



**CLEMSON UNIVERSITY LAND  
STEWARDSHIP FOUNDATION**

(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORTS IN  
ACCORDANCE WITH OMB CIRCULAR A-133

*As of and for the Years Ended June 30, 2015  
and 2014*

*And Report of Independent Auditor*

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

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## Report of Independent Auditor

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Clemson University Land Stewardship Foundation (the "Foundation"), a component unit of Clemson University, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

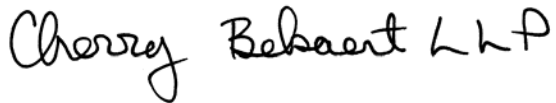
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards ("SEFA"), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The SEFA has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Greenville, South Carolina  
September 23, 2015

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,340,683	\$ 1,422,793
Receivables	858,382	6,898
Real estate investments	36,337,593	29,331,388
Real estate, net	11,632,192	11,754,961
Direct financing lease	13,041,531	13,615,939
Loan issue costs, net	88,235	92,113
Development costs	1,335,452	1,335,452
Equipment, net	5,854	9,757
Prepaid expense	64,981	69,008
<b>Total Assets</b>	<u>\$ 64,704,903</u>	<u>57,638,309</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 2,387,671	\$ 283,580
Accrued interest payable	17,201	20,819
Deposits held for others	26,606	30,005
Retainage payable	193,272	32,406
Unearned revenue	98,061	424,131
Deferred rent revenue	3,031,671	3,710,359
Due to Clemson University Foundation	20,932,472	20,932,472
Notes payable	14,997,830	11,920,009
<b>Total Liabilities</b>	<u>41,684,784</u>	<u>37,353,781</u>
Unrestricted net assets	23,020,119	20,284,528
<b>Total Net Assets</b>	<u>23,020,119</u>	<u>20,284,528</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 64,704,903</u>	<u>\$ 57,638,309</u>

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

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenues, gains, and other support:		
Gifts and contributions at fair value	\$ 185,000	\$ -
Rental revenues	2,437,489	2,295,839
Direct financing	4,466	4,619
Federal grant	858,382	-
Common area fees	531,026	459,957
Unrealized gain on investments	844,475	-
Total revenues and gains	<u>4,860,838</u>	<u>2,760,415</u>
Program expenses:		
Administrative and other	300,744	303,903
Greenville One	253,858	266,366
CU-ICAR campus	1,113,646	1,090,036
Total program expenses	<u>1,668,248</u>	<u>1,660,305</u>
Interest expense	456,999	445,923
Total expenses	<u>2,125,247</u>	<u>2,106,228</u>
Excess of revenues over expenses	<u>2,735,591</u>	<u>654,187</u>
Unrestricted net assets at beginning of year	<u>20,284,528</u>	<u>19,630,341</u>
Unrestricted net assets at end of year	<u>\$ 23,020,119</u>	<u>\$ 20,284,528</u>

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

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,735,591	\$ 654,187
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts of real estate at fair value	(35,000)	-
Depreciation expense	161,672	164,180
Amortization expense	3,878	3,878
(Increase) decrease in assets:		
Receivables	(851,484)	(3,000)
Building investments	1,007,240	(1,849,319)
Direct financing lease	574,408	574,408
Construction in progress	(7,926,383)	(134,925)
Other assets	4,027	(50,031)
Increase (decrease) in liabilities:		
Accounts payable	2,104,091	187,500
Accrued interest payable	(3,618)	9,541
Deposits held for others	(3,399)	-
Retainage payable	160,866	11,730
Deferred revenue	(1,004,758)	707,486
Net cash provided by operating activities	<u>(3,072,869)</u>	<u>275,635</u>
<b>Cash flows from financing activities:</b>		
Loan closing costs	(87,062)	-
Principal payments on notes payable	3,077,821	(560,604)
Net cash provided by financing activities	<u>2,990,759</u>	<u>(560,604)</u>
Net increase in cash and cash equivalents	(82,110)	(284,969)
Cash and cash equivalents, beginning of year	<u>1,422,793</u>	<u>1,707,762</u>
Cash and cash equivalents, end of year	<u><u>1,340,683</u></u>	<u><u>1,422,793</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ <u><u>456,999</u></u>	\$ <u><u>436,382</u></u>

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 1—Organization

The Clemson University Land Stewardship Foundation (the “Foundation” or “CULSF”), 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 was formed in December 2010 to serve the needs of the University in the management, development, and investment of real property and related assets. The Foundation includes the wholly owned subsidiaries of LICAM LLC, LICAR LLC, and CULSF One LLC. 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.

