CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.

(A Component Unit of Clemson University)

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.

(A Component Unit of Clemson University)

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Clemson University Land Stewardship Foundation, Inc. (the "Foundation"), a component unit of Clemson University, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 consolidated financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Cherry Bekaert LLP

Greenville, South Carolina
August 13, 2020

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.

(A Component Unit of Clemson University)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 3,886,829	$ 3,541,475
Receivables	75,960	85,023
Prepaid expense	130,000	-
Real estate investments	46,659,274	46,659,274
Real estate and equipment, net	11,926,595	11,968,136
Direct financing lease	10,169,491	10,743,899
Development costs	635,270	1,335,452
Total Assets	$ 73,483,419	$ 74,333,259
LIABILITIES AND NET ASSETS		
Accounts payable	$ 60,449	$ 298,547
Accrued interest payable	27,363	28,754
Deposits held for others	28,495	28,495
Unearned revenue	277,289	33,658
Deferred rent revenue	1,719,579	2,186,041
Due to Clemson University Foundation	20,932,472	20,932,472
Notes payable, net	21,090,538	21,723,980
Total Liabilities	44,136,185	45,231,947
Net Assets Without Donor Restrictions	29,347,234	29,101,312
Total Net Assets	29,347,234	29,101,312
Total Liabilities and Net Assets	$ 73,483,419	$ 74,333,259

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.

(A Component Unit of Clemson University)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Revenues, Gains, and Other Support:		
Gifts and contributions	$ 150,000	$ 150,000
Rental revenues	3,621,403	4,189,705
Direct financing	3,492	3,682
Common area and management fees	342,090	389,892
Income on short-term investments	29,660	30,557
Investment return, net	(700,182)	-
Total Revenues and Gains	3,446,463	4,763,836
Program Expenses:		
CU-ICAR campus	1,575,789	1,345,723
Greenville One	330,371	372,152
Administrative and other	387,852	431,646
Total Program Expenses	2,294,012	2,149,521
Interest expense	906,529	906,154
Total Expenses	3,200,541	3,055,675
Change in net assets without donor restrictions before other changes	245,922	1,708,161
Other Changes:		
Contributions to a related entity, net	-	(92,675)
Change in net assets without donor restrictions	245,922	1,615,486
Net assets without donor restrictions, beginning of year	29,101,312	27,485,826
Net assets without donor restrictions, end of year	$ 29,347,234	$ 29,101,312

CLEMSON UNIVERSITY LAND STEWARDSHIP FOUNDATION, INC.

(A Component Unit of Clemson University)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 245,922	$ 1,615,486
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized loss on investments	700,182	-
Depreciation expense	192,929	157,769
Interest expense related to amortized debt issuance costs	4,968	3,878
(Increase) decrease in assets:		
Receivables	9,063	(35,563)
Prepaid expense	(130,000)	53,177
Real estate investments	-	(610,197)
Direct financing lease	574,408	574,408
Increase (decrease) in liabilities:		
Accounts payable	(238,098)	196,244
Accrued interest payable	(1,391)	918
Unearned and deferred rent revenue	(222,831)	(754,264)
Net cash from operating activities	1,135,152	1,201,856
Cash flows from investing activities:		
Construction in progress	(3,659)	(1,327,700)
Purchase of real estate and equipment, net	(147,729)	-
Transfers from investments held in trust by affiliate	-	800,000
Net cash from investing activities	(151,388)	(527,700)
Cash flows from financing activities:		
Proceeds from notes payable	215,551	604,449
Payments of debt issuance costs	-	(7,615)
Principal payments on notes payable	(853,961)	(947,786)
Net cash from financing activities	(638,410)	(350,952)
Net change in cash and cash equivalents	345,354	323,204
Cash and cash equivalents, beginning of year	3,541,475	3,218,271
Cash and cash equivalents, end of year	$ 3,886,829	$ 3,541,475
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 902,952	$ 901,358

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

Note 1—Organization

The Clemson University Land Stewardship Foundation, Inc. (the "Foundation") is an independent, nonprofit, tax-exempt public charity incorporated in South Carolina in December 2010 to serve the needs of Clemson University (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. Due to the nature and significance of its relationship with the University, the Foundation is considered a component unit of the University as defined by the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, with its financial data and other information presented discretely in the financial reporting of the University.

