

**CLEMSON UNIVERSITY REAL ESTATE
FOUNDATION, INC.**

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

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Report of Independent Auditor

To the Board of Directors
Clemson University Real Estate Foundation, Inc.
Clemson, South Carolina

Opinion

We have audited the accompanying financial statements of Clemson University Real Estate Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2020. In our opinion, the summarized comparative information presented on the statement of activities herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Bekaert LLP

Greenville, South Carolina
August 23, 2022

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,500	\$ 127,874
Real estate investments	<u>2,499,769</u>	<u>2,667,958</u>
Total Assets	<u>\$ 2,502,269</u>	<u>\$ 2,795,832</u>
LIABILITIES AND NET ASSETS		
Due to Clemson University Foundation	<u>\$ 240,023</u>	<u>\$ 252,197</u>
Total Liabilities	<u>240,023</u>	<u>252,197</u>
Net Assets:		
With donor restrictions	<u>2,262,246</u>	<u>2,543,635</u>
Total Net Assets	<u>2,262,246</u>	<u>2,543,635</u>
Total Liabilities and Net Assets	<u>\$ 2,502,269</u>	<u>\$ 2,795,832</u>

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022 (WITH SUMMARIZED INFORMATION FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
Revenues, Gains, and Other Support:				
Gifts	\$ -	\$ 5,777	\$ 5,777	\$ 451,349
Real estate investment return, net	-	128,557	128,557	(136,724)
Total Revenues and Gains	-	134,334	134,334	314,625
Net assets released from restrictions	415,723	(415,723)	-	-
Total Revenues, Gains, and Other Support	415,723	(281,389)	134,334	314,625
Program Expenses:				
Gifted property	38,166	-	38,166	59,921
Total Program Expenses	38,166	-	38,166	59,921
Contributions to a related foundation	377,557	-	377,557	930,306
Total Expenses	415,723	-	415,723	990,227
Change in net assets	-	(281,389)	(281,389)	(675,602)
Net assets, beginning of year	-	2,543,635	2,543,635	3,219,237
Net assets, end of year	\$ -	\$ 2,262,246	\$ 2,262,246	\$ 2,543,635

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021 (WITH SUMMARIZED INFORMATION FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues, Gains, and Other Support:				
Gifts	\$ -	\$ 451,349	\$ 451,349	\$ 32,865
Rental revenues	-	-	-	30,000
Real estate investment return, net	-	(136,724)	(136,724)	(33,835)
Total Revenues and Gains	-	314,625	314,625	29,030
Net assets released from restrictions	990,227	(990,227)	-	-
Total Revenues, Gains, and Other Support	990,227	(675,602)	314,625	29,030
Program Expenses:				
Gifted property	59,921	-	59,921	60,058
Total Program Expenses	59,921	-	59,921	60,058
Contributions to a related foundation	930,306	-	930,306	222,916
Total Expenses	990,227	-	990,227	282,974
Change in net assets	-	(675,602)	(675,602)	(253,944)
Net assets, beginning of year	-	3,219,237	3,219,237	3,473,181
Net assets, end of year	\$ -	\$ 2,543,635	\$ 2,543,635	\$ 3,219,237

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (281,389)	\$ (675,602)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized (gain) loss on real estate investments	(128,557)	136,724
Noncash gifts	(5,777)	(451,349)
Change in operating assets and liabilities:		
Deposits held for others	-	(2,000)
Due to Clemson University Foundation	(12,174)	28,681
Net cash from operating activities	<u>(427,897)</u>	<u>(963,546)</u>
Cash flows from investing activities:		
Proceeds from sale of land held for resale	<u>302,523</u>	<u>1,032,367</u>
Net cash from investing activities	<u>302,523</u>	<u>1,032,367</u>
Net change in cash and cash equivalents	(125,374)	68,821
Cash and cash equivalents, beginning of year	<u>127,874</u>	<u>59,053</u>
Cash and cash equivalents, end of year	<u>\$ 2,500</u>	<u>\$ 127,874</u>

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Organization

The Clemson University Real Estate Foundation, Inc. (the “Foundation”) was formed to serve the needs of Clemson University (the “University”) and/or Clemson University Foundation (“CUF”) in the acceptance of gifts of property and real estate. Proceeds from sales of property and real estate are contributed to CUF and/or the University for the benefit of donor-imposed programs and endowments. The properties held by the Foundation represent gifted properties. It is the Foundation’s intent to sell these properties and invest the proceeds to further the donor’s directive through CUF.