### Note 2—Summary of significant accounting policies

*Basis of Accounting* - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

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

Gifts of property and real estate, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Revenues under Federal and nongovernmental grants and contracts are recognized as expenses are incurred for the grant and contract purposes.

Income and net realized and unrealized gains (losses) on investments are reported as unrestricted revenues.

*Principles of Consolidation* - The consolidated financial statements include the financial statements of the Foundation and its wholly owned subsidiaries LICAM LLC, LICAR LLC and CULSF One LLC. All significant intercompany balances and transactions have been eliminated in consolidation.



# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 2—Summary of significant accounting policies (continued)

*Cash and Cash Equivalents* - The Foundation places its cash on deposit with financial institutions in the United States. The Federal Depository Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. At June 30, 2015 the carrying value of cash deposits totaled \$1,340,683 with a corresponding bank balance of \$1,359,510. At June 30, 2015, \$685,950 of cash deposits was uninsured.

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

*Real Estate Investments* - Real estate investments consist of land leased to tenants, land held for development, and two buildings, one of which is under construction. All real estate investments are presented at fair value. Real estate investments are appraised every two to three years and reviewed annually by management.

Land leased to tenants is recorded at fair value at the time of acquisition. The land is leased for a sixty-five year period with option to renew for three ten-year periods.

Land held for development is recorded at fair value at the time of acquisition. The land is being marketed as commercial property for long-term development over an approximate twenty-five year period.

A constructed building, the Center for Emerging Technology (CET), is recorded at fair value established by appraisal and capitalized upfit costs since the appraisal.

One Research Drive (ORD) currently under construction is recorded at fair value established by construction costs incurred through the end of the fiscal year.

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

Buildings and infrastructure are depreciated using the straight-line method over the estimated useful lives of the respective assets ranging from 15 to 25 years. Equipment is depreciated over five years using the straight-line method. Accumulated depreciation as of June 30, 2015 and 2014 is \$13,660 and \$9,757, respectively.

*Direct Financing Lease* - The Foundation has recorded its investment in Greenville One as a direct financing lease. Under this lease recognition method, the difference between the future minimum lease payments to be received from Clemson University and the Foundation's investment in the facility is recorded as unearned revenue and is recognized ratably over the term of the lease. Lease payments received reduce the Foundation's investment in the facility. Refer to Note 10, Direct Financing Lease.

*Loan Issue Costs* - The Foundation initially borrowed \$5,100,000 to finance the purchase of Greenville One. Loan costs incurred of \$96,961 are being amortized using the straight-line method over the term of the related borrowing. Loan costs amortized as of June 30, 2015 and 2014 were \$8,726 and \$4,848, respectively.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 2—Summary of significant accounting policies (continued)

*Development Costs* - Development costs include costs related to the master plan, civil engineering and site preparation at the Clemson University International Center for Automotive Research (CU-ICAR) campus development. These costs have been capitalized and will be amortized over the estimated benefited life when the property is ready for its intended use.

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

The Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes that there are no such positions as of June 30, 2015 and, accordingly, no liability has been accrued. The open tax years for the Foundation include the years ended June 30, 2012 through 2015.

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

### Note 3—Receivables

Receivables reported in the Statements of Net Assets as of June 30, 2015 and 2014, were \$858,382 and \$6,898, respectively. Receivables consisted of the United States Department of Commerce, Economic Development Administration (USEDA) portion of the construction costs incurred for One Research Drive (\$858,382). Receivables as of June 30, 2014 consisted entirely of rent from private sources.

### Note 4—Fair value measurements

Fair value, as defined under GAAP, is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Foundation has characterized its financial assets and liabilities which are measured at fair value and recorded in the 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.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 4—Fair value measurements (continued)

The following tables summarize the valuation of the Foundation's financial assets measured at fair value as of June 30, 2015 and 2014. Fair value for Level 2 measures is based on appraisals by licensed third-party appraisers performed every two to three years, including an appraisal of all real estate acquired in the current year. There were no changes in the fair value measurement techniques during the current year.