The Foundation undertook certain restructuring steps, beginning with the formation of a new legal entity, CULSF 2.0, Inc., in November 2019. On March 30, 2020, the Clemson University Land Stewardship Foundation, Inc. was merged with CULSF 2.0, Inc., with CULSF 2.0, Inc. remaining as the surviving entity. On April 1, 2020, CULSF 2.0, Inc. formally amended its articles of incorporation to change its name to Clemson University Land Stewardship Foundation, Inc. As this was a related party transaction, there have been no changes in the bases of the assets and liabilities, as presented on the consolidated statements of financial position.

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:

> *Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.
>
> *With Donor Restrictions* – 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. The Foundation did not have any net assets with donor restrictions as of June 30, 2020 and 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (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 on short-term investments and investment return, net on real estate investments are reported as revenues without donor restrictions.

Note 2—Summary of significant accounting policies (continued)

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

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, 2020 and 2019, the carrying value of cash deposits totaled $3,886,829 and $1,615,857, respectively, with a corresponding bank balance of $3,901,107, and $1,639,782, respectively. At June 30, 2020 and 2019, cash deposits that were uninsured totaled $2,821,908 and $417,919, respectively.

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. Certificates of Deposits (“CDs”) are considered as cash equivalents irrespective of maturity date. During the year ended June 30, 2019, the Foundation invested cash not required for operations in a Certificate of Deposit Account Registry Service ("CDARS") program through a banking institution. This service provides FDIC protection for all funds deposited through this program. At June 30, 2019 the Foundation had $1,925,618 deposited in the CDARS program.

Receivables – Receivables primarily consist of amounts due from private sources in connection with 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. All real estate investments are presented at fair value. Real estate investments are appraised every two to three years and reviewed annually by management for impairment:

Land leased to tenants is recorded at fair value at the time of acquisition. The land is leased for a 65-year period with an 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 25-year period.

The Center for Emerging Technology building (“CET”), is recorded at fair value established by appraisal.

The One Research Drive (“ORD”) building is recorded at fair value established by appraisal and capitalized upfit costs since the appraisal.

Real Estate and Equipment, Net – Real estate and equipment, net consists of land, buildings, equipment, 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.

Note 2—Summary of significant accounting policies (continued)

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 the 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 (see Note 12).

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. Development costs are reviewed annually by management and are adjusted, as needed, to accurately reflect the future economic benefit of the development costs. During the years ended June 30, 2020 and 2019, $700,182 and $-0-, respectively, of development costs were adjusted in the consolidated statements of activities, as presented in the investment return, net line item.

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 "IRC") and described as an organization in Section 501(c)(3) of the IRC. Accordingly, only unrelated business income, as defined by Section 513 of the IRC, 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, 2020 and, accordingly, no liability has been accrued.

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

Debt Issuance Costs – Debt issuance costs consist primarily of commitment fees, legal fees, and other direct costs incurred to obtain debt financing. These costs are amortized using the straight-line method over the life of the related loan, which approximates the effective interest method. The Foundation observes Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This guidance requires amortization of debt issuance costs to be included as interest expense. Amortization expense was $4,968 and $3,878 for the years ended June 30, 2020 and 2019, respectively. Additionally, the ASU requires that unamortized debt issuance costs be presented as reduction of the carrying amount of the related debt (see Note 8).

Recently Issued Accounting Pronouncements Adopted – In June of 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB *Accounting Standards Codification* ("ASC") 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASC 606 discussed on the following page. This standard is effective for fiscal years beginning after December 15, 2018. The adoption of this standard had no material effect on the Foundation's consolidated financial statements.

