



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

FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2016
and 2015*

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

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

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, 2016 and 2015, 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.



Greenville, South Carolina
August 22, 2016

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

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 54,440	\$ 40,185
Real estate investments	5,067,978	4,809,537
Prepaid expense	1,879	1,879
Real estate, net	<u>400,000</u>	<u>700,000</u>
Total Assets	<u>\$ 5,524,297</u>	<u>\$ 5,551,601</u>
LIABILITIES AND NET ASSETS		
Due to Clemson University Foundation	<u>\$ 123,191</u>	<u>\$ 88,218</u>
Total Liabilities	<u>123,191</u>	<u>88,218</u>
Net assets:		
Temporarily restricted	<u>5,401,106</u>	<u>5,463,383</u>
Total Net Assets	<u>5,401,106</u>	<u>5,463,383</u>
Total Liabilities and Net Assets	<u>\$ 5,524,297</u>	<u>\$ 5,551,601</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE INFORMATION FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
Revenues, gains, and other support:				
Gifts	\$ -	\$ 848,441	\$ 848,441	\$ 712,998
Rental revenues	-	36,000	36,000	28,315
Other	-	-	-	1,000
Realized/unrealized loss				
on real estate investments	-	(290,000)	(290,000)	(1,141,632)
Total revenues and gains	-	594,441	594,441	(399,319)
Restricted net assets released from restrictions	656,718	(656,718)	-	-
Total revenues, gains, and other support	656,718	(62,277)	594,441	(399,319)
Program expenses:				
Gifted property	59,879	-	59,879	58,922
Total program expenses	59,879	-	59,879	58,922
Contributions to a related foundation	596,839	-	596,839	243,833
Total expenses	656,718	-	656,718	302,756
Change in net assets	-	(62,277)	(62,277)	(702,074)
Net assets, beginning of year	-	5,463,383	5,463,383	6,165,457
Net assets, end of year	\$ -	\$ 5,401,106	\$ 5,401,106	\$ 5,463,383

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE INFORMATION FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Revenues, gains, and other support:				
Gifts	\$ -	\$ 712,998	\$ 712,998	\$ 743,793
Rental revenues	-	28,315	28,315	33,259
Other	-	1,000	1,000	-
Realized/unrealized loss				
on real estate investments	-	(1,141,632)	(1,141,632)	(25,393)
Total revenues and gains	-	(399,319)	(399,319)	751,659
Restricted net assets released from restrictions	<u>302,755</u>	<u>(302,755)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>302,755</u>	<u>(702,074)</u>	<u>(399,319)</u>	<u>751,659</u>
Program expenses:				
Gifted property	<u>58,922</u>	-	<u>58,922</u>	<u>43,466</u>
Total program expenses	<u>58,922</u>	-	<u>58,922</u>	<u>43,466</u>
Contributions to a related foundation	<u>243,833</u>	-	<u>243,833</u>	<u>43,621</u>
Total expenses	<u>302,755</u>	-	<u>302,755</u>	<u>87,087</u>
Change in net assets	-	(702,074)	(702,074)	664,572
Net assets, beginning of year	-	6,165,457	6,165,457	5,500,885
Net assets, end of year	<u>\$ -</u>	<u>\$ 5,463,383</u>	<u>\$ 5,463,383</u>	<u>\$ 6,165,457</u>

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (62,277)	\$ (702,074)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized loss on investments	290,000	1,141,632
Noncash gifts	(848,441)	(712,998)
Other assets	-	(1,879)
Due to Clemson University Foundation	34,973	(16,747)
Net cash from operating activities	<u>(585,745)</u>	<u>(292,066)</u>
Cash flows from investing activities:		
Proceeds from sale of land held for resale	<u>600,000</u>	<u>301,467</u>
Net cash from investing activities	<u>600,000</u>	<u>301,467</u>
Net increase in cash and cash equivalents	14,255	9,401
Cash and cash equivalents, beginning of year	<u>40,185</u>	<u>30,784</u>
Cash and cash equivalents, end of year	<u>\$ 54,440</u>	<u>\$ 40,185</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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.

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.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income and net realized and unrealized gains (losses) on investments are reported as follows:

As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; and

As increases (decreases) in unrestricted net assets in all other cases.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 2—Summary of significant accounting policies (continued)

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 for \$250,000 through the Federal Depository Insurance Corporation. During the year, the Foundation from time to time may have had amounts on deposit in excess of the insured limits.

