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Comprehensive Annual Financial Report for the Year Ended June 30, 2012

Clemson University

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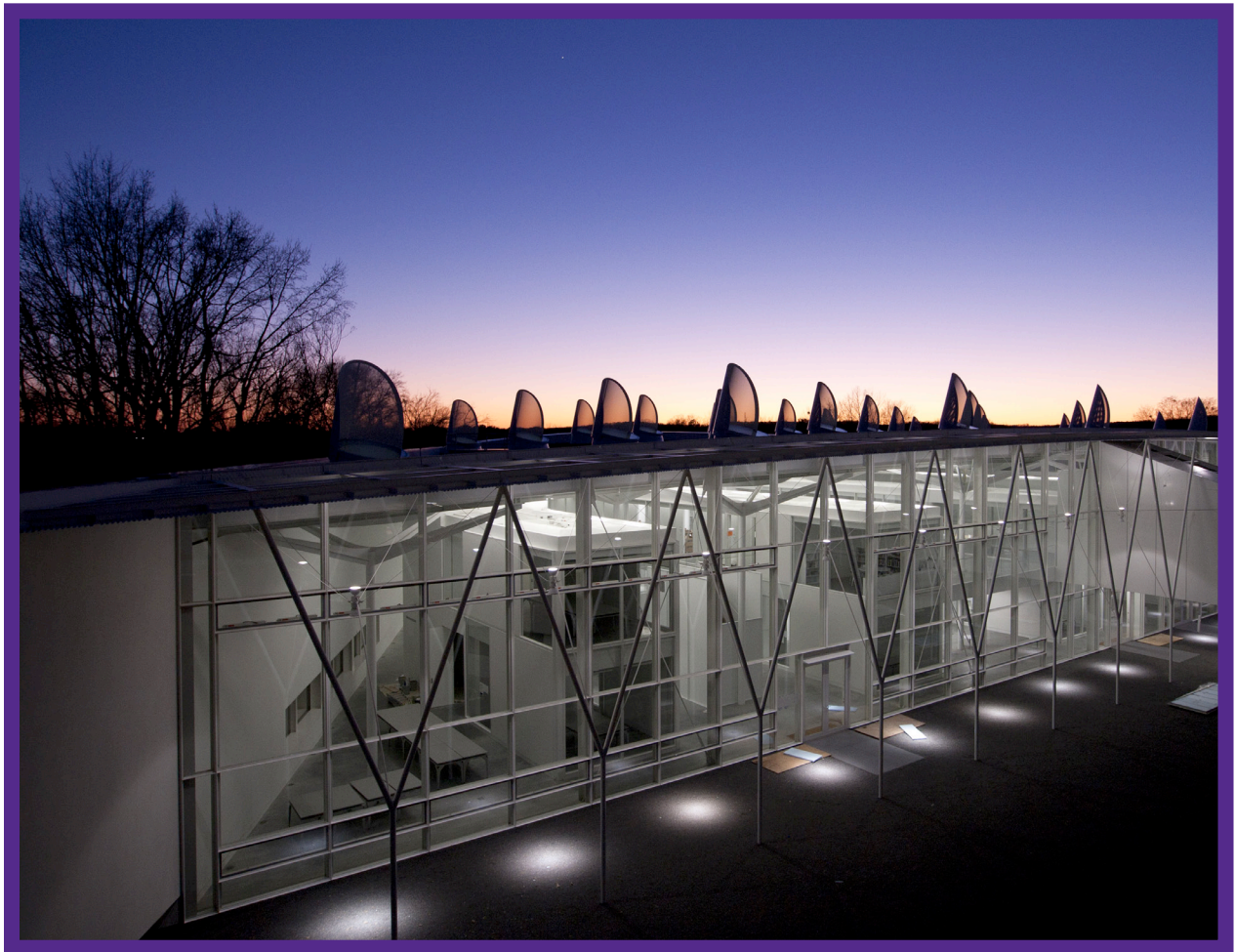
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U N I V E R S I T Y

CLEMSON, SOUTH CAROLINA



Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

The photo on the cover is an image of the newly completed Lee Hall 3. This project for the school of architecture is one of the most striking and energy efficient buildings on campus and was completed with the help of federal stimulus funds. The vertical features on top of the green roof backlit by the setting sun are a part of the shading system for the many skylights that illuminate the interior space.



Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

For the Year Ended June 30, 2012

Prepared by the Comptrollers Office

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Introductory Section
(unaudited)



President's Letter

2012

Dear Friends of Clemson:

The 2011-12 academic and fiscal year saw the first full year of implementation of the Clemson 2020 Road Map, our new university plan, and the conclusion of The Will to Lead Campaign announced publicly in August 2010. By June 30, 2012, Clemson had raised \$608.8 million in gifts and pledges, surpassing its goal by almost \$9 million.

Our campaign added \$73 million to Clemson's permanent endowment, created 357 scholarships and fellowships, 95 endowed chairs, professorships and faculty support programs, and helped us build or upgrade a number of facilities including the Class of '56 Academic Success Center, the Harris Smith building, athletic facilities and the planned Watt Family Innovation Center and Zucker Family Graduate Education Center. Some campaign gifts were unrestricted, but the majority are designated by the donor for a specific purpose.

While private gifts are increasingly important, they cannot offset the \$80-plus million in annual state funding Clemson has lost since 2008 – cuts which have impacted virtually every department on campus. We still have many unmet needs, which is why we decided to continue the campaign and aim for \$1 billion.

Clemson was also proud to be a leader among South Carolina public universities in providing financial transparency. All university transactions were available online for public review before the Regulatory Relief and Transparency law, which Clemson supported, was signed into law. We were also grateful to the South Carolina General Assembly for maintaining and slightly increasing appropriations for FY2013, along with passing significant reform legislation to strengthen the State Retirement System.

The goals of the Clemson 2020 plan are informing the self-study process under way now to prepare for our University's 2013 reaffirmation of accreditation by the Commission on Colleges – Southern Association of Colleges and Schools.

The essence of our plan is fairly simple:

- One, Clemson is back on offense.
- Two, we are investing in students, faculty and staff, student engagement, emphasis areas that drive economic development and address great challenges, and competitive facilities and infrastructure.
- Three, we are divesting in some areas, reallocating funds and generating new revenue to fund the plan.

Clemson is proud to be ranked among the nation's top 25 public universities. It is a tribute to the quality of the educational experience we provide and to the commitment of our faculty, staff, students and alumni. Clemson University is South Carolina's highest-ranked public institution, and we continue to deliver high quality and value for our students, drive innovation through research, and provide public service and economic development for the people of South Carolina.

Sincerely,

James F. Barker, FAIA
President



P R E S I D E N T

201 Sikes Hall Clemson, SC 29634-5002
864.656.3413 FAX 864.656.4676

The Clemson 2020 Road Map

VISION

Clemson will be one of the nation's top-20 public universities. Hallmarks to include:

- commitment to students
- investment in academic resources
- focus on eight emphasis areas:
 - advanced materials
 - automotive and transportation technology
 - biotechnology and biomedical science
 - family and community living
 - general education
 - information and communication technology
 - leadership and entrepreneurship
 - sustainable environment
- research-driven economic development

GOALS

Fulfill Clemson's responsibility to students and the state of South Carolina:

- to provide talent for the new economy by recruiting and retaining outstanding students and faculty and providing an exceptional educational experience grounded in engagement
- to drive innovation, through research and service, that stimulates economic growth and solves problems
- to serve the public good by focusing on emphasis areas that address some of the great challenges of the 21st century — national priorities such as health, energy, transportation and sustainable environment

OBJECTIVES

Invest in four strategic priorities:

- Enhance student quality and performance:
 - Implement a strategic enrollment management plan
 - Increase student performance in energy, environment, transportation, health and other focus areas
 - Offer competitive scholarships and stipends
- Provide engagement and leadership opportunities for all students:
 - Create a university culture that values engaged learning
 - Provide real-world, problem-solving, creative engagement and leadership opportunities for every undergraduate
- Attract, retain and reward top people:
 - Strategically address competitive compensation to retain outstanding faculty and staff
 - Recruit faculty to fill Centers of Economic Excellence endowed chairs and add 80 faculty researchers/teams over the next 5 years
 - Ensure strong, dedicated leadership for critical university initiatives
- Build to compete — facilities, infrastructure and technology:
 - Complete major projects currently under way
 - Double annual expenditures for maintenance, routine renovation and repairs
 - Complete phase 1 of utility system upgrade, including elimination of coal
 - Complete major HVAC and air-quality projects in high-use buildings
 - Enhance teaching and research facilities
 - Expand and enhance student housing and student life facilities
 - Expand and enhance athletics facilities
 - Provide support systems that reduce transaction costs and increase productivity, including a new student information and enhanced business systems
 - Increase the number and quality of technology-enhanced classrooms and conference facilities
 - Enhance digital library resources and technology



LETTER OF TRANSMITTAL

October 3, 2012

To President Barker,
Members of the Board of Trustees, and
Citizens of South Carolina

We are pleased to present to you the Comprehensive Annual Financial Report of Clemson University for the year ended June 30, 2012. The report provides financial information about the University's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. For the fiscal year ended June 30, 2012, the University contracted with the independent certified public accounting firm of Elliott Davis, LLC, to perform the University's annual audit. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The independent auditor's report is located at the front of the financial section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the University

Clemson University was founded in 1889, a legacy of Thomas Green Clemson, who willed his Fort Hill plantation home, its surrounding farmlands and forest, and other property to the state of South Carolina to establish a technical and

scientific institution for South Carolina. Clemson opened its doors to 446 students as a military college in 1893.

Today, Clemson is classified by the Carnegie Foundation as a Research/High University, a category attained by approximately 4 percent of all universities in America. Students can choose from more than 70 undergraduate and over 100 graduate degree programs in five colleges. As the state's land-grant university, Clemson reaches out to citizens, communities, and businesses all over South Carolina through county-based Cooperative Extension offices, five off-campus Research and Education Centers, and critical regulatory responsibilities for plant and animal health.

Clemson University is governed by a board of thirteen members, including six elected by the State General Assembly and seven appointed self-perpetuating life members. Clemson University operates as a unit of the State of South Carolina (the primary government) as a state assisted institution of higher education.

The State Budget and Control Board requires the University to submit an annual balanced budget for both its Educational and General and Extension and Public Service components. Each recognized college or budget center of the University is provided with a level of appropriation. This appropriation limits total annual expenditures. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system to ensure that imposed expenditure constraints are observed. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and State level.

The University adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides criteria for determining whether certain organizations should

be reported as component units based on the nature and significance of their relationship with a related entity. Based on these criteria, the University determined that the Clemson University Foundation and the Clemson University Research Foundation are indeed component units of the University. Consequently, the financial statements include the accounts of these two entities as discretely presented component units.

Local Economy

South Carolina's unemployment rate at the end of June was 9.4 percent, the second consecutive rise in the rate, but well below the June 2011 rate of 10.5 percent. The national unemployment rate was 8.2 percent. Also, while the weekly average number of initial claimants for Unemployment Insurance (UI) in South Carolina rose nearly 11 percent in June, initial UI activity was approximately 9 percent lower than UI claimant activity as of June 2011.

The South Carolina Economic Outlook, published by the South Carolina Department of Commerce, reported an increase in nonfarm employment of 22,800 jobs over the past year. For the month of June, seasonal employment gains in the Leisure and Hospitality sector, and non-seasonally adjusted gains in the Manufacturing and Construction, Trade, Transportation and Utilities, and Professional and Business Services sectors, were able to offset a loss of 4,900 government sector jobs due to summer break for teachers for a net gain of 1,800 jobs.

Sales prices of single family homes (with a median value of \$158,000) increased approximately 2 percent in June over the prior year, and the number of homes sold was up nearly 12 percent compared to a year ago. However, the month of June saw approximately 29 percent more foreclosure filings compared to a year ago.

Twice during the fiscal year, in November and in May, the State Board of Economic Advisors added money to the State budget, due mainly to reductions in the unemployment rate, noting that more people working means more people paying state income taxes. In November, 2011, the Board added more than \$1 billion in new money to the budget, comprised of about half in onetime money and the rest projected to recur annually. In May, the Board added an additional \$292 million to the State budget, comprised of an additional \$155 million in onetime money and \$137 million available for the State's new budget year beginning July 1st.

Long-Term Financial Planning

This year the University completed year one of its 10-year strategic plan – the Clemson 2020 Road Map. The four strategic priorities in the Road Map are to:

- enhance student quality and performance
- provide engagement opportunities to students
- recruit and retain top faculty and staff
- build to compete – in terms of facilities and technology

While the University is carefully assessing the first year results for the student, faculty and staff priorities, it is clear that significant strides were made in providing the long-term financial resources to fund the Road Map.

The Will to Lead campaign, only publicly announced last fiscal year, met its \$600 million goal, becoming the most successful capital campaign in the University's history by raising over \$608 million in private gifts to support students, faculty, facilities, economic development and other University priorities. Even better, the University decided to keep the campaign going, with a new goal of \$1 billion, an amount never before raised by a university with an alumni base the size of Clemson's.

The results of this effort were apparent across campus. In January, a much-needed addition to Lee Hall, home of the School of Architecture opened, in addition to a stand-alone Academic Success Center. A new Life Sciences building is on schedule for completion and will be ready for occupancy for the spring semester beginning in January 2013.

The Duke Energy Innovation Center opened at the Research Park Facility in Anderson, and the Clemson University Bio Engineering Innovation Center (CUBEInC) opened at the Greenville Hospital System's Patewood Campus.

In the Spring 2012, edition of the Clemson World magazine for Clemson Alumni President Barker detailed the reasons why Clemson must build to compete:

- Because 75 percent of Clemson's academic and support space is a half-century old, even some of our key engineering and science buildings.
- Because good facilities are critical to recruiting the top faculty we want, and three out of four prospective students also name facilities related to their majors as "very" or "extremely important" in choosing where to go to school.
- Because we are in a positive economic environment for construction right now. Interest rates are low, and bids are favorable.
- Finally, because there has been no state bond bill for higher education in South Carolina for more than a dozen years. During that same time period, our neighbor North Carolina has spent \$3.1 billion on higher ed facilities, and Georgia has spent \$1.7 billion.

While long-term debt will figure prominently in financing capital expansion plans, the University took advantage of historically low interest rates this past year to refinance six previous bond issues, realizing a net present value savings of approximately \$5.7 million. In conjunction with these refundings, Standard & Poor's raised its long-term ratings and underlying ratings (SPURS) to AA from AA- on Clemson University's revenue bonds, noting that "The upgrade reflects our assessment of Clemson's success in restructuring its business model so that it incorporates the significant decrease in state appropriations, while generating surplus operations on an ongoing basis".

Major Initiatives

In 2011-12 Clemson University continued to deliver on its promise to provide value and a quality education for students, and economic development for South Carolina, despite the continuing challenges of a slow recovery from economic recession and high unemployment. Major initiatives included:

I. The Clemson 2020 Road Map – a strategic plan for the decade

Full implementation began on the 2020 Road Map plan approved by the Board of Trustees in April 2011. It invests in priorities that will make Clemson a stronger, more efficient and more productive university, including a new performance-based and market-based Compensation Plan for faculty and staff; increased (by \$3 million) scholarships for students, including need-based aid; and competitive facilities and technology resources.

II. The Will to Lead Campaign

Clemson completed its third major capital campaign on June 30, 2012, by raising \$608.8 million in gifts and pledges, almost \$9 million above its goal. The campaign added \$73 million to Clemson's permanent endowment, created 357 scholarships and fellowships, 95 endowed chairs, professorships and faculty support programs, and helped build or upgrade a number of facilities.

Campaign Gift Highlights in 2011-12 include:

- \$5.25 million from the Charles Watt family to establish The Watt Family Innovation Center for academic collaboration. Combined with other campaign gifts to enhance academic, scholarship and athletic programs, the Watt family's \$5.5 million total represented the largest campaign gift from an individual family.
- \$5 million from Gerald and Candice Glenn to support students and faculty in the newly re-named Glenn Department of Civil Engineering
- \$5 million from Anita Zucker to help build the Zucker Family Graduate Education Center at the Clemson University Restoration Institute in North Charleston
- \$1.5 million from Mitch and Carla Norville to establish the Ernest R. Norville Endowed Chair in Biomedical Engineering and help build a basketball practice facility
- \$1.5 million from Dr. Theodore "Ted" G. Westmoreland to endow the academic success program in the university's new Class of 1956 Academic Success Center
- \$1.25 million from Carl M. Lund Jr., M.D.; his wife, Scarlett; and Mary Lund to establish an endowed chair in agricultural science
- \$1 million from Glenn and Heather Hilliard to establish an endowed professorship in environmental sustainability

III. Support for Economic Development

Clemson University has been engaged in economic development since its founding. Thomas Green Clemson charged the University with improving the prosperity of South Carolina, and that 19th century charge is part of Clemson's 21st century mission today. Clemson's focuses on research emphasis areas that align with state economic development priorities, support existing economic sectors and nurtures emerging industries.

- *Clemson University International Center for Automotive Research (CU-ICAR), Greenville*
 - Automotive engineering professor Joachim Taiber chaired the first-ever International Electric Vehicle Conference sponsored by the Institute of Electrical and Electronics Engineers. It attracted more than 1,000 participants to Greenville in February 2012.
 - The Center for Emerging Technologies, CU-ICAR's first multi-tenant building, was dedicated in May 2012 with all but 7,500 of its 60,000 square feet of space leased to 14 tenants.
- *Clemson University Restoration Institute (CURI), North Charleston*
 - As CU-ICAR is to the Upstate, the Restoration Institute is to the Lowcountry – a magnet for innovation and advanced education to provide the next generation of skilled and professional expertise in energy, advanced materials, power systems and sustainability. Construction is nearing completion on what will be the world's most advanced Wind Turbine Drive Train Test facility. The \$98 million facility will be capable of testing next-generation drivetrains up to 15 megawatts. A 7.5MW test rig is scheduled to begin commissioning in fall 2012.
 - Located next door will be the new Zucker Family Graduate Education Center, home to the Clemson Center for Workforce Development.
- *Clemson in Greenville*
 - The College of Business and Behavioral Science has established a vibrant epicenter for business education in downtown Greenville. Announced in March 2012 were plans to move Clemson's programs to a new location at the heart of Main Street. Since relocating its business programs to downtown Greenville in January 2010, Clemson has seen significant increases in student interest, enrollment and revenue. From fall 2010 to fall 2011, the Master of Business Administration program had a 15 percent increase in new student enrollment and a 41 percent increase in part-time and non-degree students entering the program.

- Also thriving are programs that help drive economic development through customized training for business and industry and support for startup companies and small businesses. Since moving to Greenville, Clemson's professional development programs have grown substantially and are expected to generate more than \$400,000 in new revenue this year that can be reinvested in programs.

IV. Facilities -- Building to Compete

New facilities completed, dedicated and occupied in 2011-2012 include:

- Lee Hall — a \$31 million project to expand and renovate the home of the University's architecture and visual arts programs. The 55,000-square-foot building is a model of sustainable design, featuring an open floor plan to maximize natural lighting, a green roof and other innovative design features.
- Class of 1956 Academic Success Center — a stand-alone home for the award-winning program that has helped improve student performance, retention rates and scholarship retention since its founding in 2001.

Facilities under construction or on the drawing board include:

- Life Sciences Building — a new 95,000 gross-square-foot facility that will create a new center for 21st century life sciences education and research programs — one of the University's most popular majors and a pipeline for medical, biotechnology and modern agribusiness industries.
- Douthit Hills – Trustees in February approved plans to build a \$123.5 million student housing, retail and activity hub at the east entrance to campus on the site of the former Douthit Hills housing development. Pending state approvals, construction on the project will begin in 2013

V. Highlights of 2011-12

- Clemson is the No. 1 choice of Palmetto Fellows, the state's best students. More than a third of Palmetto Fellows typically choose Clemson — more than any other institution in the state — and nearly half of those earn enhanced science and engineering scholarships.
- Clemson is ranked No. 25 among national public universities, and No. 11 among national universities with a strong commitment to undergraduate teaching (*U.S. News & World Report* rankings). The magazine also cited Clemson's "writing in the disciplines" and "learning communities" on its best-practices list of programs that focus on student success.

- *The Princeton Review* again recognized Clemson as a "best buy" -- one of the nation's 75 best values among public colleges and universities. The Review's guidebook *Best 376 Colleges: 2012 Edition*, based in part on a survey of more than 122,000 students, ranked Clemson No. 1 on Town-Gown relations, No. 2 in "Happiest Students" and "Jock Schools" list (based on popularity of intercollegiate, intramural and fraternity sports). Clemson also ranked 9th for "Best Career Services."
- Ninety-two percent of seniors would choose Clemson again, compared to 85 percent at Clemson's peer institutions, according to the National Survey of Student Engagement.
- For the fifth year in a row, Clemson has been named to the President's Higher Education Community Service Honor Roll for its commitment to volunteering, service-learning and civic engagement. Clemson students contributed more than 126,000 community service hours last year.
- Early in FY 2012, Clemson joined the ranks of the top five non-federally funded University Supercomputing sites, a result of several years of investment in high performance networked grid computing to benefit students, faculty, researchers, university operations, and partner institutions and businesses throughout the state.
- A new Faculty-in-Residence program began in Fall 2011 with three (now four) faculty members and their spouses moving into residence halls with students to provide additional support and connections.
- Five (5) Clemson faculty members were profiled in the new book *The Best 300 Professors* published jointly by *The Princeton Review* and RateMyProfessor.com. From an initial list of 42,000 professors considered, the final group constitutes less than 0.02 percent of the roughly 1.8 million people teaching in higher education.
- Clemson launched an ambitious professional campus internship program.
- Clemson is a Top-10 university in graduating African American engineers, both undergraduates and graduate engineers.
- A Social Media Listening Center was opened in Sirrine Hall, home of Clemson's College of Business and Behavioral Science. It allows companies and institutions to monitor, in real time, what is being said about them across many social media platforms, including Facebook, Twitter and blogs.