Measurement at fair value on a non-recurring basis at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Building held for investment	\$ -	\$ 10,875,000	\$ -
Land held for development	-	25,462,593	-
Total assets measured on a non-recurring basis	\$ -	\$ 36,337,593	\$ -

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Building held for investment	\$ -	\$ 11,882,239	\$ -
Land held for development	-	17,449,149	-
Total assets measured on a non-recurring basis	\$ -	\$ 29,331,388	\$ -

### Note 5—Gifts

One gift of real estate with an estimated fair value of \$35,000 and one cash gift of \$150,000 was received in fiscal year 2015. For fiscal year ended June 30, 2014, no gifts were received.

### Note 6—Real estate investments

The Clemson University Real Estate Foundation (CUREF) had acquired land in Greenville, South Carolina to be developed into CU-ICAR. This property was transferred to the Foundation in fiscal year 2013.

In December 2005, CUREF entered into a 65-year ground lease for 3.53 acres transferred to the Foundation in 2013. The lease required additional rental payments from the lessee within the initial six years of the lease. The lease terms include an escalation clause at the end of every fifth year based on the Consumer Price Index for All Urban Consumers (CPI-U) and an option to renew for three ten-year terms. The Foundation has estimated the rent over the initial lease term and recorded deferred rent revenue for the difference between actual rent received and rental revenue recognized on a straight-line basis over the lease term.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 6—Real estate investments (continued)

Future minimum rental payments to be received under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2015 are:

2016	\$	75,000
2017		75,000
2018		75,000
2019		75,000
2020		75,000
2021 through year 2070		<u>3,787,500</u>
Total minimum lease payments to be received	\$	<u><u>4,162,500</u></u>

In June 2014, the USEDA awarded the Foundation \$2,000,000 for the construction of the CU-ICAR ORD facility located in the CU-ICAR complex in Greenville, SC. The multi-tenant 80,000 square foot structure has an estimated cost of \$12,866,200 and will provide office and laboratory space for companies developing new technologies in the automotive, mobility, and energy fields, and will serve as an incubator and start-up space for companies developing new innovative automotive technologies. Construction costs incurred through the end of the fiscal year totaled \$6,166,308 and are included in real estate investments on the consolidated statement of financial position.

The Foundation entered into leases for space in the CET building with multiple tenants. The lease periods range from three to ten years and required additional payments from the lessee for upfit. The payments have been recorded as deferred rent revenue and are being recognized as rent revenue over the lease terms.

Rental revenues were \$2,437,489 and \$2,295,839 for the years ending June 30, 2015 and 2014, respectively. Fiscal year 2015 revenues were associated with two properties, the CET (\$2,187,510) and Greenville One (\$249,979).

### Note 7—Real estate and equipment, net

Land, buildings, and infrastructure located throughout the State have been acquired or donated to the Foundation and are restricted for the use and benefit of University educational programs. The properties have the following balance at June 30:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 19,514	\$ 19,514
Land	8,988,000	8,953,000
Buildings and infrastructure	<u>3,435,326</u>	<u>3,435,326</u>
	12,442,840	12,407,840
Accumulated depreciation	<u>804,794</u>	<u>643,122</u>
Total	\$ <u><u>11,638,046</u></u>	\$ <u><u>11,764,718</u></u>

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 7—Real estate and equipment, net (continued)

Included in land is 853.53 acres of timberland in Camden, South Carolina that has an appraised value of \$7,750,000. The Foundation has assigned a Conservation Easement to 753.53 acres requiring the land remain in its undeveloped state but allow for construction, operation, and management of facilities for educational purposes. The market value is comprised of land at \$2,193,000 and a Conservation Easement at \$5,557,000.

79.73 acres of land, camp facilities and infrastructure known as Pinnacle Falls Camp located in Pickens County, South Carolina was donated to the Foundation and recorded at the appraised fair value. The land has an appraised value of \$917,000 as of September 2014. Restrictive covenants that required the land to remain largely in its natural state and used for the benefit of University educational programs were removed.

The Charles K. Cheezem OLLI Education Center at Patrick Square includes a 7,700 square foot facility which provides opportunities for adults to further their knowledge in academic and recreational pursuits through programs operated by volunteers through Clemson University.

Depreciation expense was \$161,672 and \$164,180 for the years ending June 30, 2015 and 2014, respectively.