Receivables – Receivables primarily consist of amounts due from private sources in connection with reimbursement of allowable expenditures. 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 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 consists of land, buildings, and infrastructure in use or 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 (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, 2016 and 2015, and, accordingly, no liability has been accrued. The open tax years for the Foundation include the years ended June 30, 2013, 2014, 2015, and 2016.

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.

Reclassifications – Certain reclassifications have been made to the statement of activities for the year ended June 30, 2015. Total net assets and the change in net assets for the year ended June 30, 2015 are unchanged due to these reclassifications.

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

JUNE 30, 2016 AND 2015

Note 3—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 statement 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, 2016 and 2015, based on the level of input utilized to measure fair value:

Measurement at fair value on a non-recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 4,866,728	\$ -
Life estate properties, net	-	201,250	-
Total assets measured on a non-recurring basis	<u>\$ -</u>	<u>\$ 5,067,978</u>	<u>\$ -</u>

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>
Real estate held for resale	\$ -	\$ 4,612,500	\$ -
Life estate properties, net	-	197,037	-
Total assets measured on a non-recurring basis	<u>\$ -</u>	<u>\$ 4,809,537</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.

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

JUNE 30, 2016 AND 2015

Note 4—Real estate investments

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

Description/Location	2016	2015
Concord, North Carolina		
Lot 1A, 1.418 acres	\$ 1,080,000	\$ 1,080,000
Lake Hartwell, Anderson, South Carolina		
Lot 2, Clearwater Shores	23,000	23,000
Powdersville, South Carolina		
Lot 1 – 1.827 acres and lot 3 – 2.283 acres	655,000	655,000
Williamsburg County, South Carolina		
106.16 acres	244,228	-
Florence, South Carolina		
Lot 3 – 1.88 acres; lot 4 – 2.34 acres; and tract C - .64 acres	958,000	948,000
Lake Wylie, Charlotte, North Carolina		
11100 Limehurst Place, lot including residence	837,500	837,500
Cliffs Valley North, 105 Sunfire Court, Travelers Rest, SC 2.58 acre lot	135,000	135,000
Cliffs Valley, 1506 Panther Park Trail, Travelers Rest, SC 8.67 acre lot	160,000	160,000
Jackson County, North Carolina 45.95 acres	574,000	574,000
Fulton County, Georgia 4.005 acres	200,000	200,000
Total real estate held for resale	<u>\$ 4,866,728</u>	<u>\$ 4,612,500</u>

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 \$4,214 and \$3,999 in 2016 and 2015, respectively.

Life estate properties consist of the following at June 30:

Description/Location	2016	2015
Houston Street, Clemson, South Carolina, Lot 5	\$ 201,250	\$ 197,037
	<u>\$ 201,250</u>	<u>\$ 197,037</u>

There was no interest expense capitalized for the years ended June 30, 2016 and 2015.

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

JUNE 30, 2016 AND 2015

Note 5—Real estate, 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 the CUF and University educational programs. As of June 30, the recorded amounts are as follows:

	2016	2015
Land	\$ <u>400,000</u>	\$ <u>700,000</u>
Total	\$ <u><u>400,000</u></u>	\$ <u><u>700,000</u></u>

Real estate, net consists of 96.23 acres of land, which is part of the Pinnacle Falls Camp located in Pickens County, South Carolina. The appraised value (\$700,000) was adjusted to reflect the sales price of the property. The sale of the property was consummated in July 2016.

Note 6—Related party

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

	2016	2015
Due to CUF:		
Expenditures associated with gifts held for resale	\$ <u>123,191</u>	\$ <u>88,218</u>
	\$ <u><u>123,191</u></u>	\$ <u><u>88,218</u></u>

Note 7—Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and by transferring sales proceeds from a donated property to a related foundation. Purpose restrictions released in 2016 and 2015 were \$656,718 and \$302,755, respectively.

Note 8—Net assets

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

	2016	2015
Contributions restricted for educational programs of CUF	\$ <u>5,401,106</u>	\$ <u>5,463,383</u>

Note 9—Subsequent events

The Foundation has evaluated subsequent events through August 22, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.