Awards and Acknowledgements

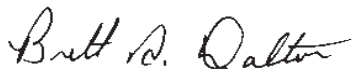
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Clemson University has received the Certificate of Achievement annually since the fiscal year ended June 30, 1993. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Comptroller's Office and other University financial staff. Each member has our sincere appreciation for their contributions in the preparation of the report.

Sincerely,



Brett A. Dalton
Vice President for Finance and Operations

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clemson University
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Enev

Executive Director

CLEMSON UNIVERSITY BOARD OF TRUSTEES

(as of June 30, 2012)

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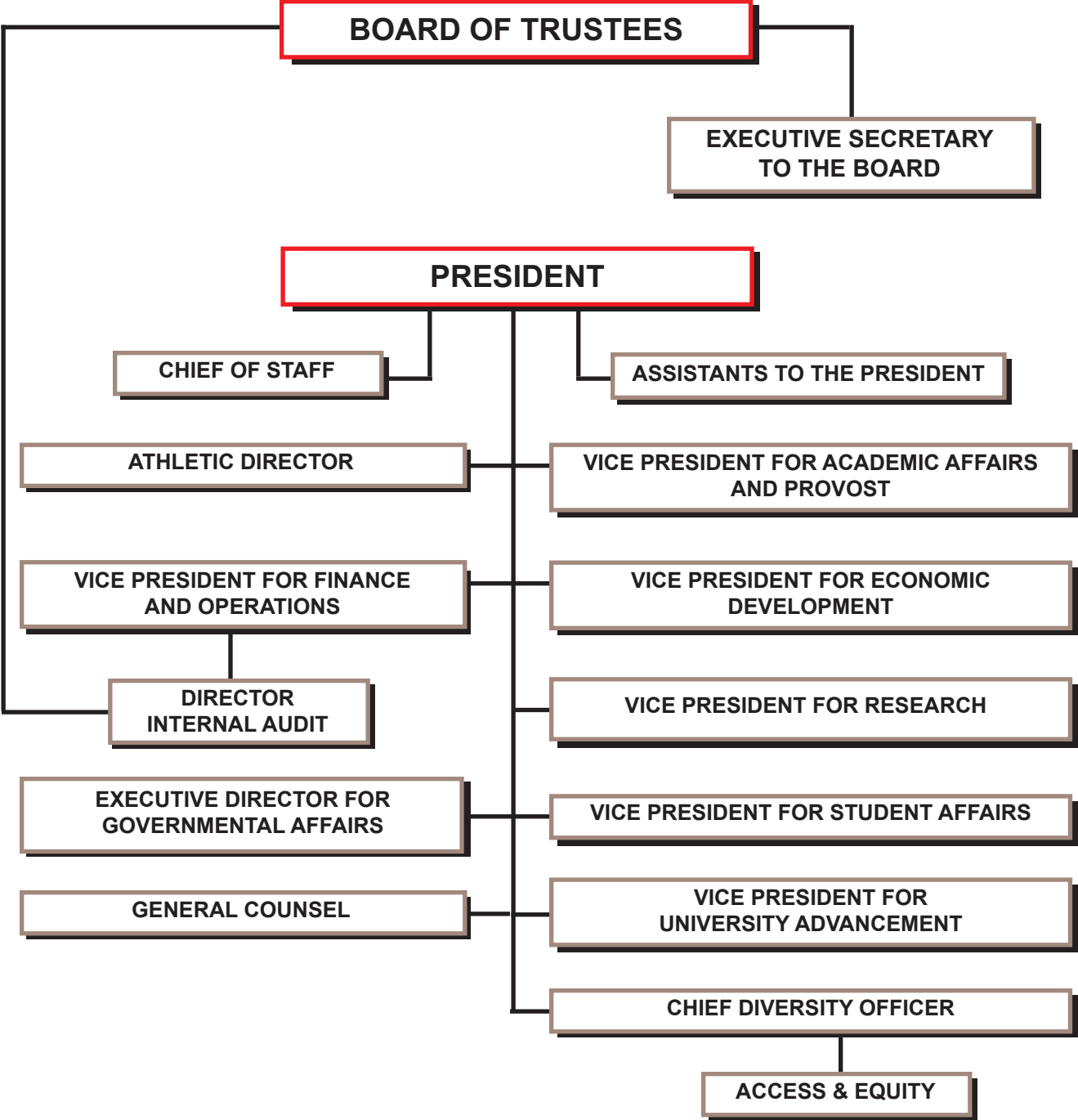
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CLEMSON UNIVERSITY ORGANIZATION CHART





Financial Section



INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Clemson University
Clemson, South Carolina

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Clemson University (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clemson University Research Foundation (a discretely presented component unit) and the Clemson University Foundation (a discretely presented component unit). The Clemson University Research Foundation and the Clemson University Foundation reflect 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the University as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information to the Financial Statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the University's basic financial statements. The introductory section and statistical sections as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Elliott Davis, LLC

Greenville, South Carolina
October 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Clemson University is pleased to present its financial statements for fiscal year 2012. While audited financial statements for fiscal year 2011 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Clemson University. The Statement of Net Assets presents end-of-year data concerning Assets (property that we own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have provided the service), and Net Assets (Assets minus Liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash

is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net assets consist solely of the University's permanent endowment funds and are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives.

Assets – increase of \$72.7 million

- Current assets increased \$8.4 million. An unrestricted cash increase of \$25 million and a restricted cash decrease of \$30.3 million were primarily responsible. The unrestricted cash increase was driven by student fee collections influenced by a Board-approved tuition increase of 3.8 percent for resident and nonresident students, as well as an increase in enrollment. In addition, cash balances for public service activities increased as a result of decreased spending after the loss of American Recovery and Reinvestment Act

Condensed Summary of Net Assets (thousands of dollars)

	2012	2011	Increase/ (Decrease)	Percent Change
Assets				
Current assets	\$ 453,906	\$ 445,530	\$ 8,376	1.88%
Capital assets, net	696,438	639,827	56,611	8.85%
Other assets	183,808	176,063	7,745	4.40%
Total Assets	<u>1,334,152</u>	<u>1,261,420</u>	<u>72,732</u>	5.77%
Liabilities				
Current Liabilities	115,142	104,797	10,345	9.87%
Noncurrent Liabilities	168,019	186,756	(18,737)	(10.03)%
Total Liabilities	<u>283,161</u>	<u>291,553</u>	<u>(8,392)</u>	(2.88)%
Net Assets				
Invested in capital assets, net of debt	535,281	462,861	72,420	15.65%
Restricted - nonexpendable	55,045	50,959	4,086	8.02%
Restricted - expendable	317,716	334,901	(17,185)	(5.13)%
Unrestricted	142,949	121,146	21,803	18.00%
Total Net Assets	<u>\$ 1,050,991</u>	<u>\$ 969,867</u>	<u>\$ 81,124</u>	8.36%

(ARRA) federal stimulus funding and decreased federal and state appropriations. Auxiliaries cash decreased as a result of an increase in information systems development costs for Medicaid IT Services and increased Athletic expenses. Unrestricted plant fund cash increased as the result of enrollment driven increases in MR&R and plant improvement fees. Unexpended restricted cash decreased as proceeds from the 2011 State Institution Bonds were spent during the fiscal year. Other contributing factors to the decrease in restricted cash balances were: a decrease in Sponsored Program grants and contracts revenue, a decrease in IPTAY capital gifts, and decreased debt service balances related to the refunding of Athletic Facilities bonds. Accounts receivable increased \$11.3 million, primarily due to amounts due from State Capital Reserve Fund appropriations for deferred maintenance and research infrastructure bond proceeds. Increases in student fee receivables as well as Athletic corporate sponsorship, licensing, and radio and television fees also contributed. The grants and contracts receivable decrease of \$431,000 resulted from a decrease of \$1.1 million in direct lending receivables and amounts due for Federal scholarship programs at fiscal year-end offset by increases in sponsored program and federal appropriation amounts due. Contributions receivable increased \$132,000. An increase in pledges of over \$3 million was offset by the payment of existing pledges. The inventory increase of \$667,000 was attributable to the addition of a second Computer Store on campus. Prepaid expenses increased \$2 million due to pre-payments for equipment, hardware and software license fees, and library subscriptions.

- Net capital assets increased \$56.6 million. Non-depreciable assets increased \$18.3 million as construction continued on major building projects. Current campus projects reflected in construction in progress include: the Wind Turbine Drive-Train Test Facility, the Bio-Life Sciences building, and a new student ERP software system. Depreciable net assets increased \$38.4 million, driven, in large part, by the addition of \$61.4 million in new buildings. Depreciation of new and existing utilities and other non-structural improvements resulted in a decrease of \$405,000. Likewise, depreciation expense more than offset current year equipment additions, resulting in a decrease of \$3.8 million. The increase in vehicles of \$541,000 was attributable to current year purchases of departmental vehicles and the trade-in of previously owned vehicles. The decrease of \$408,000 in software was entirely attributable to depreciation expense as no new software was added during the current fiscal year.
- Other assets increased \$7.7 million. The balance on loan to the Clemson University Foundation (CUF) decreased \$717,000 as all income and realized gains were offset by negative appreciation. Restricted noncurrent cash balances increased \$7.6 million, largely attributable to private gifts. Investments decreased \$204,000 due to appreciation losses on endowment assets held by Wells Fargo. Student loans receivable increased \$353,000 (with a corresponding decrease in restricted noncurrent cash) due to collections of Perkins Federal student loans. Noncurrent contributions

receivable increased \$712,000 due to an increase in university pledges.

Liabilities – decrease of \$8.4 million

- Current liabilities increased \$10.3 million. The increase in accounts payable of \$7.5 million was largely attributable to capital projects that were under construction at year end. Accrued payroll and related liabilities increased \$1.9 million as the result of a 60 percent accrual of the first payroll in July for certain employees. The decrease in deferred revenues of \$1.4 million was attributable to a decrease in amounts received for Sponsored Programs in advance of work performed offset by an increase in advance football ticket sales. Current deposits increased by \$2 million due to an increase in the over-recovery of pooled fringes for the fiscal year ending June 30, 2011 that will be absorbed/adjusted through the approved pooled fringe rate established for the fiscal year ending June 30, 2013. The decrease in the current portion of long-term debt totaling \$174,000 was the result of a decrease in notes payable. The increase in the current portion of compensated absences and related liabilities of \$1.4 million resulted from increased salaries as the result of performance pay increases in the current year. The decrease of \$245,000 in interest expense payable resulted from refundings of Athletics Facilities and Revenue bonds during the fiscal year. The decrease in the current portion of funds held for others of \$662,000 was related to a coach's longevity supplement that was paid in full during the current fiscal year.
- Noncurrent liabilities decreased by \$18.7 million. The University refunded Revenue bonds, Athletic Facilities bonds, and State Institution bonds during the current fiscal year. Those refundings, as well as principal payments of existing bonds and notes payable, resulted in a decrease of \$15.6 million in long term debt. The long term liability for compensated absences and related liabilities decreased \$216,000. Noncurrent deposits decreased \$2.2 million as a result of the adjustment of over-recoveries for the fiscal year ending June 30, 2012 that will be absorbed/adjusted through the federally approved rate for the fiscal year ending June 30, 2014. The noncurrent portion of funds held for others decreased \$638,000 due to the decline in termination settlement amounts owed to a former athletics coach.

Net Assets – increase of \$81.1 million

- Capital assets, net of related debt increased \$72.4 million. This increase resulted from an increase in net capital assets of \$56.6 million as discussed above, along with a decrease in capital debt of \$15.8 million.
- Restricted – nonexpendable net assets for scholarships and fellowships increased \$4.1 million as the result of amounts received from the lottery-funded South Carolina Endowed Chairs program as well as individual donor gifts.
- Restricted for expendable net assets decreased \$17.2 million, based on the following:
 - Restricted – expendable net assets for scholarships and fellowships increased \$4.1 million due, in part, to

a bequest from Robert Brooks of \$5.6 million less a decline in IPTAY balances, due to transfers to capital projects, of approximately \$1.1 million.

- Restricted – expendable assets for research decreased \$176,000 resulting primarily from the completion of several major Sponsored Program research projects during the current fiscal year.
- Restricted – expendable assets for instructional/departmental use decreased \$1.1 million due to transfers of capital gifts from the Will to Lead campaign to the respective capital projects they are funding.
- Restricted – expendable assets for student loans increased \$10,000 as the result of a slight decline in Perkins federal student loans.
- Restricted – expendable assets for capital projects decreased \$16.5 million resulting, in large part, from the expenditure of bond proceeds for the Lee Hall and Bio Life Sciences projects offset by increases in excess debt service funds, State Capital Reserve Fund appropriations, and improvement fund transfers from auxiliary operations.
- Restricted – expendable assets for debt service decreased \$3.5 million due to bond refundings and the elimination of two debt service reserve requirements.
- Unrestricted net assets increased \$21.8 million, based on the following:
 - Unrestricted - educational and general net assets increased \$19.9 million, primarily driven by Board-approved student tuition increases and an increase in student enrollment.
 - Unrestricted – funds designated for plant fund projects decreased \$709,000 primarily due to enrollment driven increases in Board-mandated MR&R and Plant Improvement Fees offset by a decline in capital projects funded by operations.
 - Unrestricted – public service activities net assets increased \$820,000. Expenditures decreased as the result of a decrease in ARRA federal stimulus funds and decreases in federal and state appropriations.
 - Unrestricted – auxiliaries net assets increased \$1.8 million. A Board mandated 4 percent room and board increase and increases in Information Systems Development fees were offset by transfers of dining revenue to the Improvement Fund for design costs for the new Douthit Hills project.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public University’s dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the

cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor nonoperating revenues and are reported after “Income before other revenues, expenses, gains or losses.”

The Condensed Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented on this Statement are as follows:

Total Revenues – decrease of \$11.4 million

- Operating revenues increased \$24.6 million, based on the following:
 - Student tuition and fees increased \$16.7 million, the result of a Board approved increase of 3.8 percent for residents and nonresidents. Enrollment also increased over the prior year.
 - Sales and services revenues increased \$11.1 million. Sales and services of pledged auxiliaries increased \$6.9 million. Athletics revenues increased due to conference distributions, licensing, and corporate sponsorships. Housing revenues increased as a result of a board approved 4 percent increase in room and board fees and increased enrollment. Non-pledged auxiliaries sales and services increased \$4.2 million as the result of an increase in Information Systems Development contractual commitments for Medicaid IT Services. Sales and services of educational activities remained approximately the same as the prior year.
 - Grants and contracts revenues decreased \$3.6 million. Revenues from federal grants and contracts decreased \$1.1 million. Decreased revenues from the Department of Health and Human Services and the phase out of Academic Competitiveness and Smart Grants were partially offset by an increase in National Science Foundation sponsored projects. State grants were down \$3.8 million primarily due to a decrease in Department of Education grants. Local grants were down \$67,000 due to a decrease in county grants. Nongovernmental grants and contracts increased \$1.3 million due to an increase in grants from private foundations and international sources.

Condensed Summary of Net Revenues, Expenses and Changes in Net Assets (thousands of dollars)

	2012	2011	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 269,671	\$ 252,924	\$ 16,747	6.62%
Sales and services	122,026	110,939	11,087	9.99%
Grants and contracts	119,746	123,394	(3,648)	(2.96)%
Other operating revenues	27,771	27,396	375	1.37%
Total operating revenues	<u>539,214</u>	<u>514,653</u>	<u>24,561</u>	4.77%
State appropriations	88,780	91,917	(3,137)	(3.41)%
Federal appropriations	11,507	11,744	(237)	(2.02)%
Gifts and grants	59,126	68,797	(9,671)	(14.06)%
Investment income (loss)	5,834	29,988	(24,154)	80.55%
Other nonoperating revenues	1,271	502	769	153.19%
Proceeds from the sale of capital assets	636	137	499	364.23%
Total nonoperating revenues	<u>167,154</u>	<u>203,085</u>	<u>(35,931)</u>	(17.69)%
Total revenues	<u>706,368</u>	<u>717,738</u>	<u>(11,370)</u>	(1.58)%
Expenses:				
Compensation and employee benefits	384,703	382,789	1,914	0.50%
Services and supplies	198,747	182,049	16,698	9.17%
Utilities	16,946	17,013	(67)	(0.39)%
Depreciation	37,162	35,009	2,153	6.15%
Scholarships and fellowships	20,942	23,402	(2,460)	(10.51)%
Total operating expenses	<u>658,500</u>	<u>640,262</u>	<u>18,238</u>	2.85%
Interest on capital asset related debt	5,799	6,034	(235)	(3.89)%
Loss on disposal of capital assets, before proceeds	2,255	791	1,464	185.08%
Refunds to grantors	381	296	85	28.72%
Facilities and administrative remittances to the State	386	450	(64)	(14.22)%
Total nonoperating expenses	<u>8,821</u>	<u>7,571</u>	<u>1,250</u>	16.51%
Total expenses	<u>667,321</u>	<u>647,833</u>	<u>19,488</u>	3.01%
Income before other revenues, expenses, gains or losses	39,047	69,905	(30,858)	(44.14)%
State capital appropriations	9,468	6,643	2,825	42.53%
Capital grants and gifts	28,350	38,376	(10,026)	(26.13)%
Additions to permanent endowments	4,259	2,765	1,494	54.03%
Change in net assets	81,124	117,689	(36,565)	(31.07)%
Net assets, beginning	969,867	852,178	117,689	13.81%
Net assets, ending	<u>\$ 1,050,991</u>	<u>\$ 969,867</u>	<u>\$ 81,124</u>	8.36%

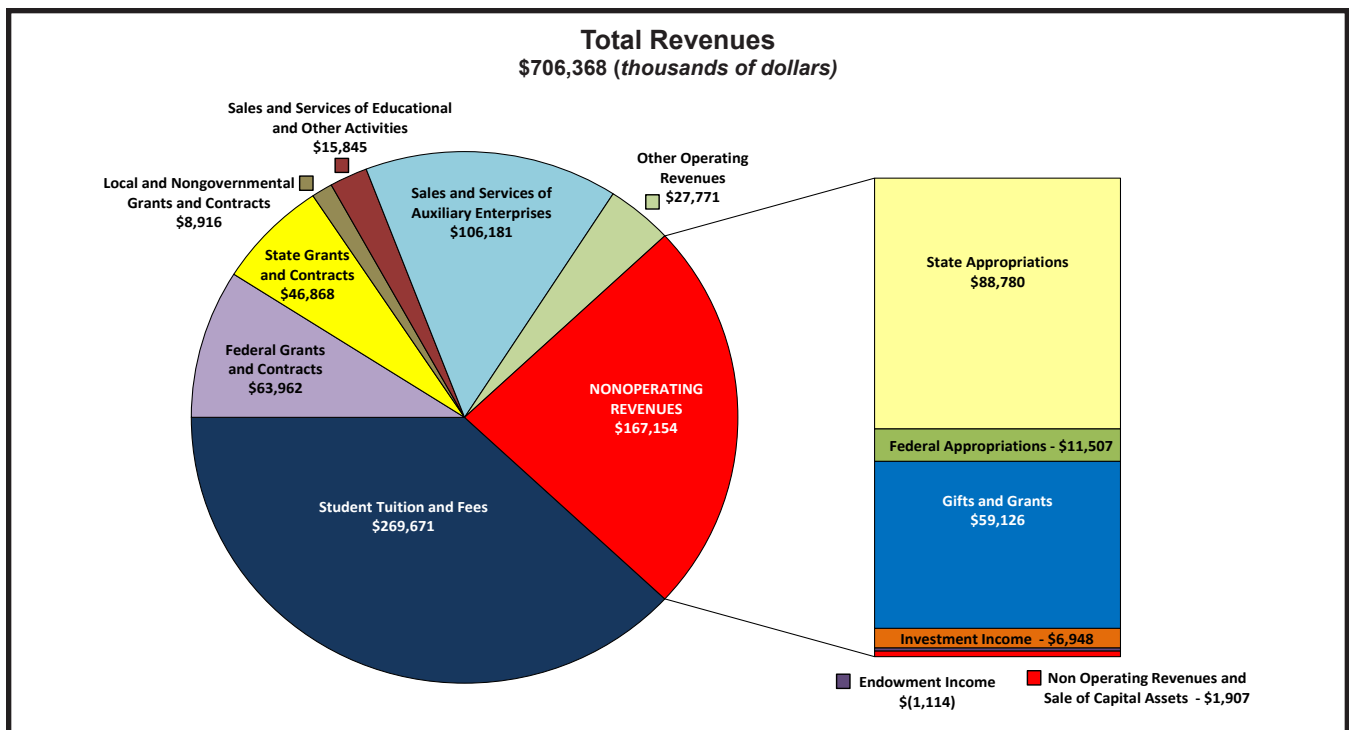
- Other operating revenues increased \$375,000 largely due to increases in computer service fees, primarily for amounts charged to other State agencies.
- Nonoperating revenues decreased \$35.9 million, based on the following:
 - State appropriations decreased \$3.1 million. Appropriations for Educational & General (E&G) activities decreased \$2.9 million. Appropriations for Public Service Activities (PSA) decreased \$225,000.
 - Federal appropriations decreased \$237,000. This decrease was merely attributable to timing differences between the University's June 30th fiscal year end and the Federal government's September 30th fiscal year end since awards for the University's land-grant Smith Lever, Hatch, McEntire Stennis and Animal Health appropriations remained approximately the same.
 - Gifts and grants decreased \$9.7 million. The loss of American Recovery and Reinvestment Act (ARRA)

State Stabilization (federal stimulus) funding accounted for a decrease of \$19 million in gifts and grant revenue from the prior year. This decrease was offset by an increase in private gifts. Notable gifts include a bequest of \$5.6 million from the Robert Brooks estate.

