 14 - Commitments

At June 30, 2011, the Foundation has committed \$1,724,785 for building projects for the benefit of the University. At June 30, 2011, the Foundation has received \$2,986,520 in cash and pledges from donors towards the commitment.

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Note 14 - Commitments, continued

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 2011 or 2010.

The Foundation has entered into a memorandum of understanding with the University whereby it agrees to make any debt service payments due and not made by CUREF or LICAR, LLC for the Center for Emerging Technologies building. In exchange for any debt service payments made, the Foundation may reduce its annual allocation to the University by a like amount. No such payments were required in 2011 or 2010.

Note 15 - Net Assets Released from Restrictions

Donor imposed restrictions expired on temporarily restricted net assets during the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Purpose restricted contributions for:		
Scholarships, fellowships and awards	\$ 2,337,410	\$ 1,859,453
Chairs, professorships and faculty awards	1,073,760	1,270,270
Department and University programs	7,642,049	8,156,862
Facilities and equipment	386,522	102,717
Time restricted contributions for:		
Clemson University capital projects	2,418,267	4,519,564
Total	\$ <u>13,858,008</u>	\$ <u>15,908,866</u>

Note 16 - Net Assets

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

	<u>2011</u>	<u>2010</u>
Programs	\$ 27,669,953	\$ 24,394,990
Accumulated appreciation and unspent income	66,358,644	29,505,526
Term endowments	28,494,722	22,657,541
Pledges	10,480,563	10,625,040
Interests in trusts held by others	64,527	54,291
Charitable remainder trusts and unitrusts	694,305	654,411
	\$ <u>133,762,714</u>	\$ <u>87,891,799</u>

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Note 16 - Net Assets, continued

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

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

	2011	2010
Endowments	\$ 195,710,443	\$ 187,072,112
Pledges	7,095,213	6,894,340
Interests in trusts held by others	9,184,518	7,779,645
Gifts pending agreements	898,045	714,075
Charitable remainder trusts and unitrusts	5,642,271	4,851,042
	<u>\$ 218,530,490</u>	<u>\$ 207,311,214</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.

Note 18 - Subsequent Events

The Foundation has evaluated subsequent events through September 27, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.