### Note 8—Notes payable

The notes payable were as follows at June 30:

Description	2015	2014
Non-revolving note payable to a bank Bearing interest at 30 day LIBOR plus 2%, which was 2.151% at June 30, 2015. The note is payable in full July 1, 2018.	\$ 628,357	\$ -
Non-revolving note payable to a bank Bearing interest at 30 day LIBOR plus 2%, which was 2.151% and 2.389% at June 30, 2015 and 2014, respectively. The note is payable in full July 1, 2015.	-	728,357
Non-revolving note payable to a bank Bearing interest at 30 day LIBOR plus 2%, which was 2.184% and 2.389% at June 30, 2015 and 2014, respectively. The note is payable in full July 1, 2016.	13,871	96,580
US Department of Agriculture Non-interest bearing note payable with monthly payments of \$6,852 payable in full May 10, 2021.	479,624	561,848
Loan payable to a bank Bearing interest at 3.67% for 25 years. This loan is payable in full March 2038.	4,812,300	4,944,493

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 8—Notes payable (continued)

Description	2015	2014
Loan payable to a bank Phase one construction financing bearing interest at 4.25% for 24 months or upon issuance of Certificate of Occupancy. Upon completion of the construction financing, second phase of loan will begin requiring 95 monthly payments with a balloon payment due August 20, 2024.	3,648,728	-
Loan payable to a bank Bearing interest at 4.25% for the first 84 months, and will reset each 84 months thereafter at the prevailing fixed rate. The loan is payable in full December 20, 2034.	5,414,950	5,588,731
	<u>\$ 14,997,830</u>	<u>\$ 11,920,009</u>

The non-revolving note payable with a year-end balance totaling \$628,357 requires interest payments quarterly and an annual payment of \$100,000. A balloon payment for the outstanding balance is due July 1, 2018.

The non-revolving note payable with a year-end balance totaling \$13,871 includes a fixed monthly payment of \$7,000 with varying portions being applied to principal and interest depending on the current interest rate. The loan matures July 1, 2016.

Both notes are secured by a title insured first mortgage on the real estate acquired plus an assignment of all rents, leases, and other revenues derived from the real estate. The fair value of the real estate was \$17,680,000 and \$15,785,000 at June 30, 2015 and 2014, respectively.

A non-interest bearing loan with a balance totaling \$479,624 and \$561,848 at June 30, 2015 and 2014, respectively, has been awarded from the United States Department of Agriculture. The note is payable in fixed monthly payments of \$6,852 which began May 2012 and continue for 108 months. The note is secured with a standby letter of credit which declines as payments on the note are made.

A non-revolving note payable with a year-end balance totaling \$4,812,300 includes a fixed monthly payment of \$26,163. The loan carries a 25 year term and matures March 2038.

A \$3,648,728 bank loan bearing interest at 4.25% for 24 months from August 27, 2014 or upon the issuance of a Certificate of Occupancy. Upon completion of the construction period, the loan will convert to permanent financing consisting of 95 monthly payments of \$69,472 with a final payment due August 20, 2024.

A \$5,414,950 bank loan bearing interest at 4.25% with monthly payments of \$34,154 until the loan resets on January 27, 2017. Each successive 84 months, the interest rate will reset to the best fixed rate quoted by the bank on similar loans with similar terms. The loan is secured by a shared first mortgage on the CET building with the USEDA. The loan requires 274 payments and matures in December 2034. The CET building's fair value was \$10,875,000 and \$11,882,239 at June 30, 2015 and 2014, respectively.

A revolving line of credit for \$1,000,000 is available through July 1, 2018. There was no outstanding balance at June 30, 2015 and 2014.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 8—Notes payable (continued)

The Clemson University Foundation (CUF) has guaranteed any interest and principal payments related to the CET building that are not otherwise paid by LICAR LLC. In addition, CUF entered into a Guaranty Agreement with the lender associated with a loan facility for the construction and permanent financing of One Research Drive. The guaranty is for an amount not to exceed \$600,000 per annum to cover the debt service. The guaranty will be reduced dollar-for-dollar for third-party lease agreements acceptable to the lender.

Aggregate maturities of long-term notes payable are as follows:

2016	\$	553,899
2017		595,888
2018		613,200
2019		859,597
2020		552,813
Thereafter		<u>11,822,433</u>
	\$	<u>14,997,830</u>

### Note 9—Related party

At June 30, 2015 and 2014, amounts due to CUF are due in the normal course of business, bear no interest and are as follows:

Due to CUF:

Expenditures associated with development of CU-ICAR campus	\$	932,472
CU-ICAR land acquisitions		<u>20,000,000</u>
	\$	<u>20,932,472</u>

In December 2007, CUF approved a loan of \$20,000,000 to CUREF for land acquisitions and improvements at CU-ICAR. The CUF note is unsecured and carries no interest payment obligation. This note is subordinate to the Foundation's notes payable to a bank and is due on demand only after repayment of that note payable and amendments thereof. This note was transferred to the Foundation in fiscal year 2013.