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncements – On May 28, 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 is effective for the fiscal year ended June 30, 2020. In June 2020, FASB issued ASU 2020-05*, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for an optional deferral of the effective date of Topic 606 by one year, due to the ongoing uncertainties and difficulties related to the coronavirus ("COVID-19") pandemic (see Note 13). The Foundation has elected to defer the adoption of Topic 606 until the fiscal year ending June 30, 2021 and is continuing to assess the impact of adoption on the Foundation's consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard will be effective for the fiscal year ending June 30, 2022. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for a deferral of the effective date of Topic 842 by one year, due to ongoing uncertainties and difficulties related to COVID-19 (see Note 13). Under this deferral, the effective date of Topic 842 is for the fiscal year ended June 30, 2023. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

Note 3—Receivables

Receivables reported on the consolidated statements of financial position as of June 30, 2020 and 2019 were $75,960 and $85,023, respectively, and primarily consisted of rent from private sources.

Note 4—Fair value measurements

Fair value, as defined under U.S. GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Foundation has characterized its financial assets and liabilities, which are measured at fair value and recorded in the consolidated statements of financial positions, based on a three-level fair value hierarchy based on the inputs to valuation techniques as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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

The following tables summarize the valuation of the Foundation's financial assets measured at fair value as of June 30, 2020 and 2019. 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 nonrecurring basis at June 30, 2020:

	Level 1	Level 2	Level 3
Building and land held for investment	$ -	$ 25,410,197	$ -
Land held for development	-	21,249,077	-
Total assets measured on a nonrecurring basis	$ -	$ 46,659,274	$ -

Measurement at fair value on a nonrecurring basis at June 30, 2019:

	Level 1	Level 2	Level 3
Building and land held for investment	$ -	$ 25,410,197	$ -
Land held for development	-	21,249,077	-
Total assets measured on a nonrecurring basis	$ -	$ 46,659,274	$ -

Note 5—Gifts

During each of the years ended June 30, 2020 and 2019, one gift of cash of $150,000 was received from the Clemson University Foundation (“CUF”).

Note 6—Real estate investments

In December 2005, Clemson University Real Estate Foundation (“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 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.

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, 2020 are:

2021	$ 97,891
2022	97,891
2023	97,891
2024	97,891
2025	97,891
Thereafter	4,437,734
Total minimum lease payments to be received	$ 4,927,189

The Foundation leases space in the CET and ORD buildings. 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. During the year ended June 30, 2019, the Foundation leased space to the University for land, camp facilities, and infrastructure known as Pinnacle Falls Camp. The initial lease term is seven years.

Rental revenues for the years ended June 30, 2020 and 2019 were associated with the following four properties. The properties had the following rental revenues at June 30:

	2020	**2019**
ORD	$ 1,866,558	$ 2,388,001
CET	1,322,696	1,344,552
Greenville One	345,449	372,152
Pinnacle Falls Camp	86,700	85,000
	$ 3,621,403	$ 4,189,705

Note 7—Real estate and equipment, net

Land, buildings, equipment, and infrastructure located throughout the state of South Carolina 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:

	2020	2019
Equipment	$ 19,514	$ 19,514
Land	8,570,067	8,570,067
Buildings and infrastructure	4,971,667	4,820,279
	13,561,248	13,409,860
Accumulated depreciation	(1,634,653)	(1,441,724)
Total	$ 11,926,595	$ 11,968,136

Through June 30, 2017, included in the land was 853.53 acres of timberland in Camden, South Carolina that had an appraised value of $7,750,000. The Foundation sold approximately 100 acres of the land during the year ending June 30, 2018, resulting in 754.09 remaining acres of timberland with an appraised value of $7,493,067. The Foundation has assigned a Conservation Easement to the 753.53 acres requiring the land remain in its undeveloped state except for construction, operation, and management of facilities for educational purposes. At June 30, 2020 and 2019, the market value was comprised of land at $1,936,067, respectively, and a Conservation Easement at $5,557,000 both of which are included in land in the above table.

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 during the year ended June 30, 2008. The land has an appraised value of $917,000. Restrictive covenants that required the land to remain largely in its natural state and used for the benefit of University educational programs were removed during the year ended June 30, 2015. During the year ended June 30, 2020, the Foundation entered into a contract for the design and construction of a multipurpose building located at Pinnacle Falls Camp. At June 30, 2020, the building was complete. The Foundation financed the building with contributions from a related party (see Note 11), cash on hand and loan proceeds (see Note 8). Construction costs totaled $1,388,612 and are included in building and infrastructure in the table above.