- Investment income decreased \$24.2 million. Realized and unrealized gains on amounts held by the Clemson University Foundation and Wells Fargo decreased \$24.4 million.
- Other nonoperating revenues increased \$769,000 due to a class action asbestos settlement and land and timber sales.
- Proceeds from the sale of equipment increased \$499,000 due to the sale of a University airplane.

Total Expenses – increase of \$19.5 million

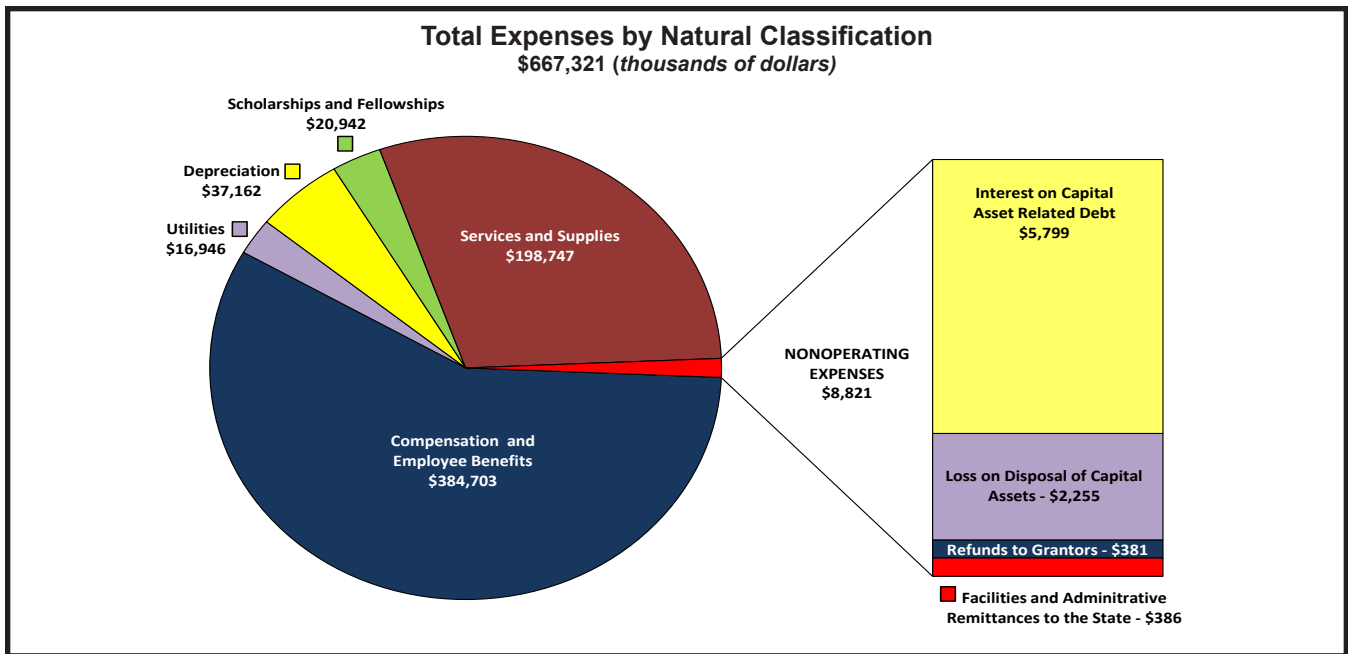
- Operating expenses increased \$18.2 million, based on the following:



- Compensation and employee benefits increased \$1.9 million. After three years of no cost of living increases from the state, the University Road Map allowed for performance based salary increases for identified faculty and staff. Temporary, part time, and student wages also increased as classified and unclassified staff retired or separated from the University. Those increases were partially offset by a decrease in fringe benefit expenses based on a reduction in the federally approved pooled fringe rates.
- Services and supplies expenses increased \$16.7 million. Instruction costs increased \$1.5 million largely related to a campus wide compensation study, the finalization of start-up costs for the Sunoco Institute of Packaging Design and information technology costs. Research costs increased \$109,000 over the prior year primarily due to a decrease in Department of Education grants offset in part by an increase in private grants. The \$2.1 million increase in public service costs are largely comprised of increases in youth related programs such as the National Dropout Prevention Network, Bullying Prevention training, the Youth Learning Institute, and Reading Recovery training. Academic support costs decreased \$236,000 due to a decrease in costs related to the University Center Greenville after the University's fiduciary relationship was dissolved at the end of the prior fiscal year. This decrease was offset by an increase in information technology costs for hardware and software upgrades. Student services costs decreased approximately \$146,000 due to a decline in concert and event costs. The institutional support increase of \$2.4 million resulted from an increase in consulting fees and information technology costs. Operation and

maintenance of plant costs increased \$4.3 million as a result of increased repairs and renovations projects and deferred maintenance projects. Auxiliary services costs increased \$6.7 million due to an increase in information systems development fees for Medicaid IT Services and increases in Athletic costs for game day and bowl expenses.

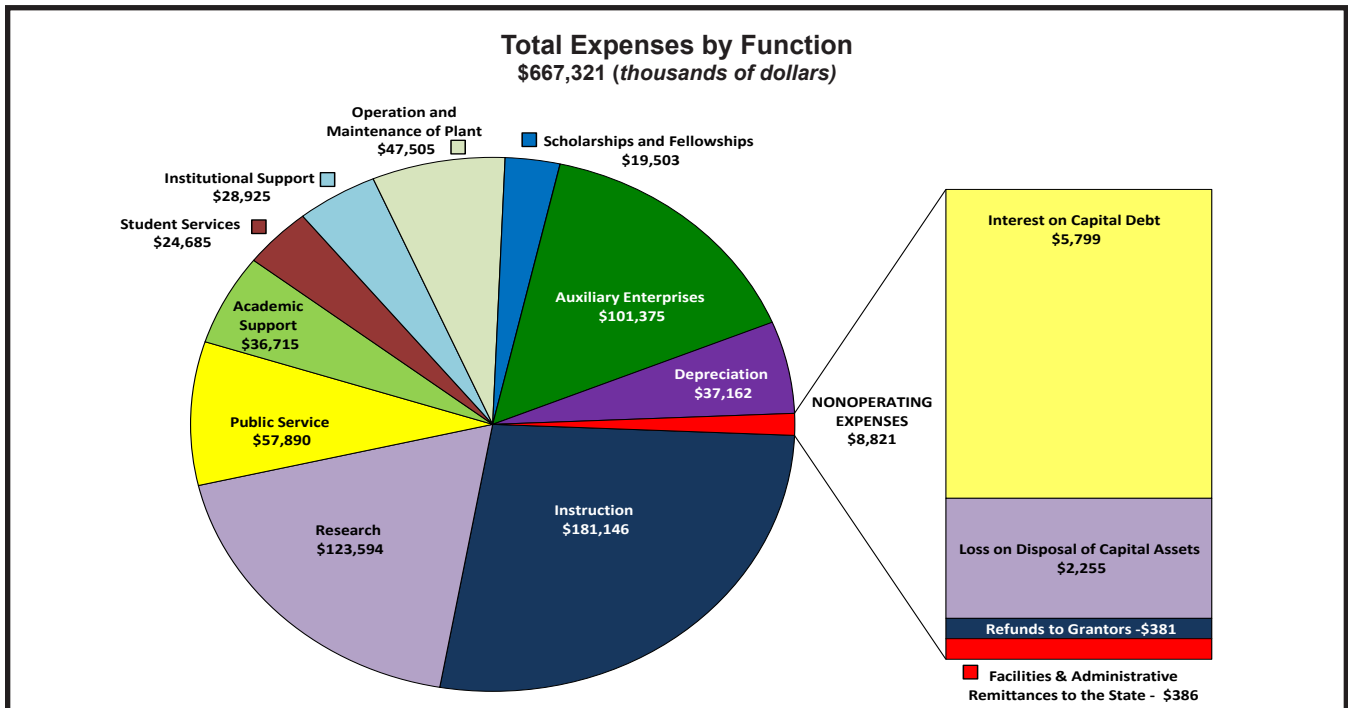
- Utilities expenses decreased \$67,000. Decreases in telephone expenses were offset by increases in heat, light, and power expenses.
- Depreciation expense increased \$2.2 million. Building depreciation increased \$1.7 million as construction was completed on several major building projects. Equipment depreciation increased \$570,000 while software depreciation decreased \$173,000. Depreciation expense for utilities systems and other non-structural improvements and vehicles increased only slightly over the prior year.
- Scholarships and fellowships expenses decreased \$2.5 million. A decrease in federal scholarships was offset by an increase in state lottery funded scholarships. An increase in scholarship allowances also contributed to the reduction in expense for the current year.
- Nonoperating expenses increased \$1.3 million, based on the following:
 - Interest expense decreased \$235,000. Interest savings due to bond refundings during the current fiscal year were offset by an increase in accrued interest on the Series 2011A State Institution bonds issued during the prior fiscal year.
 - Losses on disposal of capital assets increased \$1.5 million. A University airplane with a book value of \$1.4 million was sold in the current year.



- Refunds to grantors increased \$85,000 due to fixed payment amounts that had to be returned to sponsors when the cost of work performed did not equal the amount received.
- Facilities and administrative costs remitted to the State decreased \$64,000. The State requires such costs collected for non-research sponsored projects in excess of \$200,000 to be remitted. Education and General program remittances increased \$17,000 and Public Service Activities program remittances decreased \$81,000.
- The State capital appropriations increase of \$2.8 million was

attributable to a \$6.2 million State Capital Reserve Fund appropriation for deferred maintenance offset by decreases in Research Infrastructure and Economic Development bond proceeds for the Innovation Center at Research Park.

- Capital grants and gifts decreased \$10 million. Decreases in American Recovery and Reinvestment Act (ARRA) State Stabilization (federal stimulus) funds and capital gifts supporting the Wind Turbine Drive-Train Test Facility project contributed to the decline.
- The \$1.5 million increase in additions to permanent endowments resulted from an increase in individual donor funded endowed professorships.



UNAUDITED

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Capital Assets

Capital assets, net of accumulated depreciation, at June 30, 2012 and June 30, 2011 were as follows:

Capital Assets (net of accumulated depreciation)				
	2012	2011	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	\$ 32,702,685	\$ 32,133,383	\$ 569,302	1.77%
Construction in progress	95,696,715	78,006,644	17,690,071	22.68%
Utilities systems and other non-structural improvements	23,101,379	23,506,063	(404,684)	(1.72)%
Buildings and improvements	491,752,027	449,344,281	42,407,746	9.44%
Computer software	195,181	602,922	(407,741)	(67.63)%
Equipment	42,621,062	46,406,021	(3,784,959)	(8.16)%
Vehicles	10,368,564	9,827,223	541,341	5.51%
Total Capital Assets	\$ 696,437,613	\$ 639,826,537	\$ 56,611,076	8.85%

The 17 percent increase in non-depreciable capital assets was attributable to an increase in Construction in Progress. Construction continued on several major building projects including the Bio Life Sciences Building (increase of \$26.7 million) funded with bonded debt issued in the prior fiscal year and the Wind Turbine Drive-Train Test Facility being constructed at the Clemson University Restoration Institute (CURI) in North Charleston (increase of \$17.4 million). The implementation of a new student ERP system continued in the current fiscal year with an increase of \$4.4 million funded in part with American Reinvestment and Recovery Act (ARRA) Federal Stimulus funds.

Utilities Systems and Other Non-Structural Improvements decreased approximately 2 percent. New additions for the western gate to campus, football and soccer practice lights, an extension of the Memorial Park Scroll of Honor, and Highway 93 pedestrian safety improvements totaling approximately \$1.5 million were offset by depreciation expense on new and existing assets of \$1.9 million.

Buildings increased \$42.4 million as the Lee Hall Expansion and Renovation project, the Academic Success Center, the Duke Energy Innovation Center, and the Larry J. Penley Jr. Golf Facility projects were completed.

Capitalized Computer Software decreased \$408,000 due to depreciation expense on previously existing software. The University did not acquire new capitalized software during the current fiscal year.

Equipment decreased \$3.8 million. Depreciation expense on new and existing equipment more than offset new additions.

Vehicles increased 6 percent. Net additions were approximately \$283,000, while depreciation expense and disposals or trade-ins of previously owned departmental vehicles totaled approximately \$258,000.

For more detailed information on capital asset activity, please refer to Note 4 – Capital Assets in the Notes to the Financial Statements.

Debt Administration

The University's financial statements indicate \$160,681,587 in bonds payable and \$475,413 in notes payable at June 30, 2012.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$97,852,412, Athletic Facilities Revenue Bond issues totaling \$25,089,131, and Revenue Bonds of \$37,740,044. General Obligation Bonds are obligations of the State of South Carolina and are secured as to principal and interest by a pledge of the full faith, credit, and taxing power of the State and are paid with tuition and matriculation fees. Athletic Facilities Revenue Bonds are payable solely from the net revenues of the University's Athletic Department and gross receipts from the imposition of any admissions fee and any special student fee. Revenue bonds are payable solely from and secured by a pledge of revenues of the University's housing facilities, bookstore, dining services, parking, vending

and from additional funds from the academic “University fee” imposed by the Board of Trustees. During the fiscal year ending June 30, 2012, the State of South Carolina issued on behalf of the University, General Obligation State Institution Refunding Bonds, Series 2012C to refund three previous bond issues at a net present value savings of approximately \$2 million to the University. Also, during the fiscal year ending June 30, 2012, the University issued Athletic Facilities Refunding Revenue Bonds Series 2012 to refund two previous bond issues at a net present value savings of approximately \$1.4 million. Finally, during the fiscal year ending June 30, 2012, the University issued Revenue Refunding Bonds Series 2012 to refund a previous issue at a net present value savings of approximately \$2.3 million.

The \$475,413 in notes payable is comprised of two notes from the South Carolina State Energy Office (SCEO) for energy efficiency and renewable energy improvements, and a note with Bank of America used to construct a new scoreboard in Memorial Stadium.

For additional information on this new notes payable, and Debt Administration, see Notes 6 and 7 in the notes to the financial statements.

Economic Outlook

As a State supported higher education institution, the University’s economic position is closely tied to the State of South Carolina. The State ended fiscal year 2012 with a \$379 million budgetary surplus. In his end-of-the-year news release, State Comptroller General, Richard Eckstrom, noted that the state had achieved its goal of fully funding the General Reserve Fund at a 5 percent balance of prior year general fund revenues a full two years ahead of schedule.

State appropriations to fund University operations decreased \$3.1 million for fiscal year 2012, a decline of almost 4 percent from the previous year. The decrease in recurring state appropriations, as well as the loss of \$19.1 million in American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Act (stimulus) Funds, were major challenges faced by the University for fiscal year 2012.

State scholarship programs funded with lottery proceeds increased by approximately \$1 million, to \$44.8 million, for 2012. In addition, through the Endowed Chairs program, which matches private contributions for endowed professorships, the University received \$4.3 million for fiscal year 2012. State Capital Appropriations totaling \$9.5 million included \$6.2 million in one-time capital reserve funding for deferred maintenance needs and \$2.8 million in funding for the Bioengineering Research Center at the Patewood campus for the Greenville Hospital System.

The University’s Board of Trustees adopted a budget for fiscal year 2013 that included a 3 percent tuition increase for in-state students and a 4 percent increase for out-of-state undergraduate students.

CLEMSON UNIVERSITY STATEMENT OF NET ASSETS

June 30, 2012

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 215,304,821	\$ 4,054,219
Restricted Assets - Current:		
Cash and cash equivalents	187,807,580	3,458,111
Accounts receivable (Net of provision for doubtful accounts of \$661,616)	18,607,781	2,814,776
Grants and contracts receivable	19,360,587	—
Contributions receivable, net	1,837,138	—
Interest and income receivable	1,963,604	—
Student loans receivable	65,872	—
Inventories	2,120,383	—
Prepaid expenses	6,838,443	209,750
Total current assets	<u>453,906,209</u>	<u>10,536,856</u>
Noncurrent Assets:		
Notes receivable	137,085,667	—
Contributions receivable, net	2,445,628	—
Investments	2,363,254	—
Restricted Assets - Noncurrent:		
Cash and cash equivalents	33,637,371	—
Student loans receivable	8,276,169	—
Other	—	1,633,634
Capital assets, not being depreciated	128,399,400	1,228,733
Capital assets, net of accumulated depreciation	<u>568,038,213</u>	<u>3,148,292</u>
Total noncurrent assets	<u>880,245,702</u>	<u>6,010,659</u>
Total assets	<u>\$ 1,334,151,911</u>	<u>\$ 16,547,515</u>
LIABILITIES		
Current Liabilities:		
Accounts and retainages payable	\$ 26,982,302	\$ 2,484,337
Accrued payroll and related liabilities	18,973,147	—
Accrued compensated absences and related liabilities	15,202,019	—
Accrued interest payable	1,449,832	4,310
Unearned revenues	31,882,422	895,569
Bonds payable	11,792,139	—
Notes payable	325,807	99,968
Deposits	7,507,612	—
Funds held for others	1,026,972	12,669
Total current liabilities	<u>115,142,252</u>	<u>3,496,853</u>
Noncurrent Liabilities:		
Accrued compensated absences and related liabilities	7,750,981	—
Deposits	2,799,834	—
Funds held for others	8,429,123	—
Bonds payable	148,889,448	—
Notes payable	149,606	2,773,346
Total noncurrent liabilities	<u>168,018,992</u>	<u>2,773,346</u>
Total liabilities	<u>\$ 283,161,244</u>	<u>\$ 6,270,199</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 535,280,612	\$ 3,137,346
Restricted for nonexpendable purposes:		
Scholarships and fellowships	55,045,010	—
Restricted for expendable purposes:		
Scholarships and fellowships	166,093,128	—
Research	1,249,298	3,170,480
Instructional/departmental use	19,014,734	—
Loans	1,891,511	—
Capital projects	122,776,269	—
Debt service	6,691,208	—
Unrestricted	142,948,897	3,969,490
Total net assets	<u>\$ 1,050,990,667</u>	<u>\$ 10,277,316</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2012

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$64,833,043).....	\$ 269,671,074	\$ —
Federal grants and contracts.....	63,962,096	4,684,657
State grants and contracts.....	46,868,338	—
Local grants and contracts.....	689,503	—
Nongovernmental grants and contracts.....	8,225,582	2,122,465
Sales and services of educational and other activities.....	15,844,711	—
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$10,280,326).....	87,491,366	—
Sales and services of auxiliary enterprises - not pledged.....	18,689,922	—
Other operating revenues.....	27,771,347	6,682,301
Total operating revenues.....	<u>539,213,939</u>	<u>13,489,423</u>
EXPENSES		
Operating Expenses:		
Compensation and employee benefits.....	384,703,283	—
Services and supplies.....	198,746,566	12,118,004
Utilities.....	16,945,907	229,425
Depreciation.....	37,162,533	498,985
Scholarships and fellowships.....	20,941,634	—
Total operating expenses.....	<u>658,499,923</u>	<u>12,846,414</u>
Operating loss/income.....	<u>(119,285,984)</u>	<u>643,009</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	88,779,884	—
Federal appropriations.....	11,506,604	—
Gifts and grants.....	59,126,757	4,000
Interest income.....	6,947,332	15,852
Endowment income.....	(1,113,539)	—
Interest on capital asset related debt.....	(5,799,308)	(128,863)
Other nonoperating revenues.....	1,270,687	139,168
Gain/Loss on disposal of capital assets.....	(1,618,601)	—
Refunds to grantors.....	(380,907)	—
Facilities and administrative remittances to the State.....	(385,929)	—
Net nonoperating revenues.....	<u>158,332,980</u>	<u>30,157</u>
Income before other revenues, expenses, gains or losses.....	39,046,996	673,166
State capital appropriations.....	9,468,496	—
Capital grants and gifts.....	28,349,619	—
Additions to permanent endowments.....	4,258,940	—
Increase in net assets.....	<u>81,124,051</u>	<u>673,166</u>
NET ASSETS		
Net assets, Beginning of Year.....	969,866,616	9,604,150
Net assets, End of Year.....	<u>\$ 1,050,990,667</u>	<u>\$ 10,277,316</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Payments from customers.....	\$ 367,762,946
Grants and contracts.....	93,993,485
Payments to suppliers.....	(191,516,033)
Payments to employees.....	(316,700,883)
Payments for benefits.....	(77,456,240)
Payments to students.....	(39,499,788)
Inflows from Stafford loans.....	62,861,778
Outflows from Stafford loans.....	(6,907,706)
Loans to students.....	(65,510)
Collection of loans.....	882,896
Net cash used by operating activities.....	<u>(106,645,055)</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations.....	88,779,884
Federal appropriations.....	10,863,462
Gifts and grants.....	83,093,261
Net cash flow provided by noncapital financing activities.....	<u>182,736,607</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt.....	59,001,468
State capital appropriations.....	2,179,134
Capital grants and gifts received.....	25,924,995
Proceeds from sale of property.....	636,491
Purchases of capital assets.....	(88,972,009)
Principal payments and redemption premiums on long term debt.....	(73,814,373)
Interest and fees.....	(7,198,090)
Net cash used by capital activities.....	<u>(82,242,384)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments.....	8,374,165
Proceeds from stock sales.....	93,507
Net cash flows provided by investing activities.....	<u>8,467,672</u>

Net change in cash.....	2,316,840
Cash beginning of year.....	434,432,932
Cash end of year.....	<u>\$ 436,749,772</u>

Reconciliation of net operating loss to net cash used by operating activities:

Operating income (loss).....	\$ (119,285,984)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense.....	37,162,533

Change in asset and liabilities:

Receivables net.....	(20,209,928)
Grants and contracts receivable.....	1,714,980
Student loans receivable.....	(392,401)
Prepaid expenses.....	(1,849,414)
Inventories.....	(667,252)
Other.....	(576,993)
Accounts and retainages payable.....	(3,610,403)
Accrued payroll and related liabilities.....	2,033,489
Accrued compensated absences and related liabilities.....	1,154,000
Unearned revenue.....	(515,685)
Funds held for others.....	(1,601,997)
Net cash used by operating activities.....	<u>\$ (106,645,055)</u>

NON-CASH TRANSACTIONS

Increase in fair value of investments.....	\$ 10,196,254
Capital assets acquired through gifts.....	1,421,675
Capital grants receivable.....	7,807,759

RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES

Current assets:	
Cash and cash equivalents.....	\$ 215,304,821
Restricted cash and cash equivalents.....	187,807,580
Noncurrent assets.....	33,637,371
Total cash and cash equivalent balances.....	<u>\$ 436,749,772</u>

See accompanying notes to basic financial statements.

