

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

FINANCIAL STATEMENTS

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

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, 2020 and 2019, 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 audit 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 opinion.

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, 2020 and 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2018. In our opinion the summarized comparative information presented on the statement of activities herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Bebaert LCP

Greenville, South Carolina
August 13, 2020

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

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 59,053	\$ 29,589
Real estate investments	3,385,700	3,620,308
Total Assets	<u>\$ 3,444,753</u>	<u>\$ 3,649,897</u>
LIABILITIES AND NET ASSETS		
Deposits held for others	\$ 2,000	\$ -
Due to Clemson University Foundation	223,516	176,716
Total Liabilities	<u>225,516</u>	<u>176,716</u>
Net Assets:		
With donor restrictions	<u>3,219,237</u>	<u>3,473,181</u>
Total Net Assets	<u>3,219,237</u>	<u>3,473,181</u>
Total Liabilities and Net Assets	<u>\$ 3,444,753</u>	<u>\$ 3,649,897</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE INFORMATION FOR 2019)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2020	2019
Revenues, Gains, and Other Support:				
Gifts	\$ -	\$ 32,865	\$ 32,865	\$ 21,934
Rental revenues	-	30,000	30,000	36,000
Realized/unrealized loss on real estate investments	-	(33,835)	(33,835)	(56,000)
Total Revenues and Gains	-	29,030	29,030	1,934
Net assets released from restrictions	282,974	(282,974)	-	-
Total Revenues, Gains, and Other Support	282,974	(253,944)	29,030	1,934
Program Expenses:				
Gifted property	60,058	-	60,058	109,061
Total Program Expenses	60,058	-	60,058	109,061
Contributions to a related foundation	222,916	-	222,916	299,746
Total Expenses	282,974	-	282,974	408,807
Change in net assets	-	(253,944)	(253,944)	(406,873)
Net assets, beginning of year	-	3,473,181	3,473,181	3,880,054
Net assets, end of year	\$ -	\$ 3,219,237	\$ 3,219,237	\$ 3,473,181

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

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE INFORMATION FOR 2018)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2019	2018
Revenues, Gains, and Other Support:				
Gifts	\$ -	\$ 21,934	\$ 21,934	\$ 858,681
Rental revenues	-	36,000	36,000	30,000
Realized/unrealized loss on real estate investments	-	(56,000)	(56,000)	(857,500)
Total Revenues and Gains	-	1,934	1,934	31,181
Net assets released from restrictions	408,807	(408,807)	-	-
Total Revenues, Gains, and Other Support	408,807	(406,873)	1,934	31,181
Program Expenses:				
Gifted property	109,061	-	109,061	97,915
Total Program Expenses	109,061	-	109,061	97,915
Contributions to a related foundation	299,746	-	299,746	177,021
Total Expenses	408,807	-	408,807	274,936
Change in net assets	-	(406,873)	(406,873)	(243,755)
Net assets, beginning of year	-	3,880,054	3,880,054	4,123,809
Net assets, end of year	\$ -	\$ 3,473,181	\$ 3,473,181	\$ 3,880,054

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (253,944)	\$ (406,873)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized/unrealized (gain) loss on real estate investments	33,835	56,000
Noncash gifts	(32,865)	(21,934)
Deposits held for others	2,000	-
Due to Clemson University Foundation	46,800	(875)
Net cash from operating activities	<u>(204,174)</u>	<u>(373,682)</u>
Cash flows from investing activities:		
Proceeds from sale of land held for resale	209,075	318,999
Proceeds from sale of commodities	24,563	-
Net cash from investing activities	<u>233,638</u>	<u>318,999</u>
Net change in cash and cash equivalents	29,464	(54,683)
Cash and cash equivalents, beginning of year	<u>29,589</u>	<u>84,272</u>
Cash and cash equivalents, end of year	<u>\$ 59,053</u>	<u>\$ 29,589</u>

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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:

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, 2020 and 2019.

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.

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 restriction.

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 or losses on investments are reported as follows:

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

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.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 up to \$250,000 through the Federal Deposit Insurance Corporation. During the years ended June 30, 2020 and 2019, the Foundation from time to time may have had amounts on deposit in excess of the insured limits. At June 30 2020 and 2019, 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, 2020 and 2019 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.

Recently Issued Accounting Pronouncements Adopted – In June of 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 no material effect on the Foundation's financial statements.