Depreciation expense was $192,929 and $157,769 for the years ended June 30, 2020 and 2019, respectively.

Note 8—Notes payable, net

The notes payable, net were as follows at June 30:

Description	2020	2019
Non-revolving note payable to a bank – bearing interest at 30 day LIBOR plus 2%, which was 2.17% and 4.44% at June 30, 2020 and 2019, respectively. The note is payable in full on July 1, 2021.	$ 128,357	$ 128,357
U.S. Department of Agriculture – non-interest bearing note payable with monthly payments of $6,852 payable in full on May 10, 2021.	68,504	150,728
Loan payable to a bank – bearing interest at 3.67% for 25 years. This loan is payable in full in March 2038.	4,073,308	4,232,057
Loan payable to a bank – bearing interest at 4.25% with 95 monthly payments and a balloon payment on February 20, 2025.	11,722,400	12,042,006
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 on December 20, 2034.	4,433,473	4,646,720
Loan payable to a bank – construction phase financing, converted to term financing on July 21, 2019 bearing interest at 4.25% upon issuance of Certificate of Occupancy. The loan is payable via 83 monthly payments with a final balloon payment on August 27, 2026.	739,865	604,449
Total notes payable	21,165,907	21,804,317
Less unamortized debt issuance cost	(75,369)	(80,337)
Total notes payable, net	$21,090,538	$21,723,980

The non-revolving note payable with a balance totaling $128,357 at June 30, 2020 and 2019, requires interest payments quarterly and an annual payment of $100,000, with the outstanding balance due July 1, 2021. This note is 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 $19,649,078 at June 30, 2020 and 2019.

A non-interest bearing loan with a balance totaling $68,504 and $150,728 at June 30, 2020 and 2019, respectively, has been awarded from the U.S. 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.

Note 8—Notes payable, net (continued)

A non-revolving note payable with a balance totaling $4,073,308 and $4,232,057 at June 30, 2020 and 2019, respectively, includes a fixed monthly payment of $26,163. The loan carries a 25-year term and matures in March 2038.

A bank loan with a balance of $11,722,400 and $12,042,006 at June 30, 2020 and 2019, respectively, bears interest at 4.25% with monthly payments of $69,472. The loan requires 95 payments with a balloon payment for the outstanding balance due February 20, 2025. The loan is secured by the ORD building which had a fair value of $15,810,197 at June 30, 2020 and 2019, respectively.

A bank loan with a balance of $4,433,473 and $4,646,720 at June 30, 2020 and 2019, respectively, bears interest at 4.25% with monthly payments of $34,154 until the loan resets on January 27, 2024. 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 USDA. The loan requires 274 payments and matures in December 2034. The CET building's fair value was $9,600,000 at June 30, 2020 and 2019, respectively.

A bank loan with a balance of $739,865 and $604,449 at June 30, 2020 and 2019, respectively bears interest at 4.25% with monthly payments of $10,115. The loan requires 83 monthly payments with a balloon payment for the outstanding balance due August 27, 2026. The loan is secured by multiple properties and their respective rents.

A revolving line of credit for $1,000,000 is available through July 1, 2021. There was no outstanding balance at June 30, 2020 and 2019.

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 ORD. 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:

2021	$ 1,011,565
2022	851,349
2023	885,853
2024	921,621
2025	10,855,315
Thereafter	6,640,204
	$21,165,907

Note 9—Expenditures by functional and natural classification

Expenses have been assigned to the following Foundation's functional categories at the time the expenditure was incurred. The following represents the expenditures by functional and natural classifications for the year ended June 30, 2020:

	CU-ICAR Campus	Greenville One	Administrative and Other	Total
Contract services	$ 89,962	$ 127,845	$ -	$ 217,807
Professional fees	172,027	-	45,732	217,759
Occupancy	854,510	193,330	3,087	1,050,927
Taxes and fees	146,080	4,551	69	150,670
Insurance	38,646	4,645	33,758	77,049
Depreciation	17,197	-	175,732	192,929
Foundation salary reimbursements	257,367	-	129,474	386,841
Total	$ 1,575,789	$ 330,371	$ 387,852	$ 2,294,012