**CLEMSON UNIVERSITY FOUNDATION
NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF FINANCIAL POSITION**

June 30, 2012

ASSETS	
Cash and cash equivalents.....	\$ 28,578,941
Contributions receivable, net.....	36,388,258
Due from related organizations	2,097,458
Investments.....	314,086,294
Investments held for Clemson University.....	137,085,667
Cash surrender value of life insurance	1,642,002
Land held for resale.....	11,900
Land, buildings and equipment, net	9,568,664
Investments held in trust for affiliate.....	2,324,469
Other assets.....	280,487
Total assets.....	\$ 532,064,140
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued liabilities.....	\$ 470,792
Due to related organizations	3,352
Accrued liability to Clemson University due to net investment appreciation	34,166,351
Note payable to Clemson University	102,919,316
Actuarial liability of annuities payable.....	5,011,383
Trust funds administered for affiliate.....	2,324,469
Total liabilities.....	144,895,663
Net Assets:	
Unrestricted.....	19,520,662
Temporarily restricted.....	133,413,224
Permanently restricted	234,234,591
Total net assets.....	387,168,477
Total liabilities and net assets	\$ 532,064,140

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION
NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Gifts and bequests	\$ 1,256,669	\$ 20,007,422	\$ 14,882,999	\$ 36,147,090
Income on investments	3,931,222	1,101,721	3	5,032,946
Net realized and unrealized gains (losses) on investments	(709,076)	(6,707,729)	(2,498)	(7,419,303)
Program income	894,289	421,819	1,990	1,318,098
Other income	2,016,259	2,320	68,745	2,087,324
Change in value of split-interest agreements	16,992	240,225	1,224,923	1,482,140
Reclassification of donor intent	28,236	443,825	(472,061)	0
Total revenues and gains	<u>7,434,591</u>	<u>15,509,603</u>	<u>15,704,101</u>	<u>38,648,295</u>
Net assets released from restrictions	15,998,917	(15,998,917)	—	0
Total revenues, gains and other support	<u>23,433,508</u>	<u>(489,314)</u>	<u>15,704,101</u>	<u>38,648,295</u>
EXPENSES:				
Program expenses:				
Grant to Clemson University	1,573,320	—	—	1,573,320
Alumni operations	974,885	—	—	974,885
Endowments	6,262,444	—	—	6,262,444
Operations	7,400,010	—	—	7,400,010
Capital projects	2,198,212	—	—	2,198,212
Total program expenses	<u>18,408,871</u>	<u>0</u>	<u>0</u>	<u>18,408,871</u>
General administrative	1,737,039	—	—	1,737,039
Fundraising	2,904,193	—	—	2,904,193
Total expenses	<u>23,050,103</u>	<u>0</u>	<u>0</u>	<u>23,050,103</u>
Increase in net assets before other changes	<u>383,405</u>	<u>(489,314)</u>	<u>15,704,101</u>	<u>15,598,192</u>
OTHER CHANGES:				
Loss on investments, net of distributions	(139,824)	139,824	—	0
Total other changes	<u>(139,824)</u>	<u>139,824</u>	<u>0</u>	<u>0</u>
Change in net assets	243,581	(349,490)	15,704,101	15,598,192
Net assets at beginning of year	19,277,081	133,762,714	218,530,490	371,570,285
Net assets at end of year	<u>\$ 19,520,662</u>	<u>\$ 133,413,224</u>	<u>\$ 234,234,591</u>	<u>\$ 387,168,477</u>

See accompanying notes to basic financial statements.

**NOTE 1.
SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Organization

Clemson University is a State-supported, coeducational institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The University was established as an institution of higher education by Section 59-119-20 of the Code of Laws of South Carolina in accordance with the will of Thomas Green Clemson and the Act of Acceptance of the General Assembly of South Carolina. The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints some of their board members and budgets a significant portion of their funds.

The University is governed by a board of thirteen members, including six elected by the State Legislature and seven self-perpetuating life members. Accordingly, as such it administers, has jurisdiction over, and is responsible for the management of the University.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The University follows GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and clarifies reporting requirements for those organizations. Based on these criteria, the financial statements include the accounts of the University, as the primary government and the accounts of the following component units.

The Clemson Research Facilities Corporation (CRFC) is a separately chartered not-for-profit corporation established to construct research facilities for the University. CRFC is a fully blended component unit of the University. Although legally separate from the University, CRFC's activities are so intertwined with the University's that they are, in substance, the same as the primary entity. CRFC's activities are governed by its Board of Directors which is wholly comprised of University representatives. Its balances and transactions are blended with those of the University and reported as if they were balances and transactions of the University.

The Clemson University Foundation (CUF) is a separately chartered corporation organized exclusively to promote the development and welfare of Clemson University in its educational and scientific purposes. CUF's activities are governed by its Board of Directors. CUF is considered a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CUF is considered a nongovernmental component unit since it does not meet the definition of a governmental entity. None of the following characteristics of a governmental entity apply to CUF: a) Organization is a public corporation; b) Organization is a body corporate and politic; c) A controlling majority of the members of the organization are elected or appointed by governmental officials; d) There is potential for unilateral dissolution by a government with the net assets reverting to the government; and e) The organization has the power to enact and enforce a tax levy. Because CUF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements. Copies of the separately issued financial statements of the Clemson University Foundation can be obtained by sending a request to the following address: Clemson University Foundation, 110 Daniel Drive, Clemson, SC, 29634.

The Clemson University Research Foundation (CURF) is a separately chartered corporation established to solicit research grants and contracts, then contract the University to perform the research. CURF's activities are governed by its Board of Directors. CURF is considered a component unit, and is discretely presented in the financial statements, because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. Copies of the separately issued financial statements of the Clemson University Research Foundation can be obtained by sending a request to the following address: Clemson University Research Foundation, P.O. Box 946, Clemson, SC 29633.

Financial Statement Presentation

The financial statements of the University are presented in accordance with GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Government, Statement No. 35, Basic Financial Statements and Management's Discussion and

NOTES TO FINANCIAL STATEMENTS

Analysis for Public Colleges and Universities, and Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University, along with Clemson Research Facilities Corporation, its fully blended component unit, and the Clemson University Research Foundation, its discretely presented component unit, is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Clemson University Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification Topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to CUF's financial information in the University's financial reporting entity for these differences.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, the State of South Carolina has elected to apply only those Financial Accounting Standards Board ("FASB") pronouncements issued on or before November, 30, 1989, not in conflict with GASB standards.

The preparation of financial statements in conformity with accounting principles in the United States of America utilizes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The amounts shown in the financial statements in University funds as "cash and cash equivalents" represent petty cash, cash on deposit in banks, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool, cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts, and certain funds invested with Wells Fargo.

Most State agencies, including the University, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term

investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosures in Note 2.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value. Investments held by the pool are recorded at fair value. Interest earned by the University's special deposit accounts is posted to its account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the University's accumulated daily income receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year end based on the percentage of ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an internal maturity of three months or less at the time of acquisition. For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered to be cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Receivables

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of South Carolina. Accounts receivable are recorded net of estimated uncollectible amounts.

Grants and contracts receivable include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Also included are amounts due for Federal loan

NOTES TO FINANCIAL STATEMENTS

and scholarships programs and reimbursements for Federal land-grant expenditures.

Contributions receivable are accounted for at their estimated net realizable value. The estimated net realizable value comprehends the present value of long-term pledges and reductions for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified University programs and initiatives.

Amounts due from the Clemson University Foundation are pursuant to a Memorandum of Understanding between the University and that entity prompted by a 1999 change in the South Carolina Code of Laws that allowed state-supported universities to lend endowment balances to separately chartered not-for-profit entities whose existence is primarily providing financial assistance and other support to the institution and its educational programs. For additional information regarding this loan, see Note 3.

Student loans receivable consists of amounts due from the Federal Perkins Loan Program, and from other loans administered by the University.

Interest and income receivable consists of amounts due from the State Treasurer relating to holdings in the State's internal cash management pool and cash invested in various short-term investments by that agency.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market. Items accounted for as University inventories using the moving weighted average method include: maintenance supplies, housing supplies, janitorial and auto supplies, printing and graphic supplies, office supplies, computer parts and accessories, telecommunications supplies and medical supplies.

Noncurrent Cash and Investments

Noncurrent cash and investments primarily consist of permanently endowed funds and federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and depreciable land improvements, buildings and improvements, and intangible assets, including internally developed software, costing in excess of \$100,000. Routine repairs and maintenance and library materials, except

individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 40 years for buildings and improvements and land improvements and 6 to 20 years for machinery, equipment, and vehicles. Internally developed software is depreciated using the straight-line method over a three year period. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits

Deposits represent pooled fringe benefits over-recoveries, football-related guarantees and conference settlement amounts, and various student-related amounts including: dormitory room deposits, security deposits for possible room damage and key loss, other deposits, and student fee refunds. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Funds Held for Others

Current balances in Funds Held for Others result primarily from the University acting as an agent, or fiduciary, for another entity. These include amounts due to other entities and amounts due for various study abroad programs. Current balances also include negotiated termination settlement amounts due in the next fiscal year for a former athletics coach. Noncurrent balances represent the Federal liability for the Perkins Loan Program and athletics-related termination settlement amounts due in future fiscal years.

Prepaid Expenses

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of prepaid insurance, prepaid postage, prepaid airline tickets, and advance payments for maintenance and service agreements.

Internal Service and Auxiliary Enterprise Activities

Both revenue and expenses relating to internal service (including information technology costs) and auxiliary enterprise activities including print shop, office equipment, maintenance, transportation services, telecommunications, institutional computing, bookstores, and cafeterias have been eliminated.

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments net change in the liability is recorded in the current year in the applicable functional expenditure categories.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets

The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets - Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Assets - Expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

Income Taxes

The University is a political subdivision of the State of South Carolina and is consequently exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Internal Revenue Service has determined that both the Clemson University Foundation and the Clemson University Research Foundation qualify as exempt organizations under Internal Revenue Code Section 501(c)(3) and as such are exempt from taxation on related income.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional loans. Operating expenses include all expense transactions incurred other than those related to investing, capital or noncapital financing activities.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income. Nonoperating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and refunds to grantors.

NOTES TO FINANCIAL STATEMENTS

Educational Activities Revenue

Revenues from sales and services of educational activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from various activities related to the University’s agricultural public service mission, including pesticide registration and licensing fees, livestock, poultry and health test fees, extension service fees, forest product sales, and youth camp fees. These unrestricted revenues are collectively labeled “Sales and Services of Educational Departments”.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

NOTE 2.

CASH AND CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain monies are deposited or invested with or managed by financial institutions and brokers.

The following schedule reconciles deposits and investments within the footnotes to the balance sheet amounts:

Reconciliation of Deposits and Investments			
<u>Statement of Net Assets</u>		<u>Footnotes</u>	
Cash and cash equivalents:		Cash on hand	\$ 494,626
Current - unrestricted	\$ 215,304,821	Deposits held by State Treasurer	436,124,145
Current - restricted	187,807,580	Other deposits	131,001
Noncurrent - restricted	33,637,371	Investments held by State Treasurer	154,439
Investments	<u>2,363,254</u>	Other investments	<u>2,208,815</u>
Total	<u>\$ 439,113,026</u>	Total	<u>\$ 439,113,026</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. For the fiscal year ending June 30, 2012, \$12,161,017 of the \$436,124,145 identified above as “Deposits held by State Treasurer” is attributable to unrealized appreciation.

Other Deposits

The University's other deposits at year-end were entirely covered by federal depository insurance or collateral held by custodial banks.

Investments Held by State Treasurer

Investments held by State Treasurer comprise investments held for the University and the State of South Carolina which are legally restricted, and earnings thereon become revenue of the specific fund from which the investment was made. These investments are specific, identifiable investment securities. Investments consist of Agricultural College stock with a carrying amount of \$95,900 and Perpetual stock with a carrying amount of \$58,539 held by the State Treasurer as Trustee in Perpetuity on which they are required to pay the University six percent per year. Since there is no readily determinable fair value for these investments, they have been assigned a fair value equal to their historical cost value.

Other Investments

The University also has investments in mutual funds as authorized by a single donor. The mutual funds with a fair value of \$2,208,815 are held and invested by Wells Fargo, as trustee in accordance with the endowment agreement specified by the donor.

NOTES TO FINANCIAL STATEMENTS

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

"Other Investments" are stated at fair value and include unrealized appreciation of \$1,048,680. Purchases and sales are accounted for on the trade date. Both unrealized and realized gains and losses on investments have been recorded. Earnings are recorded on an accrual basis.

Other investments as of June 30, 2012 were as follows:

Other Investments	Effective Fair Value	Maturity (Years)	Credit Rating
Domestic bond fund	\$ 362,233	6.3	N/A
International bond fund	183,683	7.8	N/A
Equity funds	<u>1,662,899</u>	N/A	N/A
Total other investments	<u>\$ 2,208,815</u>		

NOTE 3. RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2012, were as follows:

University Receivables	Current	Noncurrent	Total
Accounts receivable	\$ 18,607,781	\$ —	\$ 18,607,781
Grants and contracts receivable	19,360,587	—	19,360,587
Notes receivable	—	137,085,667	137,085,667
Contributions receivable, net	1,837,138	2,445,628	4,282,766
Interest and income receivable	1,963,604	—	1,963,604
Student loans receivable	<u>65,872</u>	<u>8,276,169</u>	<u>8,342,041</u>
Total university receivables	<u>\$ 41,834,982</u>	<u>\$ 147,807,464</u>	<u>\$ 189,642,446</u>

Accounts receivable are reported net of allowances for doubtful accounts of \$661,616 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$575,000, parking services allowances of \$81,616 and telecommunications allowances of \$5,000 comprise this amount. Contributions receivable are reported net of allowances for current uncollectible pledges of \$492,448 and allowances for noncurrent uncollectible pledges of \$609,327.

Accounts receivable for the year ended June 30, 2012, were comprised of the following balances:

Accounts Receivable	
State capital appropriations	\$ 6,040,507
Auxiliaries	4,476,256
Students/scholarships	3,614,082
State bond proceeds	1,768,435
Federal funding for capital projects	1,007,966
Educational programs	600,624
Fees	366,768
Camps	353,948
Other	<u>379,195</u>
Total accounts receivable	<u>\$ 18,607,781</u>

NOTES TO FINANCIAL STATEMENTS

Grants and contracts receivable are comprised of amounts due for sponsored research projects, federal land-grant appropriations, and federal scholarship programs. Grants and contract receivable for the year ended June 30, 2012, were comprised of the following balances:

Grants and Contracts Receivable					
	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Nongovernmental</u>	<u>Total</u>
Sponsored research	\$ 13,891,719	\$ 647,512	\$ 123,270	\$ 1,831,605	\$ 16,494,106
Land-grant appropriations	2,531,310	—	—	—	2,531,310
Scholarship programs	335,171	—	—	—	335,171
Total grants and contracts receivable	\$ 16,758,200	\$ 647,512	\$ 123,270	\$ 1,831,605	\$ 19,360,587

Contributions receivable are comprised of pledges for gifts to support specifically identified University programs and to provide athletic scholarships. Contributions receivable are accounted for at their estimated net realizable value, or the present value of long-term pledges and reductions for allowances for uncollectible pledges. Pledges vary from one to ten years.

Contributions Receivable			
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
University programs	\$ 1,350,674	\$ 2,393,895	\$ 3,744,569
Athletic scholarships	486,464	51,733	538,197
Total contributions receivable	\$ 1,837,138	\$ 2,445,628	\$ 4,282,766

Part II, Section 9 of the 1998-99 State Appropriations Act amended the South Carolina Code of Laws by adding Section 59-101-410. This amendment allowed the governing boards of state-supported universities to lend their endowment and auxiliary enterprise funds on deposit with the State Treasurer’s Office to separately chartered not-for-profit legal entities whose existence is primarily providing financial assistance and other support to the institution and its educational program.

Accordingly, as of June 30, 2012, the University had notes receivable from the Clemson University Foundation, a related party, totaling \$137,085,667. This amount includes the original loan of \$35,358,188, additional amounts totaling \$67,561,127 loaned since the fiscal year 1999 original loan, plus related income and appreciation. Funds loaned to the Clemson University Foundation will be paid back to the University with interest at a rate equal to that which is necessary to produce a sum which is equal to the total return (consisting of appreciation and income), provided, however, such rate will not be less than zero. The Memorandum of Understanding between Clemson University and the Clemson University Foundation is for a ten year period. It is reviewed annually by both parties and may be extended automatically for an additional twelve month period unless either party provides written notice of objection to the extension, in which case, the Memorandum of Understanding will not automatically extend for an additional twelve month period. The above notwithstanding, either party may terminate the Memorandum of Understanding at any time without cause upon one hundred eighty days written notice to the other party.

With minor exceptions, losses for loans to students are not estimated or recorded in allowances for uncollectible accounts. At the time a loan is considered uncollectible it is charged to principal. Any account receivable written off is recognized in the period in which the receivable is considered uncollectible. Based on past experience, potential losses are not deemed material.

Interest and income receivable consists of amounts due from the State Treasurer relating to holdings in the State’s internal cash management pool and cash invested in various short-term investments by that agency.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is summarized as follows:

Capital Assets	Beginning Balance June 30, 2011	Increases	Decreases	Transfers	Ending Balance June 30, 2012
Capital assets not being depreciated:					
Land and improvements	\$ 32,133,383	\$ 1,115,000	\$ 545,698	\$ —	\$ 32,702,685
*Construction in progress	78,006,644	77,178,973	—	(59,488,902)	95,696,715
Total capital assets not being depreciated	110,140,027	78,293,973	545,698	(59,488,902)	128,399,400
Depreciable capital assets:					
Utilities systems and other non-structural improvements	44,160,283	1,518,934	—	—	45,679,217
Buildings and improvements	726,490,654	1,958,614	—	59,488,902	787,938,170
Computer software	2,679,986	—	—	—	2,679,986
Equipment	189,960,642	13,593,488	6,755,601	—	196,798,529
Vehicles	15,315,392	663,692	380,466	—	15,598,618
Total depreciable capital assets at historical cost	978,606,957	17,734,728	7,136,067	59,488,902	\$ 1,048,694,520
Less accumulated depreciation for:					
Utilities systems and other non-structural improvements	20,654,220	1,923,618	—	—	22,577,838
Buildings and improvements	277,146,373	19,039,770	—	—	296,186,143
Computer software	2,077,064	407,741	—	—	2,484,805
Equipment	143,554,621	15,680,788	5,057,942	—	154,177,467
Vehicles	5,488,169	110,616	368,731	—	5,230,054
Total accumulated depreciation	448,920,447	37,162,533	5,426,673	0	480,656,307
Depreciable capital assets, net	529,686,510	(19,427,805)	1,709,394	59,488,902	568,038,213
Capital assets, net	\$ 639,826,537	\$ 58,866,168	\$ 2,255,092	\$ 0	\$ 696,437,613

* Includes current fiscal year capitalized interest of \$2,218,599
NOTE: The University received \$636,491 in proceeds from the sale of capital assets.

NOTE 5. UNEARNED REVENUES, DEPOSITS AND FUNDS HELD FOR OTHERS

Unearned revenues consist primarily of athletic ticket sales and related fees and unearned student revenues for summer sessions and fall semester. These monies were collected in advance and were not earned at June 30, 2012.

Athletic sales and related event receipts include: advance sales of football tickets, executive box rental fees, and program advertising fees. Unearned student revenues consist mainly of student tuition and fees, room and board, and other fees related to the long summer and second summer sessions. Also included are admission fees for the fall semester and amounts received in advance for sponsored research programs.

Fees collected in advance for municipal services, contract credit courses, and various departmental accounts comprise the remaining balance of unearned revenues.

A summary listing of unearned revenue follows:

Unearned Revenues	
Athletic event receipts - fall semester	\$ 14,710,065
Sponsored research programs	6,230,894
Academic and other fees -	
second summer semester	7,884,831
Educational programs	1,775,273
Admission fees - fall semester	771,735
Other	282,568
Public service program	218,048
Other auxiliary fees - second summer session	9,008
Total unearned revenues	\$ 31,882,422

Deposits consist of both current and noncurrent components. Pooled fringe benefits over-recoveries represent the largest current deposit balance and the entire noncurrent deposit balance. The University submits a pooled fringe benefit rate proposal to its cognizant agency, the U.S. Department of Health & Human Services (HHS), two years in advance of actual charges. HHS has approved the University's pooled

NOTES TO FINANCIAL STATEMENTS

fringe benefit rates through the fiscal year ending June 30, 2013. Actual under-recovery or over-recovery of costs are reflected in future rate proposals and approvals. Beginning with the fiscal year ending June 30, 2011, the University changed its method of accounting to record these under-recoveries and over-recoveries as assets and/or liabilities to be adjusted each fiscal year end based on actual expenditures. The \$5,282,419 balance in current deposits represents over-recoveries for the fiscal year ending June 30, 2011, and will be absorbed/adjusted through the pooled fringe rate established for the fiscal year ending June 30, 2013. The \$2,799,834 balance in noncurrent deposits represents over-recoveries for the fiscal year ending June 30, 2012, and will be absorbed/adjusted through the pooled fringe rate established for the fiscal year ending June 30, 2014. Other current deposits are comprised of: football game guarantees and amounts due to the Atlantic Coast Conference, student campus card balances, funds held on deposit for concert promoters, and miscellaneous departmental amounts.