CLEMSON UNIVERSITY REAL ESTATE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 "COVID-19" pandemic (see Note 10). 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 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 is 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 (see Note 10). 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.

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

JUNE 30, 2020 AND 2019

Note 3—Fair value measurements (continued)

The following tables summarize the valuation of the Foundation's financial assets measured at fair value as of June 30, 2020 and 2019, based on the level of input utilized to measure fair value:

Measurement at fair value on a nonrecurring basis at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 3,165,190	\$ -
Life estate properties, net	-	220,510	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>3,385,700</u>	<u>\$ -</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Real estate held for resale	\$ -	\$ 3,405,000	\$ -
Life estate properties, net	-	215,308	-
Total assets measured on a nonrecurring basis	<u>\$ -</u>	<u>3,620,308</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, 2020 AND 2019

Note 4—Real estate investments

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

Description/Location	2020	2019
Concord, North Carolina Lot 1A – 1.418 acres	\$ 1,050,000	\$ 990,000
Lake Hartwell, Anderson, South Carolina Lot 2 – Clearwater Shores	23,000	23,000
Powdersville, South Carolina Lot 3 – 2.283 acres	350,000	338,000
DeBordieu Colony, Georgetown, SC – .56 acre lot	180,000	180,000
Cliffs Valley, Stone Creek – Fern Springs Way Travelers Rest, South Carolina – 2.78 acre lot	185,000	185,000
Cliffs at Walnut Cove, Arden, North Carolina Lot 478 Walnut Valley Parkway – 1.59 acre lot	-	265,000
Lake Wylie, Charlotte, North Carolina 11100 Limehurst Place, lot including residence	700,090	750,000
Cliffs Valley – Mountaire Way, Travelers Rest, South Carolina 1.6 acre lot	60,000	60,000
Cliffs @ Keowee Falls South, Oconee County – 1.67 acres	15,000	15,000
Cliffs Valley North, 105 Sunfire Court, Travelers Rest, South Carolina 2.58 acre lot	25,000	25,000
Cliffs Valley, 1506 Panther Park Trail, Travelers Rest, South Carolina 8.67 acre lot	40,000	40,000
Jackson County, North Carolina – 45.95 acres	517,000	517,000
Cliffs @ Glassy West, Landrum, South Carolina Lot 71 – .7 acres	17,000	17,000
Cliffs Valley, 900 High Knoll, Lot 4, Travelers Rest, South Carolina .82 acre lot	3,100	-
Total real estate held for resale	<u>\$ 3,165,190</u>	<u>\$ 3,405,000</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 \$5,202 and \$4,934 for the years ended June 30, 2020 and 2019, respectively.

Life estate properties consist of the following at June 30:

Description/Location	2020	2019
Houston Street, Clemson, South Carolina – Lot 5	<u>\$ 220,510</u>	<u>\$ 215,308</u>

There was no interest expense capitalized for the years ended June 30, 2020 and 2019.

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

JUNE 30, 2020 AND 2019

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>2020</u>	<u>2019</u>
Due to CUF – Expenditures associated with gifted property	\$ 223,516	\$ 176,716

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>2020</u>	<u>2019</u>
Properties taxes and fees	\$ 42,470	\$ 52,414
Legal fees	8,248	19,070
Contract and professional services	5,875	33,175
Utilities and repairs	3,465	4,402
Total	<u>\$ 60,058</u>	<u>\$ 109,061</u>

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>2020</u>	<u>2019</u>
Carry costs and sales costs	\$ 60,058	\$ 109,061
Transfers to CUF	222,916	299,746
Total	<u>\$ 282,974</u>	<u>\$ 408,807</u>

Note 8—Net assets with donor restrictions

Net assets with donor restrictions were held for program support at June 30, 2020 and 2019. These amounts are maintained by the Foundation in restricted accounts.

	<u>2020</u>	<u>2019</u>
Contributions restricted for educational programs of CUF	<u>\$ 3,219,237</u>	<u>\$ 3,473,181</u>

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

JUNE 30, 2020 AND 2019

Note 9—Availability of financial assets

All of the Foundation's financial assets as of June 30, 2020, 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 Clemson University Foundation, which provides the annual support to cover general expenditures due to its purpose to manage, market and dispose of noncash donor gifts that Clemson University has deemed to be non-programmatic.

Note 10—Subsequent events

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