Note 2—Summary of significant accounting policies

Basis of Accounting – The 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 (“U.S. GAAP”).

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:

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.

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The Foundation does not have any net assets without donor restrictions as of June 30, 2022 and 2021.

The Foundation recognizes revenue in accordance with the Financial Accounting Standards Board’s (“FASB”) Accounting Standard Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers* and ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

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 (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. Restricted revenues that are used in the year of receipt are classified net assets with donor restrictions released from restrictions.

Gifts of property and real estate, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give – that is those with a measurable performance or other barrier and a right of return or release - 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.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Income and net realized and unrealized gains or losses on real estate investments are reported as follows:

With Donor Restrictions – As increases or decreases in net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the timing or the use of the income or by law.

Without Donor Restrictions – As increases or decreases in net assets if the terms of the gift are not considered to have donor restrictions.

Cash and Cash Equivalents – The Foundation considers all interest-bearing money market accounts with an initial maturity of three months or less at the date of purchase to be cash equivalents. Bank balances are insured up to \$250,000 through the Federal Deposit Insurance Corporation. During the years ended June 30, 2022 and 2021, the Foundation from time to time may have had amounts on deposit in excess of the insured limits. At June 30 2022 and 2021, the Foundation did not have any uninsured bank balances.

Real Estate Investments – Real estate investments consist of donated properties, gifts of life estate properties, and land leased to tenants. All real estate investments are presented at fair value with the exception of life estates, which are presented at fair value less a discount to present value. Real estate investments are appraised every two to three years and reviewed annually by management.

Donated properties are appraised by a certified, independent appraiser and recorded at fair value at the time of donation. A certified title examination is performed and if appropriate, an environmental survey is obtained.

Life estate properties are restricted gifts whereby the Foundation's right to realize the economic benefits is restricted for a defined time period. As a result, the gifts are recorded at the discounted present value at applicable interest rates at the time of the gift.

Real Estate – Real estate, if any, consists of land held for later programmatic use. Real estate is recorded at the lower of cost or the appraised fair value on the date of donation.

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 ("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, 2022 and 2021 and, accordingly, no liability has been accrued.

Use of Estimates – The preparation of the financial statements in conformity with 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncements – In September 2020, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. The adoption of this standard did not have a material effect on the Foundation’s 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 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 statement of activities. This standard was 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 the ongoing uncertainties and difficulties related to the COVID-19 pandemic. 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 financial statements, with certain practical expedients available.

Note 3—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 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.
- 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, 2022 and 2021, based on the level of input utilized to measure fair value.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—Fair value measurements (continued)

Measurement at fair value on a nonrecurring basis at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 2,138,000	\$ -
Life estate properties, net	-	361,769	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>\$ 2,499,769</u>	<u>\$ -</u>

Measurement at fair value on a nonrecurring basis at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 2,441,968	\$ -
Life estate properties, net	-	225,990	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>\$ 2,667,958</u>	<u>\$ -</u>

The fair values for real estate investments are determined using the market approach based primarily on periodic appraised values and other market information for similar property.

Note 4—Real estate investments

Real estate held for resale at June 30 is as follows:

<u>Description/Location</u>	<u>2022</u>	<u>2021</u>
Concord, North Carolina		
Lot 1A – 1.418 acres	\$ 1,025,000	\$ 1,025,000
Lake Hartwell, Anderson, South Carolina		
Lot 2 – Clearwater Shores	23,000	23,000
Powdersville, South Carolina		
Lot 3 – 2.283 acres	350,000	350,000
Cliffs Valley, Stone Creek – Fern Springs Way		
Travelers Rest, South Carolina – 2.78 acre lot	85,000	85,000
Cliffs Valley – Mountaire Way		
Travelers Rest, South Carolina - 1.6 acre lot	20,000	20,000
Cliffs @ Keowee Falls South, Oconee County – 1.67 acres	-	50,000
Cliffs Valley North, 105 Sunfire Court		
Travelers Rest, South Carolina - 2.58 acre lot	80,000	80,000
Cliffs Valley, 1506 Panther Park Trail		
Travelers Rest, South Carolina - 8.67 acre lot	165,000	165,000
Jackson County, North Carolina – 45.95 acres	390,000	390,000
Cliffs @ Glassy West, Landrum, South Carolina		
Lot 71 – .7 acres	-	30,000
Cliffs Valley, 900 High Knoll		
Lot 4 Travelers Rest, South Carolina – .82 acre lot	-	3,100
Watauga County, Blowing Rock, North Carolina – 1.05 acres	-	220,868
Total real estate held for resale	<u>\$ 2,138,000</u>	<u>\$ 2,441,968</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4—Real estate investments (continued)

The Foundation holds one gift of real estate from a donor who has retained the right to use the property until his death. At the date of donation, the gift had an appraised value of \$126,000. The Foundation has recorded the gift at fair value and discounted the gift at the present value of the appraised amount because the economic benefit of the property will not be realized until the restriction of the right to use the property ends. The Foundation periodically obtains appraisals for this property and revalues the property to fair value less discount.

The present value calculation considered the life expectancy of the donor and discounted the gift at an applicable interest rate, at the time of the gift. Accretion recorded was \$5,777 and \$5,480 for the years ended June 30, 2022 and 2021, respectively, and is included in gifts on the statements of activities.

Life estate properties consist of the following at June 30:

<u>Description/Location</u>	<u>2022</u>	<u>2021</u>
Houston Street, Clemson, South Carolina – Lot 5	<u>\$ 361,769</u>	<u>\$ 225,990</u>

There was no interest expense capitalized for the years ended June 30, 2022 and 2021.

Note 5—Related party transactions

Amounts due to CUF are due in the normal course of business, bear no interest, and are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Due to CUF – Expenditures associated with gifted property	<u>\$ 240,023</u>	<u>\$ 252,197</u>

Note 6—Expenditures by functional and natural classifications

All expenses of the Foundation are incurred to support the property inventory and are assigned to each individual property. The following represents the natural classifications of these programmatic expenses for the years ended June 30:

Gifted property:	<u>2022</u>	<u>2021</u>
Property taxes and fees	\$ 36,619	\$ 42,843
Legal fees	652	1,454
Contract and professional services	525	3,900
Utilities and repairs	103	8,934
Insurance	267	2,790
	<u>\$ 38,166</u>	<u>\$ 59,921</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Net assets released from restrictions

Net assets were released from donor restrictions through expenditures related to the carrying costs and ultimate sales costs of respective donated properties and the transfer of the net proceeds from sales of donated properties to CUF for investment and/or allocation in support of the donor intended purposes.

	<u>2022</u>	<u>2021</u>
Carry costs and sales costs	\$ 38,166	\$ 59,921
Transfers to CUF	<u>377,557</u>	<u>930,306</u>
	<u>\$ 415,723</u>	<u>\$ 990,227</u>

Note 8—Net assets with donor restrictions

Net assets with donor restrictions were held for program support at June 30, 2022 and 2021. These amounts are maintained by the Foundation in restricted accounts.

	<u>2022</u>	<u>2021</u>
Contributions restricted for educational programs of CUF	<u>\$ 2,262,246</u>	<u>\$ 2,543,635</u>

Note 9—Availability of financial assets

All of the Foundation's financial assets as of June 30, 2022, the statement of financial position date, are not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

The Foundation is substantially supported by the CUF, which provides funding necessary to cover general expenditures due to its purpose to manage, market and dispose of noncash donor gifts that the University has deemed to be non-programmatic. Such funding is fully reimbursed to CUF upon the sale of the underlying donor gift, with the total balance at June 30, 2022 and 2021 described in Note 5.

Note 10—Subsequent events

The Foundation has evaluated subsequent events through August 23, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.