Deposits	Current	Noncurrent
Pooled fringe benefits over-recoveries	\$ 5,282,419	\$ 2,799,834
Football guarantees/conference settlement	1,600,988	—
Student campus card balances	323,766	—
Miscellaneous departmental	300,439	—
Total deposits	\$ 7,507,612	\$ 2,799,834

Funds held for others consist of both current and noncurrent components. Negotiated termination settlement amounts due in the next fiscal year to a former athletic coach comprise \$599,654 of the current amount. The balance of current funds held for others is comprised of agency funds held in trust for others.

The federal Perkins loan liability balance represents the largest component of noncurrent funds held for others. Negotiated termination settlement amounts due in future fiscal years to a former athletic coach represent the balance in noncurrent funds held for others.

Funds Held for Others	Current	Noncurrent
Federal Perkins Loans	\$ —	\$ 7,533,267
Coach's termination settlement	599,654	895,856
Amounts held in trust	427,318	—
Total funds held for others	\$ 1,026,972	\$ 8,429,123

NOTES TO FINANCIAL STATEMENTS

**NOTE 6.
BONDS PAYABLE AND NOTES PAYABLE**

Bonds Payable

At June 30, 2012, bonds payable consisted of the following:

BONDS PAYABLE					
	Original Debt	Interest Rate (outstanding)	Maturity Dates	June 30, 2012 Balance	Debt Retired in Fiscal Year 2012
General Obligation Bonds					
Bonds dated 7/01/02 (Series 2002B)	\$ 22,165,000	0.00%	6/1/2012	\$ —	\$ 15,305,000
Bonds dated 3/01/03 (Series 2003B)	12,000,000	0.00%	6/1/2012	—	5,815,000
Bonds dated 12/01/03 (Series 2003F)	11,000,000	3.50%	6/1/2013	525,000	5,550,000
Bonds dated 4/01/07 (Series 2007B)	14,000,000	2.50-4.50%	6/1/2021	9,245,000	800,000
Bonds dated 3/01/11 (Series 2011B)	62,370,000	2.25-5.00%	3/1/2031	62,170,000	200,000
Bonds dated 5/1/12 (Series 2012C)	21,135,000	4.00-5.00%	4/1/2018	21,135,000	—
				<u>93,075,000</u>	
Revenue Bonds					
Bonds dated 1/01/98 (Series 1998A)	30,135,000	0.00%	5/1/2012	—	1,930,000
Bonds dated 8/01/03 (Series 2003)	27,290,000	4.00%	5/1/2013	1,235,000	21,535,000
Bonds dated 12/1/05 (Series 2005)	22,130,000	4.00-5.00%	5/1/2020	15,470,000	1,920,000
Bonds dated 2/1/12 (Series 2012)	21,200,000	2.00%	5/1/2018	20,915,000	285,000
				<u>37,620,000</u>	
Athletic Facilities Revenue Bonds					
Bonds dated 6/01/01 (Series 2001)	20,985,000	0.00%	5/1/2012	—	8,885,000
Bonds dated 6/01/03 (Series 2003)	7,000,000	3.10%	5/1/2023	20,000	6,940,000
Bonds dated 12/1/05 (Series 2005)	15,000,000	4.00-6.00%	5/1/2025	14,000,000	200,000
Bonds dated 2/1/12 (Series 2012)	12,335,000	2.00-3.00%	5/1/2023	11,580,000	755,000
				<u>25,600,000</u>	
Subtotal bonds payable				156,295,000	70,120,000
Plus unamortized bond premium				8,077,646	932,423
Less unamortized bond deferred losses				(2,792,009)	(411,397)
Less unamortized bond issue costs				(899,050)	(103,887)
Total Bonds Payable				<u>\$ 160,681,587</u>	<u>\$ 70,537,139</u>

Bonds issued by the University include certain restrictive covenants. General Obligation Bonds of the State are backed by the full faith, credit and taxing power of the State. Tuition and matriculation fees paid to the University are pledged for the payment of principal and interest on these bonds. Auxiliary Revenue Bonds are payable solely from and secured by a pledge of revenues of the University's housing facilities, bookstores, dining services, parking and vending, and from additional funds from the academic "University" fee imposed by the Board of Trustees. Athletic Facilities Revenue Bonds are payable solely from the net revenues of the University's Athletic Department and the gross receipts from the imposition of any admissions fee and any special student fee.

The University purchased a bond insurance policy payable to the bond trustee for the Revenue Bonds, Series 2003 and Series 2005; and the Athletic Facilities Revenue Bonds, Series 2001, 2003 and 2005. In addition, a surety bond was purchased for the Athletic Facilities Revenue Bonds, Series 2001, 2003 and 2005. The insurance guarantees payment of principal and interest until all debt has been retired.

Tuition fees for the fiscal year ended June 30, 2011 were \$21,028,382 which results in a legal annual debt service limit

at June 30, 2012 of \$18,925,544. This amount is equal to 90% of tuition fees collected for the prior fiscal year.

The Series 2001 Athletic Facilities Revenue Bonds maturing prior to May 1, 2012 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2011 at the option of the University, on or after May 1, 2012, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2011 through April 30, 2012 at 101 percent and May 1, 2012 and thereafter at 100 percent. These bonds were paid in full as of June 30, 2012 (see Series 2012 Athletic Facilities Refunding Revenue bonds).

The Series 2002B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1, 2013 and thereafter at 100 percent. These bonds were paid in full as of June 30, 2012 (see Series 2012C General Obligation State

NOTES TO FINANCIAL STATEMENTS

Institution Refunding bonds).

The Series 2003B General Obligation Bonds maturing on and after June 1, 2013, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on or after June 1, 2012, at the redemption prices expressed as a percentage of the principal amount to be redeemed at the following redemption prices: June 1, 2012 through May 31, 2013 at 101 percent and June 1, 2013 and thereafter at 100 percent. These bonds were paid in full as of June 30, 2012 (see Series 2012C General Obligation State Institution Refunding bonds).

The Series 2003 Athletic Facilities Revenue Bonds maturing prior to May 1, 2014 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2014 at the option of the Board of Trustees, on or after May 1, 2013, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2013 through April 30, 2014 at 101 percent and May 1, 2014 and thereafter at 100 percent (see Series 2012 Athletic Facilities Refunding Revenue bonds).

The Series 2003F General Obligation Bonds maturing on and after June 1, 2014, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on and after June 1, 2013, at the redemption price of par plus accrued interest to the date fixed for redemption (see Series 2012C General Obligation State Institution Refunding bonds).

The Series 2003 Revenue Bonds maturing prior to May 1, 2014 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2014 at the option of the Board of Trustees on or after May 1, 2013, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption, plus the following redemption premium: May 1, 2013 through April 30, 2014 at 101 percent and May 1, 2014 and thereafter at 100 percent (see Series 2012 Refunding Revenue bonds).

The Series 2005 Improvement and Refunding Revenue Bonds maturing prior to May 1, 2017, shall not be subject to redemption prior to their stated maturities. The Series 2005 Bonds maturing on or after May 1, 2017, shall be subject to redemption at the option of the Board of Trustees, on or after May 1, 2016, in whole or part at any time, and if in part, in those maturities designated by the University and by lot within a maturity (but only in integral multiples of \$5,000) upon 30 days notice at the par amount of the principal to be redeemed, plus accrued interest thereon.

The Series 2005 Athletic Facilities Revenue Bonds maturing prior to May 1, 2017 shall not be subject to redemption; however, they shall be subject to redemption prior to maturity on or after May 1, 2017 at the option of the University, on or after May 1, 2016, in whole or in part for the principal amount thereof and the interest accrued on such principal amount to the date fixed for redemption.

The Series 2007B General Obligation Bonds maturing on

and after June 1, 2018, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on and after June 1, 2017, at par plus accrued interest to the date fixed for redemption.

The Series 2011B General Obligation State Institution Bonds maturing on and after March 1, 2022, are subject to redemption, in whole or in part, at any time in any order of maturity to be determined by the State, on and after March 1, 2021 at par plus accrued interest to the date fixed for redemption.

During the fiscal year ending June 30, 2012, the University issued Refunding Revenue Bonds, Series 2012, in the amount of \$21,200,000 and Athletic Facilities Refunding Revenue Bonds, Series 2012, in the amount of \$12,335,000.

The Series 2012 Refunding Revenue Bonds were issued to (i) effect an advanced refunding of the outstanding maturities of the \$27,290,000 original principal amount Revenue Bonds, Series 2003 maturing on and after May 1, 2014 and (ii) pay costs of issuance of the Series 2012 Bonds. The Series 2012 Bonds are not subject to redemption prior to maturity. The Series 2012 Bonds are payable from and secured by a pledge on net certain auxiliary net revenues and from designated University fees. In February 2012, \$22,014,553 of net proceeds were used to purchase United States government securities to partially refund the Series 2003 Bonds. This advanced refunding resulted in a difference of \$1,664,553 between the reacquisition price and the carrying amount of the Series 2003 Bonds, including a redemption premium of \$203,500. This amount, plus unamortized bond issue costs of \$21,499, less unamortized premium of \$275,610 resulted in a deferred loss of \$1,410,442 that is being amortized over the remaining term of the Series 2003 Revenue Bonds using the straight-line method. The bonds were advance refunded to reduce total debt service over the next seven years by \$2,342,749 and to obtain an economic gain of \$2,268,320. The \$1,038,122 bond premium associated with this issuance is being amortized over the seven year life of the bonds using the straight line method.

The Series 2012 Athletic Facilities Refunding Revenue Bonds were issued to (i) effect a current refunding of the outstanding maturities of the \$20,985,000 original principal amount Athletic Facilities Revenue Bonds, Series 2001, (ii) effect an advanced refunding of the outstanding maturities of the \$7,000,000 original principal amount Athletic Facilities Revenue Bonds, Series 2003, maturing on and after May 1, 2014; and (iii) pay costs of issuance of the Series 2012 Bonds. The Series 2012 Bonds are not subject to optional redemption prior to maturity. The Series 2012 Bonds are payable from and secured by a pledge on net certain auxiliary net revenues and from designated University fees. In February 2012, \$5,993,799 of the net proceeds, plus \$2,292,554 in available debt service reserve funds, plus \$804,037 in available debt service funds were used to purchase United States government securities to refund the Series 2001 Bonds. This current refunding resulted in a difference of \$205,390 between the reacquisition price and the carrying amount of the Series 2001 Bonds, including a redemption premium of \$88,850.

NOTES TO FINANCIAL STATEMENTS

This amount, plus unamortized bond issue costs of \$56,502, resulted in a deferred loss of \$261,892 that is being amortized over the remaining term of the Series 2001 Bonds using the straight-line method. In February 2012, \$6,649,802 of the net proceeds, plus \$760,896 in available debt service reserve funds were used to purchase United States government securities to partially refund the Series 2003 Bonds. This advanced refunding resulted in a difference of \$490,699 between the reacquisition price and the carrying amount of the Series 2003 Bonds, including a redemption premium of \$69,200. This amount, plus unamortized bond issue costs of \$56,576, resulted in a deferred loss of \$547,275 that is being amortized over the remaining term of the Series 2003 Revenue Bonds using the straight-line method. The bonds were refunded to reduce total debt service over the next twelve years by \$4,777,421 and to obtain an economic gain of \$1,424,314. The \$456,810 bond premium associated with this issuance is being amortized over the twelve year life of the bonds using the straight line method.

During the fiscal year ending June 30, 2012, the State of South Carolina issued on behalf of the University, General Obligation State Institution Refunding Bonds, Series 2012C, in the amount of \$21,135,000. The Series 2012C General Obligation State Institution Refunding Bonds were issued to (i) effect an advanced refunding of the outstanding maturities of the \$22,165,000 original principal amount General Obligation State Institution Bonds, Series 2002B, maturing on and after June 1, 2013 (ii) effect an advanced refunding of the outstanding maturities of the \$12,000,000 original principal amount General Obligation State Institution Bonds, Series 2003B, maturing on and after June 1, 2013; (iii) effect an advanced refunding of the outstanding maturities of the \$11,000,000 original principal amount General Obligation State Institution Bonds, Series 2003F, maturing on and after June 1, 2014; and (iv) pay costs of issuance of the Series

2012C Bonds. The Series 2012C Bonds are not subject to optional redemption prior to maturity. The Series 2012C General Obligation Bonds are secured by a pledge of the full faith, credit, and taxing power of the State and are additionally secured by a pledge of the revenues derived from the tuition fees of the University. In May 2012, \$18,483,402 of the net proceeds were used to purchase United States government securities to partially refund the Series 2002B and Series 2003B Bonds. This advanced refunding resulted in a difference of \$543,402 between the reacquisition price and the carrying amount of the Series 2002B and 2003B Bonds, including a redemption premium of \$179,400. This amount, plus unamortized bond issue costs of \$16,202, resulted in a deferred loss of \$559,604 that is being amortized over the remaining term of the Series 2002B and Series 2003B Bonds using the straight-line method. In May 2012, \$5,342,192 of the net proceeds were used to purchase United States government securities to partially refund the Series 2003F Bonds. This advanced refunding resulted in a difference of \$302,192 between the reacquisition price and the carrying amount of the Series 2003 Bonds. This amount, plus unamortized bond issue costs of \$10,081, resulted in a deferred loss of \$312,273 that is being amortized over the remaining term of the Series 2003F Bonds using the straight-line method. The bonds were refunded to reduce total debt service over the next seven years by \$2,124,198 and to obtain an economic gain of \$2,003,590. The \$2,836,536 bond premium associated with this issuance is being amortized over the six year life of the bonds using the straight line method.

All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the Revenue and Athletic Facilities Revenue bond obligations as of June 30, 2012, are as follows:

Revenue Bonds			
	Principal	Interest	Total
Year Ending June 30			
2013	\$ 5,270,000	\$ 1,217,112	\$ 6,487,112
2014	5,765,000	965,962	6,730,962
2015	6,010,000	723,613	6,733,613
2016	6,260,000	470,063	6,730,063
2017	6,395,000	336,063	6,731,063
2018 through 2020	7,920,000	287,887	8,207,887
Total Revenue Bonds	\$ 37,620,000	\$ 4,000,700	\$ 41,620,700

NOTES TO FINANCIAL STATEMENTS

Athletic Facilities Revenue Bonds

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,450,000	\$ 879,320	\$ 2,329,320
2014	1,470,000	846,100	2,316,100
2015	1,515,000	812,700	2,327,700
2016	1,555,000	778,400	2,333,400
2017	1,860,000	743,300	2,603,300
2018 through 2022	10,300,000	2,648,362	12,948,362
2023 through 2025	7,450,000	660,894	8,110,894
Total Athletic Facilities Revenue Bonds	\$ <u>25,600,000</u>	\$ <u>7,369,076</u>	\$ <u>32,969,076</u>

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2012, are as follows:

General Obligation Bonds

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,655,000	\$ 4,279,029	\$ 8,934,029
2014	4,680,000	4,175,950	8,855,950
2015	4,870,000	3,986,350	8,856,350
2016	5,100,000	3,751,475	8,851,475
2017	5,350,000	3,506,825	8,856,825
2018 through 2022	24,175,000	14,164,150	38,339,150
2023 through 2027	24,245,000	8,242,750	32,487,750
2028 through 2031	20,000,000	2,475,000	22,475,000
Total General Obligation Bonds	\$ <u>93,075,000</u>	\$ <u>44,581,529</u>	\$ <u>137,656,529</u>

The University reported net principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2012:

Net Principal Retirements and Interest Expenses

<u>Bond Type</u>	<u>Net Principal</u>	<u>Interest</u>
General obligation bonds	\$ 4,690,000	\$ 3,438,207
Revenue bonds	5,320,000	1,967,849
Athletic facilities revenue bonds	975,000	1,053,662
Total Net Principal Retirements and Interest Expenses	\$ <u>10,985,000</u>	\$ <u>6,459,718</u>

NOTES TO FINANCIAL STATEMENTS

Notes Payable

At June 30, 2012, notes payable consisted of the following:

Notes Payable	<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>
SC Energy Office Note dated 7/1/03	1.00%	7/1/2013	\$ 101,862
Banc of America Leasing Note dated 7/18/05	5.42%	7/18/2012	176,710
SC Energy Office Note dated 8/19/09	0.00%	9/1/2013	196,841
Total Notes Payable			<u><u>\$ 475,413</u></u>

Future payments on the note payables are to be funded from future operating revenues and energy savings.

The aggregate debt service payments due on the notes payable at June 30, 2012 are as follows:

Debt Service - Notes Payable	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30			
2013	\$ 325,807	\$ 5,816	\$ 331,623
2014	<u>149,606</u>	<u>514</u>	<u>150,120</u>
Total Debt Service - Notes Payable	<u><u>\$ 475,413</u></u>	<u><u>\$ 6,330</u></u>	<u><u>\$ 481,743</u></u>

Total principal paid on notes payable was \$488,137 for the year ended June 30, 2012. Total interest expense for notes payable was \$24,988.

NOTE 7 LEASE OBLIGATIONS

The University is obligated under various operating leases for the use of real property (land, buildings, office space) and equipment. All operating leases are with parties outside state government. As of June 30, 2012, the University had no capital lease commitments.

Future commitments for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2012, were as follows:

Operating Lease Commitments	<u>Operating Leases</u>
Year Ending June 30:	
2013	\$ 1,308,399
2014	1,021,514
2015	926,263
2016	925,824
2017	770,384
2018-2020	<u>2,008,972</u>
Total Operating Lease Commitments	<u><u>\$ 6,961,356</u></u>

Operating Leases

The University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2012 through 2020. Certain operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. All agreements are cancelable if the State of South Carolina does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis.

In 1996, the University entered into a real property operating lease with the Clemson University Research Foundation (CURF), a component unit, for office space. The current lease extends through February 2013. Under this agreement, the University paid CURF \$117,848 in the current year.

In December 2009, the University entered into a real property operating lease with CURF for Clemson-at-the-Falls. This facility, located in Greenville, South Carolina, is used by the University's MBA program. The current lease extends through December 2019. Under this agreement, the University is obligated to pay CURF \$674,438 per year through June 30, 2017 (and escalated amounts in the last two-and-one-half years of the lease). The University paid CURF \$674,438 in the current year.

In December 2010, the University entered into a real property operating lease with CURF for space in the Bruce Plastic Building located in Anderson, SC. Under this agreement, Clemson pays CURF lease and building operating expenses, based upon occupancy. The University paid CURF \$126,563 in the current fiscal year.

Beginning this fiscal year, the University's Computing and Information Technology division entered into a real property operating lease with the Clemson University Real Estate Foundation (CUREF), a related organization, for space in the building located at 3 Research Drive, Greenville, SC, at the Clemson University Center for Automotive Research (CU-ICAR) Campus. This agreement extends through September 2016. Under this agreement, the University paid CUREF \$74,419 in the current fiscal year.

In January 2012, Clemson University entered into a real property operating lease with CUREF for space located in the building at 3 Research Drive, Greenville, SC, at the CU-ICAR Campus. This agreement to establish a component testing laboratory extends through February 2017. Under this lease, the University paid CUREF \$29,807 in the current fiscal year.

In September 2011, the University entered into an agreement with CUREF, for space in the building located at 3 Research Drive, Greenville, SC, at the CU-ICAR Campus. This agreement is on a month-to-month basis and extends indefinitely. Under this lease, the University paid \$9,000 in the current fiscal year.

In the current fiscal year, Clemson University incurred expenses of \$741,286 for office copier contingent rentals on a cost-per-copy basis.

**NOTE 8.
RETIREMENT PLANS**

The Retirement Division of the State Budget and Control Board maintains five independent defined benefit plans and one defined contribution program. The Retirement Division issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, P.O. Box 11960, Columbia, South Carolina 29211-1960 or reference the SC Retirement System website under publications. Furthermore, the Division and the five pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, incidental death benefit to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 with at least 5 years of earned service or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation (12 highest consecutive quarters of earnable compensation divided by 3) multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years earned service (five years earned effective January 1, 2001) and qualify for a survivor's benefit upon completion of 15 years credited service. Effective January 1, 2001, disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years earned service (this requirement does not apply if the disability is the result of a job-related injury). A taxable incidental death benefit equal to an employee's annual base rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Participants are considered retired during the TERI period, they do make SCRS contributions, do not earn service credit, and are eligible to receive incidental death benefit, but not

NOTES TO FINANCIAL STATEMENTS

eligible for disability retirement benefits.

From July 1, 1988 – June 30, 2005, employees participating in the SCRS were required to contribute 6 percent of eligible compensation and effective July 1, 2005, 6.25 percent. Effective July 1, 2006, the employee contribution rate increased to 6.50 percent of eligible compensation. Effective July 1, 2011, the employer contribution rate was 13.84 percent, which includes a 4.30 percent surcharge to fund retiree health and dental insurance coverage and .15 percent for incidental death. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2012, 2011, and 2010 were approximately \$14,448,591, \$14,361,613, and \$14,729,084 respectively and equaled the required contributions of 9.39 percent for fiscal year 2012 (excluding the surcharge) and 9.24 percent (excluding the surcharge) for fiscal year(s) 2010 and 2011. Also, the University paid employer group-life insurance contributions of approximately \$230,931 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited service prior to age 55 can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the incidental death benefit for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2011, the employer contribution rate became 16.06 percent which, as for the SCRS, included a 4.30 percent surcharge, .20 percent for incidental death and .20 percent for accidental death. The University's actual contributions to the PORS for the years ending June 30, 2012, 2011, and 2010 were approximately \$265,973, \$238,980, and \$234,049 respectively, and equaled the required contributions of 11.36 percent (excluding the surcharge, incidental death and

accidental death) for 2012 fiscal year. Also, the University paid employer group-life insurance contributions of \$4,681 and accidental death insurance contributions of \$4,681 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

The amounts paid by the University for pension, incidental death benefits, and accidental death benefits are reported as employer contributions expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates to SCRS (and PORS) are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the University's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is available to all employees who meet eligibility requirements for membership in the SCRS. Election into either SCRS or ORP must be made within their first thirty (30) days of employment. A State ORP participant may irrevocably elect to join the SCRS during any open enrollment period (January 1 – March 31) after the first annual anniversary but before the fifth annual anniversary of the person's initial enrollment period in the State ORP. The State ORP participant shall become a member of the SCRS effective on the first of April following the participant's election to join the SCRS.