Expenses have been assigned to the following Foundation's functional categories at the time the expenditure was incurred. The following represents the expenditures by functional and natural classifications for the year ended June 30, 2019:

	CU-ICAR Campus	Greenville One	Administrative and Other	Total
Contract services	$ 99,664	$ 126,133	$ -	$ 225,797
Professional fees	140,773	-	12,417	153,190
Occupancy	764,436	238,547	74,711	1,077,694
Taxes and fees	87,849	4,211	-	92,060
Insurance	42,846	3,261	23,387	69,494
Depreciation	9,810	-	147,959	157,769
Foundation salary reimbursements	200,345	-	173,172	373,517
Total	$ 1,345,723	$ 372,152	$ 431,646	$ 2,149,521

The above allocation of expenses at June 30, 2020 and 2019 are based upon direct expenditures to each functional category.

Note 10—Availability of financial assets

As described in Note 2, all Foundation net assets are without donor restrictions. As such all current Foundation assets are available for general expenditures over the next 12 months. For purposes of analyzing resources available to meet general expenditures, the Foundation considers all expenditures related to its leasing and property management services to be general expenditures. The following are the Foundation's financial assets without donor restrictions at June 30, 2020 and 2019.

	2020	2019
Cash and cash equivalents	$ 3,886,829	$ 3,541,475
Receivables	75,960	85,023
Direct financing lease, short-term	574,408	574,408
Total	$ 4,537,197	$ 4,200,906

Note 10—Availability of financial assets (continued)

The Foundation's real estate generate substantial rental income, which provides additional support for general expenditures in the next 12 months.

Note 11—Related party

At June 30, 2020 and 2019, 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	20,000,000
	$ 20,932,472

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 banks (see Note 8) and is due on demand only after repayment of such notes payable and amendments thereof. This note was transferred to the Foundation during the year ended June 30, 2013.

During the year ended June 30, 2019, the Foundation contributed $227,108 to CUF for the University to use in the upkeep and maintenance of certain property and educational programs. During the year ended June 30, 2019, the Foundation received contributions of $134,433 from CUF to be used in the construction of a multipurpose building located at Pinnacle Falls Camp (see Note 7). These amounts are included in contributions to a related entity, net on the consolidated statements of activities.

The Foundation leases portions of various properties to the University. During the years ended June 30, 2020 and 2019, the Foundation received $997,920 and $965,740, respectively, which is included in rental revenues and common area and management fees on the consolidated statements of activities.

The University provides certain personnel to assist in the day-to-day operation of the Foundation. During the years ended June 30, 2020 and 2019, the Foundation reimbursed the University $386,841 and $373,517, respectively, for these services.

Note 12—Direct financing lease

As discussed in Note 2, *Direct Financing Lease*, the Foundation acquired Greenville One to provide the 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 the 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, 2020 and 2019 was $3,492 and $3,682, respectively. The amounts included in unearned revenue on the consolidated statements of financial position at June 30, 2020 and 2019, associated with direct financing lease, were $30,166 and $33,658, respectively.

Note 12—Direct financing lease (continued)

The components of the direct financing lease are as follows at June 30:

	2020	2019
Beginning balance	$10,743,899	$11,318,307
Lease payments collected during the year	(574,408)	(574,408)
Ending balance	$10,169,491	$10,743,899

At June 30, 2020, minimum lease payments to be collected are as follows:

2021	$ 574,408
2022	574,408
2023	574,408
2024	574,408
2025	574,408
Thereafter	7,297,451
	$10,169,491

Note 13—Subsequent events

The Foundation has evaluated subsequent events through August 13, 2020 in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. From April to July 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in uncertainty in the business environment and instability in the investment market. It is not currently possible to reliably estimate the length or severity of this outbreak and hence its financial impact. Management will continue to assess the impact of this outbreak on the Foundation’s activities.