### Note 10—Direct financing lease

As discussed in Note 2, direct financing lease, the Foundation acquired Greenville One to provide Clemson University a facility to support the academic enterprise and serve University constituent groups in the Greenville market. The Foundation's investment in Greenville One represents the future minimum lease payments to be received by Clemson University. As lease payments are received, the direct financing lease is reduced by an equal amount. The initial difference between the future minimum lease payments and the Foundation's investment in the direct finance lease was \$60,199 which represents unearned revenue. This unearned revenue is recognized ratably over the term of the initial lease. Revenue recognized for June 30, 2015 and 2014 was \$4,466 and \$4,619, respectively. The amounts included in unearned revenue on the statement of net position at June 30, 2015 and 2014 were \$49,532 and \$53,998, respectively.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### Note 10—Direct financing lease (continued)

The components of the direct financing lease are as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 13,615,939	\$ 14,190,347
Lease payments collected during the year	(574,408)	(574,408)
Ending balance	<u>\$ 13,041,531</u>	<u>\$ 13,615,939</u>

At June 30, 2015, minimum lease payments to be collected are as follows:

2016	\$ 574,408
2017	574,408
2018	574,408
2019	574,408
2020	574,408
Thereafter	<u>10,169,491</u>
	<u>\$ 13,041,531</u>

### Note 11—Commitments

At June 30, 2015, the construction contract for ORD totaling \$9,367,553 had an unbilled balance of \$3,845,496.

### Note 12—Subsequent events

The Foundation has evaluated subsequent events through September 23, 2015, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

In May 2015, the Economic Development Administration awarded a non-matching grant to the Foundation in the amount of \$395,000 for an update of the Clemson University International Center for Automotive Research (“CU-ICAR”) Campus Master Plan and Growth Model. The grant is for a one year period beginning June 1, 2015 and ending May 31, 2016. There were no costs incurred associated with this grant at June 30, 2015.



**The Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clemson University Land Stewardship Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2015.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

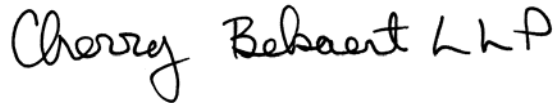
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bebaert LHP". The signature is written in a cursive, flowing style.

Greenville, South Carolina  
September 23, 2015

**Independent Auditor’s Report on Compliance For Each Major Program;  
Report on Internal Control Over Compliance; and Report on the  
Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

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

**Report on Compliance for the Major Federal Program**

We have audited Clemson University Land Stewardship Foundation’s (the “Foundation”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation’s major federal program for the year ended June 30, 2015. The Foundation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for the Foundation’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation’s compliance.

**Opinion on Major Federal Program**

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Greenville, South Carolina  
September 23, 2015

**CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION**  
 (A Component Unit of Clemson University)  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

*YEAR ENDED JUNE 30, 2015*

<b>Federal grantor/program title</b>	<b>Federal CFDA number</b>	<b>Total federal expenditures</b>
Major program:		
U.S. Department of Commerce		
Economic Development Administration		
Economic Adjustment Assistance	11.307	<u>\$ 858,382</u>
Total major program		<u><u>\$ 858,382</u></u>

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

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### **Note 1—Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Foundation. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### **Note 2—Basis of accounting**

The accompanying schedule is presented using the accrual basis of accounting.

Federal agencies retain the right to disallow certain reimbursements and expenses claimed based on audit findings. In the event of final disallowance, the funds will be reimbursed from unrestricted net assets.

# CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION

(A Component Unit of Clemson University)

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major program:	Economic Adjustment Assistance (CFDA# 11.307)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

### Section II - Financial Statement Findings

There were no findings or questioned costs relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

### Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs for Federal awards as defined by OMB Circular A-133.

**CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION**

(A Component Unit of Clemson University)

**PRIOR YEAR FINDINGS**

*YEAR ENDED JUNE 30, 2015*

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There were no prior year findings.