NOTES TO FINANCIAL STATEMENTS

An employee who exercises an option to not participate in the South Carolina Retirement Systems is not eligible to participate in the State Optional Retirement Program, unless a break in service occurs.

All eligible employees shall elect either to join the South Carolina Retirement System or to participate in the State "ORP" within thirty days after entry into service. If an eligible employee fails to make the initial election within the required time, the employee is considered to have elected membership in the South Carolina Retirement System. An election made pursuant to this section must be made in writing and filed with the retirement system and the appropriate officer of the employee's participating employer and is effective on the date of employment. A State ORP participant who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the State ORP for the second position if the second position is eligible to participate in the State ORP. Also, a member of the South Carolina Retirement System who accepts an additional concurrent position with an employer participating in the South Carolina Retirement System must enroll in the South Carolina Retirement System with respect to that position.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.39 percent plus the retiree surcharge of 4.30 percent and .15 percent for incidental death from the employer in fiscal year 2012.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year 2012, total contribution requirements to the ORP were approximately \$4,404,162 (excluding the surcharge) from the University as employer and \$6,538,818 from its employees as plan members. Employee contributions of 6.50 percent and 5.00 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

NOTE 9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides retiree health, dental, vision and disability insurance benefits to eligible retired State and school district employees and their eligible dependents. Clemson University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit post-employment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for non-funded health, dental and vision benefits if they are eligible to retire and have established at least five years of employment in a consecutive, full-time, permanent position with an employer that participates in the state insurance program; and for funded

health, dental and vision benefits if they are eligible to retire and have established at least ten years of earned retirement service credit with a participating insurance entity and the last five years of employment were served in a consecutive, full-time, permanent position.

For new hires May 2, 2008 and after, new provisions created by Act 195 of 2008 apply. Retirees with 25 years of earned Service Credit with EIP-participating employers are eligible for 100% funding of the employer's share of the premium. Retirees age 60 or older with 15 through 24 years of earned Service Credit with EIP-participating employers, are eligible for 50% funding of the employer's share of the premium. Retirees age 60 or older with five years, but fewer than 15 years of earned Service Credit with EIP-participating employers are eligible for non-funded retiree coverage; the retiree pays the employee and employer share. Benefits become effective the first of the month after the employee retires under a State retirement system or eligibility is met. Enrollment must be made within the EIP deadlines. Basic Life Insurance and Dependent Life coverage may be continued after retirement through conversion. Optional Life coverage may be continued after retirement through conversion or portability. Supplemental Long Term Disability may be continued under some circumstances. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees enrolled and approved for disability within the required guidelines.

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50%, 3.90% and 4.30% of annual covered payroll for 2010, 2011 and 2012, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. Clemson University paid approximately \$9,083,100, \$9,955,435 and \$11,039,467 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010, 2011 and 2012, respectively. Basic Long Term Disability (BLTD) benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal year ended June 30, 2010 and \$3.22 for the fiscal years ended June 30, 2011 and June 30, 2012.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding

NOTES TO FINANCIAL STATEMENTS

include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 300, Columbia, SC 29201.

NOTE 10. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. All Clemson University employees may participate in the deferred compensation plans, except those in student employment positions. Certain employees of the

University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k), 457 and 403(b) plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment if permitted by the plan. Eligibility rules and penalties may apply. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan. In accordance with IRS regulations effective January 1, 2009, Clemson University adopted a 403b plan document. Under the plan, loans and financial hardship distributions are permitted. Fifteen years of service catch-up contributions are not permitted.

NOTE 11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

Long-Term Liabilities					
	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Bonds payable, notes payable and capital lease obligations:					
General obligation bonds	\$ 99,610,000	\$ 21,135,000	\$ 27,670,000	\$ 93,075,000	\$ 4,655,000
Revenue bonds	42,090,000	21,200,000	25,670,000	37,620,000	5,270,000
Athletic facilities revenue bonds	30,045,000	12,335,000	16,780,000	25,600,000	1,450,000
Subtotal bonds payable	171,745,000	54,670,000	70,120,000	156,295,000	11,375,000
Unamortized revenue bond premium	4,954,211	4,331,468	1,208,033	8,077,646	932,423
Unamortized bond issue costs	(696,812)	(478,814)	(276,576)	(899,050)	(103,887)
Deferred amount on revenue bond refunding	—	(3,091,485)	(299,476)	(2,792,009)	(411,397)
Total bonds payable	176,002,399	55,431,169	70,751,981	160,681,587	11,792,139
Notes payable	963,551	—	488,138	475,413	325,807
Total bonds and notes payable	176,965,950	55,431,169	71,240,119	161,157,000	12,117,946
Other liabilities:					
Accrued compensated absences	21,799,000	15,172,171	14,018,171	22,953,000	15,202,019
Funds held for others	10,053,266	—	1,024,489	9,028,777	599,654
Arbitrage payable	39,484	—	39,484	—	—
Total other liabilities	31,891,750	15,172,171	15,082,144	31,981,777	15,801,673
Total long-term liabilities	\$ 208,857,700	\$ 70,603,340	\$ 86,322,263	\$ 193,138,777	\$ 27,919,619

Additional information regarding Bonds and Notes Payable is included in Note 6. The balance in the long-term liability account "Funds held for others" represents the Federal liability for the Perkins Loan program and separation settlements for athletic coaches.

**NOTE 12.
CONSTRUCTION COSTS AND COMMITMENTS**

Capitalized

The University has obtained or has plans to obtain the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable capital asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next 2 or 3 years at an estimated cost of \$227,430,077. The \$227,430,077 includes estimated costs of \$196,043,514 for capital projects currently in progress plus \$31,386,564 estimated costs for other capital projects already in service. Of the total estimated cost, \$110,858,174 was unexpended at June 30, 2012. Of the total expended through June 30, 2012, the University has capitalized substantially complete and in use projects in the amount of \$116,571,903. Of the unexpended balance, the University has remaining commitment balances of \$35,711,714 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2012 was \$1,337,068. Capital projects at June 30, 2012 which constitute construction in progress that are to be capitalized when completed are listed below.

Construction Costs and Commitments		
Project	Approximate Cost	Amount Expended
Athletic video upgrades	\$ 3,011,250	\$ 1,611,914
Banner Student ERP	25,596,734	6,679,365
Baruch temporary living quarters	400,000	50,008
Bio/Life Sciences Building	49,990,000	38,444,891
CU-ICAR component testing upfit	946,000	538,189
Dining Hall/Post Office	600,000	589,059
Douthit Hills development	1,852,000	17,077
Edisto peanut lab	300,000	38,157
Freeman Hall expansion	6,500,000	743,753
Indoor football practice facility	10,000,000	2,992,780
Littlejohn annex addition	274,320	199,148
Memorial stadium video board	275,000	25,758
Micro photonics clean room	950,000	73,571
North Charleston land and renovation	10,420,000	903,531
Pickens Bend new building	251,100	233,288
Soccer scoreboard installation	79,100	29,858
Starbucks at Edgars	750,000	30,076
Tiger band plaza	490,000	39,019
Watt innovation feasibility study	120,000	43,226
Wind turbine drive train test facility	83,142,780	42,330,230
Waste water treatment plant upgrade	95,230	83,817
Total Construction Costs and Commitments	\$ 196,043,514	\$ 95,696,715

The amount expended includes only capitalized project expenses and capitalized interest on construction debt for projects less than substantially complete and not in service at June 30, 2012. No noncapitalized expenditures are included in these totals.

Non-Capitalized

At June 30, 2012 the University had in progress other capital projects which will not be capitalized when complete. These projects are for replacements, repairs, and/or renovations to existing facilities. Estimated costs on these non-capitalized projects total \$68,604,583. This amount includes costs incurred to date of \$29,175,935 and estimated costs to complete of \$39,428,648. The University has remaining commitment balances with certain parties related to these projects of \$4,792,621. Retainages payable on the non-capitalized

projects as of June 30, 2012, was \$32,791. The University anticipates funding these projects out of current resources, current and future bond issues, state capital improvement bond proceeds, private gifts and student fees.

**NOTE 13.
RELATED PARTIES**

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program.

The activities of these entities are not included in the University's financial statements. However, the University's statements include transactions between the University and its related parties.

NOTES TO FINANCIAL STATEMENTS

In conjunction with GASB Statements No. 14 and No. 39, *Determining Whether Certain Organizations Are Component Units*, management annually reviews its relationships with the related parties described in this note. The University excluded these related parties from the reporting entity because it is not financially accountable for them.

Following is a more detailed discussion of each of these entities and a summary of significant transactions (if any) between these entities and Clemson University.

Clemson University Real Estate Foundation

The Clemson University Real Estate Foundation, Inc., is a separately chartered entity organized to hold, and invest acquired real estate property. The Real Estate Foundation's actions are governed by its Board of Directors. The University made \$113,226 in operating lease payments for office space and component testing laboratory space at the Center for Emerging Technologies located at the CU-ICAR Campus and owned by The Real Estate Foundation.

Clemson University Continuing Education and Conference Complex Corporation

The Clemson University Continuing Education and

Conference Complex Corporation (Finance Corporation), is a separately chartered corporation established in September, 1993, to construct, operate and manage the golf course and hotel components of the Clemson University Continuing Education and Conference Complex. The Finance Corporation's actions are governed by its Board of Directors. The Finance Corporation reimbursed the University \$146,852 for salaries for time devoted by University employees to the Finance Corporation.

Clemson Advancement Foundation for Design and Building

The Clemson Advancement Foundation for Design and Building (CAFDB) is a separately chartered eleemosynary corporation established to support and enrich the professional programs in the College of Architecture, Arts and Humanities. CAFDB's actions are governed by its Board of Trustees.

The University's financial statements reflect \$703,339 in expenses primarily to reimburse CAFDB for administrative, educational, and facilities expenses incurred at the Charles E. Daniel Center for Building Research and Urban Studies in Genoa, Italy, which is owned by CAFDB, and at the Barcelona facility, which is operated for the University by CAFDB.

NOTE 14. TRANSACTIONS WITH STATE ENTITIES

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Sections 9 and 35 of Part IA of the 2011-12 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2012:

State Appropriations	Educational and General	Public Service	Total
Original appropriation	\$ 58,900,258	\$ 27,666,828	\$ 86,567,086
Employer contributions health and dental insurance allocation	846,658	328,999	1,175,657
Proviso 90.18 - Nonrecurring state appropriations	—	250,000	250,000
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	28,514	—	28,514
For Clemson Agriculture Education Teachers - teacher recruitment	—	758,627	758,627
Total state appropriation revenues	\$ 59,775,430	\$ 29,004,454	\$ 88,779,884

The University received substantial funding from the Commission on Higher Education ("CHE") for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The University also receives State funds from various other State agencies for sponsored research and public service projects.

NOTES TO FINANCIAL STATEMENTS

Following is a summary of amounts received from State agencies for scholarships, sponsored research, capital and public service projects for the fiscal year ended June 30, 2012:

Other Amounts Recognized from State Agencies	Operating Revenues	Nonoperating Revenues	Capital and Endowment Proceeds	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	\$ 24,052,325	\$ —	\$ —	\$ 24,052,325
Palmetto Scholarships	18,909,055	—	—	18,909,055
Need-Based Grants	1,698,071	—	—	1,698,071
HOPE Scholarships	93,800	—	—	93,800
SC Experimental Programs to Stimulate Competitive Research Centers of Excellence	—	99,966	—	99,966
Centers of Excellence	—	112,500	—	112,500
Received from the Department of Education	132,517	—	—	132,517
Received from Department of Health and Environmental Control	297,847	—	—	297,847
Received from various other state agencies	1,248,238	—	—	1,248,238
Received from agencies outside South Carolina	436,485	—	—	436,485
State lottery funding for permanent endowments	—	—	2,650,000	2,650,000
Research infrastructure bond proceeds	—	—	3,254,789	3,254,789
Capital reserve fund proceeds	—	—	6,213,707	6,213,707
ARRA State Fiscal Stabilization Funds - University capital projects	—	—	3,693,120	3,693,120
Total other amounts recognized from State Agencies	\$ 46,868,338	\$ 212,466	\$ 15,811,616	\$ 62,892,420

The University provided no significant services free of charge to any State agency during the fiscal year; however, the University did provide computer services and information systems development for a fee to other State agencies during the fiscal year. Total fees received were \$18,894,439, comprised of \$6,512,889 in fees for computer services classified as other operating revenues, and \$12,381,550 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$17,480 in pesticide penalties and other fees to the State General Fund.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor's Office.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and

State Accident Fund. The amounts of 2012 expenditures applicable to related transactions with state entities are not readily available.

NOTE 15. RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded this coverage in any of the past three years. The University pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits.

State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

- (1) Claims of State employees for unemployment compensation benefits (Employment Security Commission);
- (2) Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);

NOTES TO FINANCIAL STATEMENTS

- (3) Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
- (4) Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following University assets, activities, and/or events:

- (1) Theft of, damage to, or destruction of assets;
- (2) Real property, its contents, and other equipment;
- (3) Motor vehicles, aircraft, and watercraft (inland marine);
- (4) Torts;
- (5) Business interruptions;
- (6) Natural disasters; and
- (7) Medical malpractice claims against covered infirmaries and employees.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially.

State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The University obtains coverage through commercial insurers for employee fidelity bond insurance. All employees are covered for \$500,000 for Commercial Crime. This coverage includes the following:

- (1) Blanket employee dishonesty;
- (2) Forgery/alterations;
- (3) Theft, disappearance of money and security; and
- (4) Computer fraud

In addition, the Chief Financial Officer is covered for \$250,000 under a specific public official bond. The Chief Financial Officer, Associate Comptroller for Related Organizations, Chief Executive Officer of the Clemson University Foundation and Treasurer of the Clemson University Foundation are each covered under a \$2,000,000 bond.

The University has recorded insurance premium expenses and expenses for deductibles in applicable functional expense categories.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, and policy limits for all coverage to a State or commercial insurer. The University has not reported an estimated claims loss expenditure, and the related liability at June 30, 2012, based on the requirements of GASB Statement's No. 10 and No. 30, which state that a liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2012, and the amount of the loss is reasonably estimable.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the University's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded at year-end. Therefore no loss accrual has been recorded.

NOTE 16. CONTINGENCIES AND LITIGATION

The University is involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University. Therefore, an estimated liability has not been recorded.

The various federal programs administered by the University for fiscal year 2012 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

The University has been notified of a legal action concerning land at the site of the Clemson University Restoration Institute (CURI) in North Charleston. This parcel of property is the subject of a pending condemnation action by the State of South Carolina, Department of Commerce. The authority to condemn has been challenged by the City of North Charleston and a legal action is pending to resolve the matter. The City of North Charleston, which deeded the property to the University, has also sought a return of the property. The Charleston County School District has also made claim to a portion of the property. The property remains in the possession of Clemson University. A tentative court date has been scheduled early in 2013.

NOTES TO FINANCIAL STATEMENTS

**NOTE 17.
OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2012 are summarized as follows:

Operating Expenses by Function						
	Compensation and Employee Benefits	Services and Supplies	Utilities	Depreciation	Scholarships and Fellowships	Total
Instruction	\$ 151,420,847	\$ 28,387,243	\$ 803,536	\$ —	\$ 534,699	\$ 181,146,325
Research	80,674,133	40,964,901	1,060,409	—	894,067	123,593,510
Public Service	38,128,453	18,144,151	1,601,454	—	15,702	57,889,760
Academic Support	25,733,046	10,304,514	677,591	—	—	36,715,151
Student Services	15,280,339	9,043,830	293,765	—	66,985	24,684,919
Institutional Support	22,073,518	6,511,157	340,168	—	—	28,924,843
Operation and Maintenance of Plant	11,572,972	28,670,363	7,261,433	—	—	47,504,768
Scholarships and Fellowships	319	72,327	—	—	19,430,181	19,502,827
Auxiliary Services	39,819,656	56,648,080	4,907,551	—	—	101,375,287
Depreciation	—	—	—	37,162,533	—	37,162,533
Total Operating Expenses by Function	<u>\$ 384,703,283</u>	<u>\$ 198,746,566</u>	<u>\$ 16,945,907</u>	<u>\$ 37,162,533</u>	<u>\$ 20,941,634</u>	<u>\$ 658,499,923</u>

**NOTE 18.
DONOR-RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expense the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

In accordance with the spending policy adopted by the Clemson University Board of Trustees in 1998, endowment-derived program expenses are based on the endowment carrying value from the previous year at a percentage set by the Board. For fiscal year 2012, this rate was 4.0%. At June 30, 2012, net appreciation gains of \$3,448,202 were recorded, and were reported in the Statement of Net Assets as restricted for expendable scholarships and fellowships.

**NOTE 19.
DETAILS OF RESTRICTED ASSETS**

The purposes and amounts of Restricted Assets are as follows:

Details of Restricted Assets	
Current:	
Cash and cash equivalents:	
As specified by sponsors/donors	\$ 57,066,068
University administered loans	206,592
Payment of maturing debt	8,042,256
Bond proceeds and other amounts restricted for capital projects	122,056,695
Funds held for others	435,969
	<u>\$ 187,807,580</u>
Noncurrent:	
Cash and cash equivalents:	
Endowments	\$ 32,733,935
Federal Perkins Loan Program	903,436
	<u>\$ 33,637,371</u>
Student Loans Receivable:	
Federal Perkins Loan Program	\$ 8,276,169

NOTES TO FINANCIAL STATEMENTS

NOTE 20. INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Clemson University's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. Following is information needed to present the University's business-type activities in the State's government-wide Statement of Activities.

Statement of Activities	2012	2011	Increase/ (Decrease)
Charges for services	\$ 511,442,592	\$ 487,256,198	\$ 24,186,394
Operating grants and contributions	105,509,188	138,426,989	(32,917,801)
Capital grants and contributions	28,349,619	38,375,779	(10,026,160)
Less: expenses	<u>(666,298,739)</u>	<u>(647,246,007)</u>	<u>(19,052,732)</u>
Net program revenue (expense)	<u>(20,997,340)</u>	<u>16,812,959</u>	<u>(37,810,299)</u>
General revenues:			
Contributions to permanent endowments	4,258,940	2,765,526	1,493,414
Transfers:			
State appropriations	88,779,884	91,917,068	(3,137,184)
State capital appropriations	6,213,707	72,120	6,141,587
Research infrastructure bond proceeds	3,254,789	6,571,535	(3,316,746)
Less: transfers out to state agencies/funds	<u>(385,929)</u>	<u>(450,240)</u>	<u>64,311</u>
Total general revenue and transfers	<u>102,121,391</u>	<u>100,876,009</u>	<u>1,245,382</u>
Change in net assets	81,124,051	117,688,968	(36,564,917)
Net assets - beginning	969,866,616	852,177,648	117,688,968
Net assets - ending	<u><u>\$ 1,050,990,667</u></u>	<u><u>\$ 969,866,616</u></u>	<u><u>\$ 81,124,051</u></u>

NOTE 21. COMPONENT UNITS

Clemson University Foundation

The Clemson University Foundation (CUF) is a separately chartered corporation organized exclusively to promote the development and welfare of Clemson University in its educational and scientific purposes.

As discussed in Note 1, CUF has been included in the reporting entity as a component unit. Because CUF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

CUF transfers funds earmarked from private contributions to the University to support University scholarship, fellowship, professorship, and research programs and to reimburse the University for any purchases made by CUF. These transfers for fiscal year 2012 were recorded by the University as nonoperating gift revenues totaling \$12,328,170. CUF also reimbursed the University \$946,903 for salaries for time devoted by University employees to CUF and to fund other University initiatives.

Equipment donated by CUF to the University totaled \$129,069 and was recorded as capital grants and gifts in the Statement of Revenues, Expenses and Changes in Net Assets. Also recorded as capital grants and gifts upon receipt were CUF donations totaling \$1,014,349 for University building projects. As of June 30, 2012, CUF had remaining commitments of

approximately \$1,609,858 for University building projects.

As referenced in Note 3, a 1999 amendment to the South Carolina Code of Laws allowed state-supported universities to lend endowment balances on deposit with the State Treasurer to entities (like CUF) whose existence is primarily providing financial assistance and other support to the institution and its educational program. At fiscal year end, the amount loaned, including income and appreciation, totaled \$137,085,667.

CUF charges an annual fee of 1.25 percent for managing the University's endowments. For the fiscal year ending June 30, 2012, the management fee was \$1,477,080, net of current year income, gains and appreciation losses of \$759,819. At fiscal year-end, \$402,158 in accounts payable was due to CUF.

CUF investment securities and donated negotiable assets are stated at fair value as determined by quoted market prices. Real estate investments are stated primarily at the current appraised value.

CUF investment income, net of external and internal management expenses and fees, and gains and losses arising from the sale or other disposition of investments and other noncash assets is distributed to the various endowments using a pooled income approach. This approach distributes income following the market value unit method, which is based on the number of units each fund owns in the managed investment pool.

CUF Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy,

NOTES TO FINANCIAL STATEMENTS

earnings, not to exceed a specified percentage, could be used to support the intended purposes. Any such earnings used to support the intended purposes are allocated only from those funds which have a market value in excess of historical value.

A summary of investments at fair value at June 30, 2012 follows:

Investments	
Money market funds	\$ 9,572,473
Treasury/agency	19,624,379
Mortgage backed securities	9,330,118
Corporate bonds	8,582,017
Global bonds	1,492,530
U.S. Equities	202,463,816
Global equities	63,847,747
Hedge funds	67,177,022
Private equity	17,785,363
Real estate	14,318,608
Commodities	18,436,270
Other	<u>866,087</u>
Subtotal - marketable investments	433,496,430
Subordinated note receivable from Clemson University Real Estate Foundation, Inc.	<u>20,000,000</u>
	<u>\$ 453,496,430</u>

Clemson University Research Foundation

The Clemson University Research Foundation (CURF) is a separately chartered corporation established to solicit research grants and contracts, then contract the University to perform the research. CURF’s activities are governed by its Board of Directors.

As discussed in Note 1, CURF has been included in the reporting entity as a component unit and is discretely presented in the financial statements.

The University performs research and development under performance agreements for CURF, and receives payment for all direct and indirect costs which are incurred in accordance with the terms of the performance agreements. Revenues totaling \$4,965,008 from CURF were recorded by the University in the Statement of Revenues, Expenditures and Changes in Net Assets as operating nongovernmental grants and contracts. Grants and contracts receivable in the Statement of Net Assets include \$1,674,796 due from CURF at June 30, 2012.

Also, the University made \$918,849 in operating lease payments to CURF for office space. CURF reimbursed the University \$123,811 for salaries for time devoted by University employees to CURF.

*Supplementary Information
to the Financial Statements*

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
AUXILIARY REVENUE BONDS (SERIES 1998 AND 2005)
For the year ended June 30, 2012

	Dining Services	Vending Operations	Bookstore	Parking Services	Housing	Total
Revenues:						
Student meal plans	\$ 14,463,025	\$ —	\$ —	\$ —	\$ —	\$ 14,463,025
Food service commissions	1,599,005	—	—	—	—	1,599,005
Other	—	94	—	—	122,306	122,400
Residence halls	—	—	—	—	27,319,549	27,319,549
Campus vending machines	—	500,164	—	—	—	500,164
ATM rental	—	72,060	—	—	—	72,060
Contract revenue	—	343,915	1,261,076	66,340	170,512	1,841,843
Parking permits	—	—	—	2,083,854	—	2,083,854
Transit fees	—	—	—	1,092,295	—	1,092,295
Parking citations	—	—	—	1,179,037	—	1,179,037
Investment income	55,248	6,516	19,019	19,175	93,145	193,103
Total revenues	<u>16,117,278</u>	<u>922,749</u>	<u>1,280,095</u>	<u>4,440,701</u>	<u>27,705,512</u>	<u>50,466,335</u>
Expenses:						
Salaries	97,342	30,688	29,816	554,043	5,172,305	5,884,194
Fringe benefits	29,931	9,336	7,849	226,373	1,446,727	1,720,216
Travel	—	—	—	20,102	66,360	86,462
Contractual services	10,787,050	183	—	1,139,865	604,221	12,531,319
Repairs	379,985	348	4,826	111,421	302,479	799,059
Telecommunications	6,068	404	1,731	5,804	206,708	220,715
Heat, light, and power	669,922	13,826	12,444	41,755	2,112,302	2,850,249
Water, sewer and garbage	102,354	—	—	60	450,681	553,095
Rents	95,533	—	—	56,809	14,135	166,477
Supplies and materials	36,142	—	203	69,558	716,033	821,936
Insurance	23,086	—	—	6,823	208,153	238,062
University debit card fees	323,050	39,333	—	1,415	84,668	448,466
Cable television	—	—	—	—	225,959	225,959
Other operating expenses	1,286,255	55,758	92,345	600,445	2,920,909	4,955,712
Capital outlay	57,837	—	—	—	75,764	133,601
Total expenses	<u>13,894,555</u>	<u>149,876</u>	<u>149,214</u>	<u>2,834,473</u>	<u>14,607,404</u>	<u>31,635,522</u>
Net revenues	<u>\$ 2,222,723</u>	<u>\$ 772,873</u>	<u>\$ 1,130,881</u>	<u>\$ 1,606,228</u>	<u>\$ 13,098,108</u>	<u>\$ 18,830,813</u>

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
ATHLETIC FACILITIES REVENUE BONDS (SERIES 2003 AND 2005)

For the year ended June 30, 2012

	Football	Basketball	Other Sports	Non Program Specific	Total
Revenues:					
Ticket sales	\$ 18,966,514	\$ 1,451,200	\$ 628,888	\$ —	\$ 21,046,602
Student fees	1,415,674	129,750	—	—	1,545,424
Away game sales and guarantees	250,000	—	13,450	—	263,450
Contributions	2,500,753	783,219	3,357,429	13,348,717	19,990,118
Direct institutional support	959,740	375,975	2,398,775	36,798	3,771,288
NCAA/Conference distributions including all tournament revenues	12,413,500	4,460,580	—	254,744	17,128,824
Broadcast, television, radio and internet rights	555,000	175,000	—	1,445,000	2,175,000
Program sales, concessions, novelty sales and parking	1,726,008	107,963	79,070	93,054	2,006,095
Royalties, advertisements and sponsorships	354,000	159,000	177,900	3,716,340	4,407,240
Endowment and investment income	—	—	—	531,864	531,864
Other	66,591	—	55,595	163,129	285,315
Total operating revenues	<u>39,207,780</u>	<u>7,642,687</u>	<u>6,711,107</u>	<u>19,589,646</u>	<u>73,151,220</u>
Expenses:					
Athletic student aid	3,363,558	1,018,577	5,676,427	881,302	10,939,864
Guarantees	2,050,000	557,582	35,706	—	2,643,288
Coaching salaries, benefits and bonuses paid by the institution and related entities	7,836,614	2,877,677	3,900,084	355,985	14,970,360
Support staff/administrative salaries, benefits and bonuses paid by the institution and related entities	1,997,748	417,584	96,306	10,095,269	12,606,907
Recruiting	498,610	324,257	353,842	—	1,176,709
Team travel	2,922,289	988,732	1,543,480	—	5,454,501
Equipment, uniforms and supplies	680,629	189,308	657,253	231,581	1,758,771
Game expenses	2,140,992	494,884	338,588	—	2,974,464
Fund raising, marketing and promotion	—	—	—	2,627,912	2,627,912
Direct facilities, maintenance and rental	169,914	13,718	48,553	1,465,443	1,697,628
Indirect facilities and administrative support	—	—	—	2,218,483	2,218,483
Other operating expenses	1,000,297	402,270	460,031	6,056,939	7,919,537
Total operating expenditures	<u>22,660,651</u>	<u>7,284,589</u>	<u>13,110,270</u>	<u>23,932,914</u>	<u>66,988,424</u>
Net Revenues	<u>\$ 16,547,129</u>	<u>\$ 358,098</u>	<u>\$ (6,399,163)</u>	<u>\$ (4,343,268)</u>	<u>\$ 6,162,796</u>



Statistical Section
(unaudited)

Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements and note disclosures says about the University's and the State of South Carolina's overall financial health.

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These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.	
Debt Capacity	75
These schedules present information to help the reader assess the affordability of the University's current levels of outstanding debt and the University's ability to issue additional debt in the future.	
Operating Information	78
These schedules contain service and capital asset data to help the reader understand how the information in the University's financial report relates to the services the University provides and the activities it performs.	
Demographic and Economic Information	84
These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's and the State's financial activities take place.	

SCHEDULE OF REVENUES BY SOURCE

For the Fiscal Year
(amounts expressed in thousands)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 269,671	\$ 252,924	\$ 223,036	\$ 205,488	\$ 188,530	\$ 176,240	\$ 166,912	\$ 149,405	\$ 131,049	\$ 111,346
Federal grants and contracts	63,962	65,045	63,792	59,205	56,165	52,318	54,641	53,203	58,208	57,819
State grants and contracts	46,868	50,679	48,683	47,248	43,414	35,947	36,181	35,052	31,451	29,158
Local grants and contracts	690	757	959	872	799	851	1,311	1,678	1,136	1,319
Nongovernmental grants and contracts	8,226	6,913	8,727	11,700	11,177	11,138	9,435	9,800	9,742	10,140
Sales and services of educational and other activities	15,845	15,843	15,917	16,543	16,268	14,027	14,351	13,646	11,596	9,675
Sales and services of auxiliary enterprises (net of scholarship allowances)	106,181	95,096	89,129	86,282	79,159	77,359	71,774	65,443	63,585	60,049
Other operating revenues	27,771	27,396	28,851	21,671	25,013	19,206	16,438	14,496	14,263	13,204
Total operating revenues	539,214	514,653	479,094	449,009	420,525	387,086	371,043	342,723	321,030	292,710
State appropriations	88,780	91,917	114,120	128,279	167,224	150,335	134,678	126,589	126,020	139,615
Federal appropriations	11,507	11,744	11,269	12,317	14,186	9,667	11,338	10,986	10,339	11,492
Gifts and grants	59,126	68,797	59,473	46,872	44,466	39,298	36,329	33,971	29,525	28,100
Interest income	6,948	7,752	12,408	10,029	8,462	6,585	3,340	5,102	4,916	7,587
Endowment income	(1,114)	22,236	10,085	(20,283)	(7,046)	16,003	7,804	6,252	6,769	2,563
Other nonoperating revenues	1,271	502	3,192	1,944	1,389	753	483	657	991	1,490
Proceeds from the sale of capital assets	636	137	57	715	—	20,061	—	5,029	—	—
Total nonoperating revenues	167,154	203,085	210,604	179,873	228,681	242,702	193,972	188,586	178,560	190,847
Total revenues	\$ 706,368	\$ 717,738	\$ 689,698	\$ 628,882	\$ 649,206	\$ 629,788	\$ 565,015	\$ 531,309	\$ 499,590	\$ 483,557

For the Fiscal Year
(percent of total income)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Revenues:										
Student tuition and fees (net of scholarship allowances)	38.2%	35.2%	32.3%	32.7%	29.0%	28.0%	29.5%	28.1%	26.2%	23.0%
Federal grants and contracts	9.1%	9.1%	9.2%	9.4%	8.7%	8.3%	9.8%	10.0%	11.7%	12.0%
State grants and contracts	6.6%	7.1%	7.1%	7.5%	6.7%	5.7%	6.4%	6.6%	6.3%	6.0%
Local grants and contracts	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.2%	0.3%
Nongovernmental grants and contracts	1.2%	1.0%	1.3%	1.9%	1.7%	1.8%	1.7%	1.8%	1.9%	2.1%
Sales and services of educational and other activities	2.2%	2.2%	2.3%	2.6%	2.5%	2.2%	2.5%	2.6%	2.3%	2.0%
Sales and services of auxiliary enterprises (net of scholarship allowances)	15.0%	13.2%	12.9%	13.7%	12.2%	12.4%	12.7%	12.3%	12.7%	12.4%
Other operating revenues	3.9%	3.8%	4.2%	3.4%	3.9%	3.0%	2.9%	2.8%	2.9%	2.7%
Total operating revenues	76.3%	71.7%	69.4%	71.3%	64.8%	61.5%	65.7%	64.5%	64.2%	60.5%
State appropriations	12.6%	12.8%	16.5%	20.4%	25.8%	23.9%	23.8%	23.8%	25.2%	28.9%
Federal appropriations	1.6%	1.6%	1.6%	2.0%	2.2%	1.5%	2.1%	2.1%	2.1%	2.4%
Gifts and grants	8.4%	9.6%	8.6%	7.5%	6.8%	6.3%	6.3%	6.4%	5.9%	5.8%
Interest income	1.0%	1.1%	1.8%	1.6%	1.3%	1.0%	0.6%	1.0%	1.0%	1.6%
Endowment income	(0.2)%	3.1%	1.5%	(3.2)%	(1.1)%	2.5%	1.4%	1.2%	1.4%	0.5%
Other nonoperating revenues	0.2%	0.1%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%
Proceeds from the sale capital assets	0.1%	0.0%	0.1%	0.1%	0.0%	3.2%	0.0%	0.9%	0.0%	0.0%
Total nonoperating revenues	23.7%	28.3%	30.6%	28.7%	35.2%	38.5%	34.3%	35.5%	35.8%	39.5%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF EXPENSES BY USE

	For the Fiscal Year <i>(amounts expressed in thousands)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses:										
Compensation and employee benefits	\$ 384,703	\$ 382,789	\$ 385,519	\$ 394,708	\$ 402,601	\$ 366,732	\$ 341,740	\$ 314,270	\$ 298,717	\$ 304,259
Services and supplies	198,747	182,049	174,958	158,556	174,642	148,409	140,594	134,961	130,586	124,100
Utilities	16,946	17,013	17,733	19,376	17,951	16,483	13,884	12,032	12,103	11,542
Depreciation	37,162	35,009	35,164	33,364	32,697	29,946	25,829	24,474	23,323	22,359
Scholarships and fellowships	20,942	23,402	9,175	13,382	10,845	6,794	6,319	8,115	9,962	10,238
Total operating expenses	<u>658,500</u>	<u>640,262</u>	<u>622,549</u>	<u>619,386</u>	<u>638,736</u>	<u>568,364</u>	<u>528,366</u>	<u>493,852</u>	<u>474,691</u>	<u>472,498</u>
Interest on capital asset related debt	5,799	6,034	5,799	6,637	7,196	7,211	7,014	6,743	6,794	5,321
Loss on disposal of capital assets	2,255	791	464	802	443	744	686	553	1,205	1,094
Refunds to grantors	381	296	95	213	386	697	182	256	100	335
Facilities and administrative remittances to the State	386	450	185	608	710	644	347	198	299	549
Total nonoperating expenses	<u>8,821</u>	<u>7,571</u>	<u>6,543</u>	<u>8,260</u>	<u>8,735</u>	<u>9,296</u>	<u>8,229</u>	<u>7,750</u>	<u>8,398</u>	<u>7,299</u>
Total expenses	<u>\$ 667,321</u>	<u>\$ 647,833</u>	<u>\$ 629,092</u>	<u>\$ 627,646</u>	<u>\$ 647,471</u>	<u>\$ 577,660</u>	<u>\$ 536,595</u>	<u>\$ 501,602</u>	<u>\$ 483,089</u>	<u>\$ 479,797</u>

	For the Fiscal Year <i>(percent of total income)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses:										
Compensation and employee benefits	57.6%	59.2%	61.3%	62.9%	62.2%	63.5%	63.7%	62.7%	61.9%	63.4%
Services and supplies	29.8%	28.1%	27.8%	25.3%	27.0%	25.7%	26.2%	26.9%	27.0%	25.9%
Utilities	2.5%	2.6%	2.8%	3.1%	2.8%	2.9%	2.6%	2.4%	2.5%	2.4%
Depreciation	5.6%	5.4%	5.6%	5.3%	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%
Scholarships and fellowships	3.1%	3.6%	1.5%	2.1%	1.6%	1.2%	1.2%	1.6%	2.1%	2.1%
Total operating expenses	<u>98.6%</u>	<u>98.9%</u>	<u>99.0%</u>	<u>98.7%</u>	<u>98.6%</u>	<u>98.5%</u>	<u>98.5%</u>	<u>98.5%</u>	<u>98.3%</u>	<u>98.5%</u>
Interest on capital asset related debt	0.9%	0.9%	0.9%	1.1%	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%
Loss on disposal of capital assets	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%
Refunds to grantors	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%
Facilities and administrative remittances to the State	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Total nonoperating expenses	<u>1.4%</u>	<u>1.1%</u>	<u>1.0%</u>	<u>1.3%</u>	<u>1.4%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.7%</u>	<u>1.5%</u>
Total expenses	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF EXPENSES BY FUNCTION

	For the Fiscal Year									
	<i>(amounts expressed in thousands)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses:										
Instruction	\$ 181,146	\$ 178,644	\$ 175,249	\$ 173,423	\$ 176,165	\$ 159,318	\$ 144,342	\$ 131,830	\$ 121,968	\$ 119,546
Research	123,594	124,837	126,972	125,623	127,427	112,141	106,608	104,580	104,510	101,788
Public service	57,890	59,083	62,390	68,508	72,649	60,951	56,912	52,772	51,496	57,502
Academic support	36,715	35,321	37,181	35,775	38,647	43,104	38,200	34,469	28,484	31,367
Student services	24,685	27,282	25,316	25,189	27,150	23,607	20,899	19,208	18,868	17,842
Institutional support	28,925	25,490	26,389	27,843	31,951	27,039	24,261	20,721	18,843	18,074
Operation and maintenance of plant	47,505	42,905	37,435	35,869	48,826	36,811	39,057	35,025	36,211	35,880
Scholarships and fellowships	19,503	22,143	8,124	12,488	10,006	6,165	5,956	7,727	9,626	9,871
Auxiliary enterprises	101,375	89,548	88,329	81,304	73,218	69,282	66,302	63,046	61,362	58,269
Depreciation	37,162	35,009	35,164	33,364	32,697	29,946	25,829	24,474	23,323	22,359
Interest on capital debt	5,799	6,034	5,799	6,637	7,196	7,211	7,014	6,743	6,794	5,321
Loss on disposal of capital assets	2,255	791	464	802	443	744	686	553	1,205	1,094
Refunds to grantors	381	296	95	213	386	697	182	256	100	335
Facilities and administrative remittances to the State	386	450	185	608	710	644	347	198	299	549
Total expenses	\$ 667,321	\$ 647,833	\$ 629,092	\$ 627,646	\$ 647,471	\$ 577,660	\$ 536,595	\$ 501,602	\$ 483,089	\$ 479,797

	For the Fiscal Year									
	<i>(percent of total income)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Expenses:										
Instruction	27.1%	27.7%	27.9%	27.7%	27.2%	27.5%	26.9%	26.3%	25.3%	24.9%
Research	18.5%	19.3%	20.2%	20.0%	19.7%	19.4%	19.9%	20.9%	21.6%	21.2%
Public service	8.7%	9.1%	9.9%	10.9%	11.2%	10.6%	10.6%	10.5%	10.7%	12.0%
Academic support	5.5%	5.5%	5.9%	5.7%	6.0%	7.5%	7.1%	6.9%	5.9%	6.5%
Student services	3.7%	4.2%	4.0%	4.0%	4.2%	4.1%	3.9%	3.8%	3.9%	3.7%
Institutional support	4.3%	3.9%	4.2%	4.4%	4.9%	4.7%	4.5%	4.1%	3.9%	3.8%
Operation and maintenance of plant	7.1%	6.6%	6.0%	5.7%	7.5%	6.4%	7.3%	7.0%	7.5%	7.5%
Scholarships and fellowships	2.9%	3.4%	1.3%	2.0%	1.6%	1.1%	1.1%	1.5%	2.0%	2.1%
Auxiliary enterprises	15.2%	13.8%	14.0%	13.0%	11.3%	12.0%	12.4%	12.6%	12.7%	12.1%
Depreciation	5.6%	5.4%	5.6%	5.3%	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%
Interest on capital debt	0.9%	0.9%	0.9%	1.1%	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%
Loss on disposal of capital assets	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%
Refunds to grantors	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%
Facilities and administrative remittances to State	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Total Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

For the Fiscal Year
(amounts expressed in thousands)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Total revenues (from schedule of revenues by source)	\$ 706,368	\$ 717,738	\$ 689,698	\$ 628,882	\$ 649,206	\$ 629,788	\$ 565,015	\$ 531,309	\$ 499,590	\$ 483,557
Total expenses (from schedule of expenses by use and function)	(667,321)	(647,833)	(629,092)	(627,646)	(647,471)	(577,660)	(536,595)	(501,602)	(483,089)	(479,797)
Income before other revenues, expenses, gains or losses	39,047	69,905	60,606	1,236	1,735	52,128	28,420	29,707	16,501	3,760
State capital appropriations	9,468	6,643	3,736	6,986	19,501	44,149	19,938	12,469	2,543	10,570
Capital grants and gifts	28,350	38,376	31,148	13,059	3,998	25,563	2,727	7,487	2,568	6,175
Additions to permanent endowments	4,259	2,765	11,846	2,491	5,898	1,839	7,508	2,170	7,004	20
Total changes in net assets	81,124	117,689	107,336	23,772	31,132	123,679	58,593	51,833	28,616	20,525
Net assets, beginning	969,867	852,178	744,842	721,070	689,938	566,259	507,666	455,833	427,217	406,692
Net Assets, Ending	\$ 1,050,991	\$ 969,867	\$ 852,178	\$ 744,842	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217
Invested in capital assets, net of related debt	\$ 535,281	\$ 462,861	\$ 483,924	\$ 456,106	\$ 429,669	\$ 390,891	\$ 315,987	\$ 294,089	\$ 248,604	\$ 256,258
Restricted - expendable	317,716	334,901	237,490	207,228	207,042	191,603	132,724	117,212	122,791	109,161
Restricted - nonexpendable	55,045	50,959	47,853	35,785	33,916	28,291	26,184	18,632	16,347	9,228
Unrestricted	142,949	121,146	82,911	45,723	50,443	79,153	91,364	77,733	68,091	52,570
Total	\$ 1,050,991	\$ 969,867	\$ 852,178	\$ 744,842	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217

Source: Clemson University Comprehensive Annual Financial Reports.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

	For the Fiscal Year									
	<i>(amounts expressed in thousands except for outstanding debt per student)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
General Obligation Bonds	\$ 93,075	\$ 99,610	\$ 41,550	\$ 45,685	\$ 49,660	\$ 53,475	\$ 43,655	\$ 46,605	\$ 49,460	\$ 42,465
Plant Improvement Bonds	—	—	820	1,610	2,360	3,080	3,770	4,435	5,070	5,685
Revenue Bonds	37,620	42,090	46,900	51,490	55,875	61,155	64,981	61,322	63,982	38,475
Athletic Facilities Revenue Bonds	25,600	30,045	31,770	33,410	34,975	36,465	37,685	23,840	24,935	25,975
Notes Payable	475	964	1,256	1,394	1,876	2,335	2,771	852	1,048	706
Capital Lease Obligations	—	—	430	873	1,285	1,920	3,143	4,276	5,355	6,369
Total Outstanding Debt	\$ 156,770	\$ 172,709	\$ 122,726	\$ 134,462	\$ 146,031	\$ 158,430	\$ 156,005	\$ 141,330	\$ 149,850	\$ 119,675
Full-time equivalent students	18,980	18,417	18,237	17,367	16,250	16,226	16,044	15,948	15,780	15,620
Outstanding debt per student	\$ 8,260	\$ 9,378	\$ 6,730	\$ 7,742	\$ 8,987	\$ 9,764	\$ 9,724	\$ 8,862	\$ 9,496	\$ 7,662

Note: Outstanding debt per student calculated using fall semester full-time equivalent student enrollment data for the last ten academic years (page 78).

Source: Clemson University Comprehensive Annual Financial Reports, Clemson University Office of Institutional Research

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

General Obligation Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2012	\$ 22,440	\$ 22,440	\$ 4,690	\$ 3,438	\$ 8,128	2.76
2011	21,028	21,028	4,310	2,746	7,056	2.98
2010	20,493	20,493	4,135	1,845	5,980	3.43
2009	19,607	19,607	3,975	2,006	5,981	3.28
2008	15,534	15,534	3,815	2,158	5,973	2.60
2007	11,941	11,941	4,180	1,876	6,056	1.97
2006	8,733	8,733	2,950	1,836	4,786	1.82
2005	7,120	7,120	2,855	1,932	4,787	1.49
2004	6,881	6,881	4,005	1,921	5,926	1.16
2003	6,876	6,876	1,615	1,530	3,145	2.19

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Revenue Bonds

Fiscal Year Ended June 30,	Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
2012	\$ 50,466	\$ 31,636	\$ 18,830	\$ 5,320	\$ 1,968	\$ 7,288	2.58
2011	49,363	32,057	17,306	4,810	1,875	6,685	2.59
2010	49,943	32,386	17,557	4,590	2,293	6,883	2.55
2009	44,795	30,226	14,569	4,385	2,816	7,201	2.02
2008	43,043	26,913	16,130	4,185	3,016	7,201	2.24
2007	41,597	26,836	14,761	4,000	3,204	7,204	2.05
2006	39,855	26,706	13,149	3,505	3,233	6,738	1.95
2005	38,524	25,354	13,170	2,605	3,126	5,731	2.30
2004	35,444	23,579	11,865	2,555	3,048	5,603	2.12
2003	34,284	22,143	12,141	2,435	2,157	4,592	2.64

Athletic Facilities Revenue Bonds

Fiscal Year Ended June 30,	Athletic Revenues	Athletic Operating Expenses	Net Athletic Revenues	Admissions Fee	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
						Principal	Interest	Total	
2012	\$ 73,151	\$ 66,988	\$ 6,163	\$ 2,015	\$ 8,178	\$ 975	\$ 1,054	\$ 2,029	4.03
2011	56,551	54,441	2,110	1,980	4,090	1,725	1,392	3,117	1.31
2010	53,175	51,474	1,701	1,883	3,584	1,640	1,460	3,100	1.16
2009	57,228	52,751	4,477	1,915	6,392	1,565	1,524	3,089	2.07
2008	55,140	48,455	6,685	2,062	8,747	1,490	1,585	3,075	2.84
2007	51,674	43,364	8,310	2,221	10,531	1,220	1,635	2,855	3.69
2006	42,877	39,059	3,818	2,057	5,875	1,155	1,404	2,559	2.30
2005	36,496	34,479	2,017	1,744	3,761	1,095	1,059	2,154	1.75
2004	36,608	33,907	2,701	1,796	4,497	1,040	1,105	2,145	2.10
2003	34,934	32,084	2,850	1,449	4,299	985	871	1,856	2.32

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Note: The revenue bonds are secured by revenues from five sources: dining services, vending operations, the university bookstore, student housing and parking.
Source: Clemson University Comprehensive Annual Financial Reports

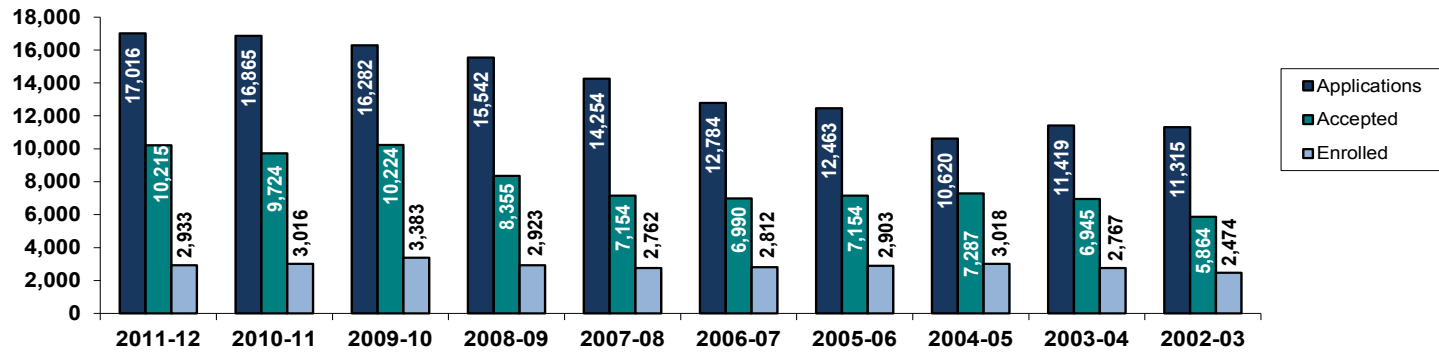
ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Admissions-Freshman										
Accepted as a percentage of applications	60.0%	57.7%	62.8%	53.8%	50.2%	54.7%	57.4%	68.6%	60.8%	51.8%
Enrolled as a										
Percentage of accepted	28.7%	31.0%	33.1%	35.0%	38.6%	40.2%	40.6%	41.4%	39.9%	42.2%
SAT scores-total	1,230	1,231	1,225	1,227	1,221	1,217	1,225	1,204	1,204	1,205
Verbal	599	599	597	597	595	592	600	589	587	587
Math	630	632	628	630	626	625	625	615	617	618
South Carolina average SAT score-total	972	979	982	985	984	985	993	986	989	981

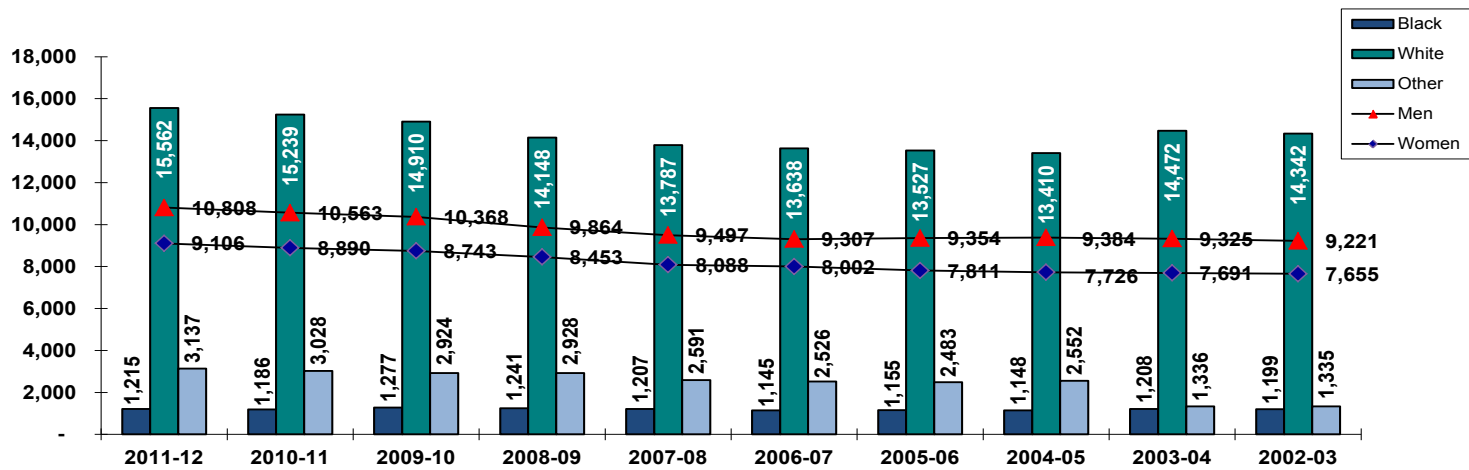
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**Admissions —
Freshman
Applied,
Accepted and
Enrolled**



	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Enrollment										
Undergraduate and graduate FTE	18,980	18,417	18,237	17,367	16,250	16,226	16,043	15,948	15,780	15,620
Undergraduate and graduate headcount	19,914	19,453	19,111	18,317	17,585	17,309	17,165	17,110	17,016	16,876
Percentage of men	54.3%	54.3%	54.2%	53.9%	54.0%	53.8%	54.5%	54.8%	54.8%	54.6%
Percentage of women	45.7%	45.7%	45.8%	46.1%	46.0%	46.2%	45.5%	45.2%	45.2%	45.4%
Percentage of black	6.1%	6.1%	6.7%	6.8%	6.9%	6.6%	6.7%	6.7%	7.1%	7.1%
Percentage of white	78.2%	78.3%	78.0%	77.2%	78.4%	78.8%	78.8%	78.4%	85.0%	85.0%
Percentage of other	15.8%	15.6%	15.3%	16.0%	14.7%	14.6%	14.5%	14.9%	7.9%	7.9%

Enrollment — Undergraduate and Graduate Headcount

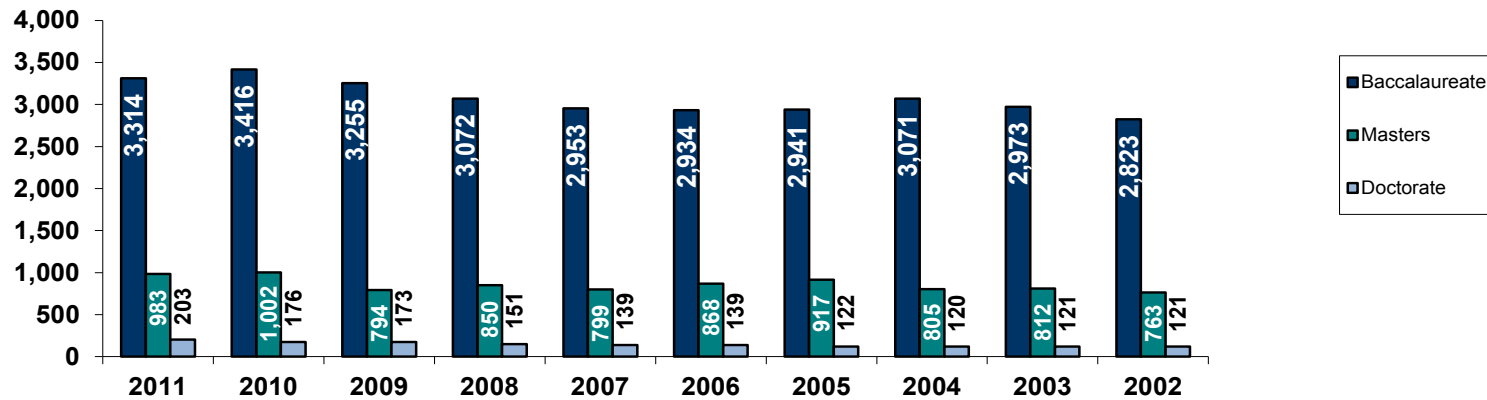


Degrees Earned*

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Baccalaureate	3,314	3,416	3,255	3,072	2,953	2,934	2,941	3,071	2,973	2,823
Masters**	983	1,002	794	850	799	868	917	805	812	763
Doctorate	203	176	173	151	139	139	122	120	121	121

* Includes May and August of the current year and December graduation from the previous year.

** Masters awards include specialist degrees.



Source: Clemson University Office of Institutional Research (www.clemson.edu/oirweb1/fb/factbook/CUfactbook.cgi)

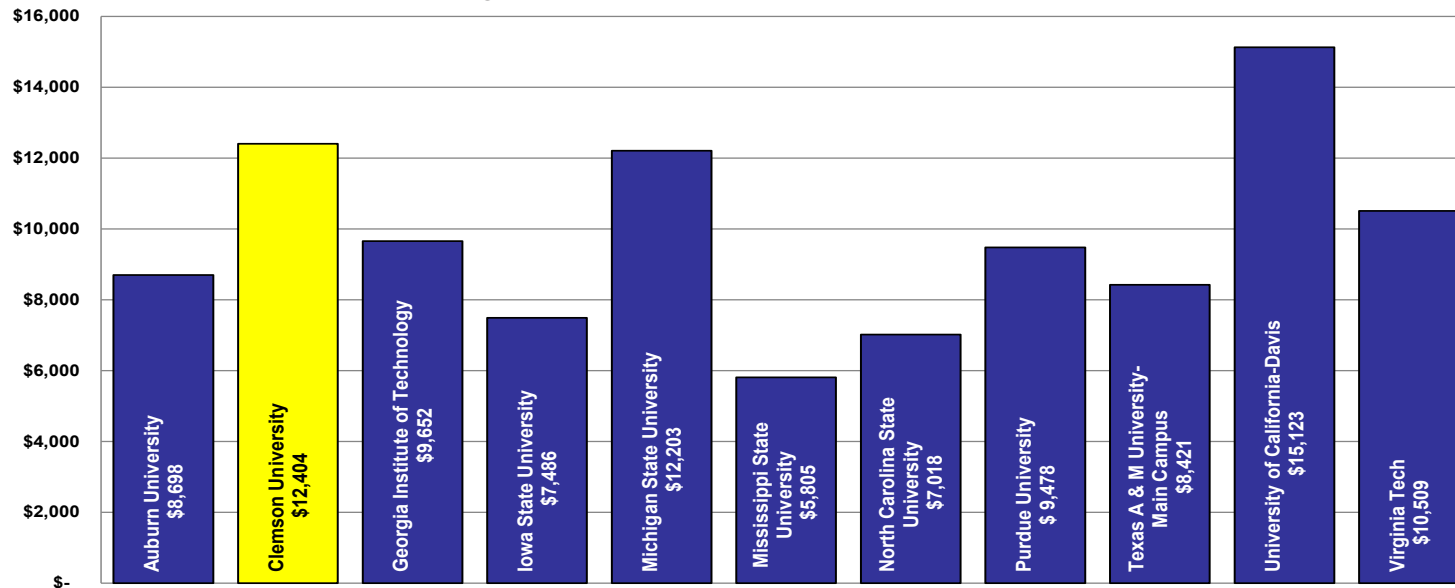
UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

Clemson University in Comparison to Ten Peer Land-Grant Institutions

Last ten fiscal years

Institution - Resident	For the Fiscal Year									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Auburn University	\$ 8,698	\$ 7,900	\$ 6,972	\$ 6,500	\$ 5,834	\$ 5,496	\$ 5,278	\$ 4,828	\$ 4,426	\$ 3,784
Clemson University	12,404	11,908	11,078	10,379	9,937	9,400	8,816	7,840	6,934	5,834
Georgia Institute of Technology	9,652	8,716	7,506	6,040	5,642	4,926	4,648	4,278	4,076	3,616
Iowa State University	7,486	6,997	6,651	6,360	6,161	6,060	5,634	5,426	5,028	4,110
Michigan State University	12,203	11,153	10,880	10,214	9,640	8,793	7,945	7,000	6,703	5,022
Mississippi State University	5,805	5,461	5,151	5,151	4,929	4,596	4,312	3,874	3,874	3,874
North Carolina State University	7,018	6,529	5,474	5,274	5,117	4,783	4,338	4,260	3,970	3,827
Purdue University	9,478	9,070	8,638	7,750	7,416	7,096	6,458	6,092	5,860	5,580
Texas A & M University - Main Campus	8,421	8,387	8,177	7,844	7,335	6,966	6,399	5,955	5,051	3,949
University of California - Davis	15,123	13,080	10,405	9,497	8,925	8,323	8,129	7,557	6,438	4,630
Virginia Tech	10,509	9,459	8,605	8,198	7,397	6,973	6,378	5,838	5,095	3,936

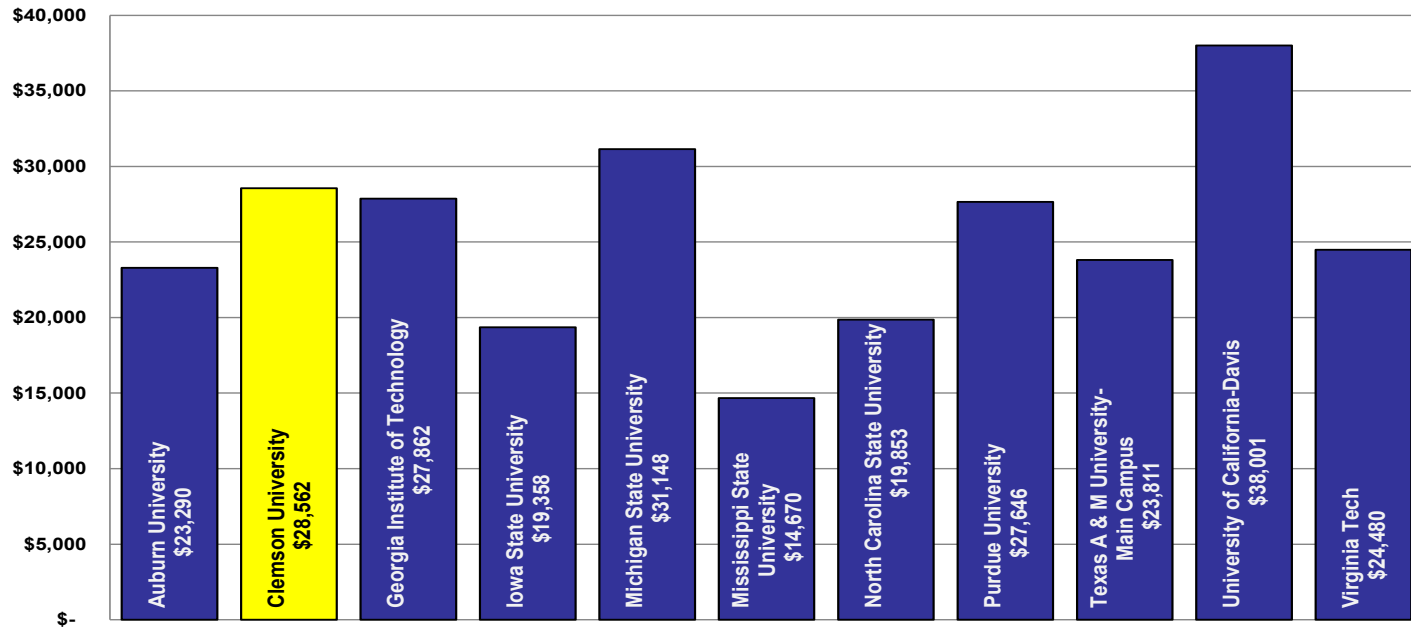
Undergraduate Tuition and Fees - Resident — FY 2011-12



For the Fiscal Year

Institution - Non Resident	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Auburn University	\$ 23,290	\$ 21,916	\$ 19,452	\$ 18,260	\$ 16,334	\$ 15,496	\$ 14,878	\$ 14,048	\$ 12,886	\$ 11,084
Clemson University	28,562	27,420	25,388	23,401	21,867	19,824	18,440	16,404	14,532	12,932
Georgia Institute of Technology	27,862	26,926	25,716	25,182	23,366	20,272	18,990	17,558	16,002	13,986
Iowa State University	19,358	18,563	17,871	17,350	16,919	16,554	15,724	15,128	14,370	12,802
Michigan State University	31,148	29,108	27,343	23,500	23,500	21,438	19,697	17,845	16,663	12,276
Mississippi State University	14,670	13,801	13,021	12,503	11,420	10,552	9,772	8,780	8,780	8,780
North Carolina State Univeristy	19,853	19,064	17,959	17,572	17,315	16,981	16,536	16,157	15,818	15,111
Purdue University	27,646	26,622	25,118	23,224	22,224	21,266	19,824	18,700	17,640	16,260
Texas A & M University - Main Campus	23,811	22,817	22,607	22,184	15,675	15,216	14,679	13,695	12,131	9,181
University of California - Davis	38,001	35,959	33,074	30,105	28,545	27,007	25,949	24,513	20,648	17,009
Virginia Tech	24,480	23,217	21,878	20,825	19,775	19,049	17,837	16,581	15,029	13,552

Undergraduate Tuition and Fees - Non Resident — FY 2011-12



These figures are for undergraduate first-time, full-time students with an academic year of 30 semester hours or 45 quarter hours.

Source: University of Wyoming (oia.uwyo.edu/charges)

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	For the Fiscal Year									
	<i>(Numbers are based on the October 1st Freeze date from the Clemson University Business System)</i>									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Faculty										
Part-time	215	248	238	284	269	274	261	267	252	253
Full-time	1,110	1,150	1,153	1,205	1,205	1,155	1,104	1,032	1,037	1,057
Percentage tenured	43.8%	42.3%	42.7%	40.1%	39.5%	42.1%	46.0%	46.6%	45.9%	46.8%
Staff and administrators with faculty rank										
Part-time	682	668	687	581	506	491	543	548	515	494
Full-time	2,388	2,486	2,657	2,839	2,834	2,738	2,711	2,614	2,609	2,743
Total employees										
Part-time	897	916	925	865	775	765	804	815	767	747
Full-time	3,498	3,636	3,810	4,044	4,039	3,893	3,815	3,646	3,646	3,800
Students per full-time										
Faculty	17.9	16.9	16.8	15.2	14.6	15.0	15.5	16.6	16.4	16.0
Staff	8.3	7.8	5.0	6.5	6.2	6.3	6.3	6.5	6.5	6.2
Average annual faculty salary*	\$ 80,200	\$ 78,257	\$ 78,038	\$ 77,330	\$ 76,639	\$ 74,045	\$ 72,854	\$ 71,652	\$ 67,446	\$ 66,262

*Full-time, permanent, instructional in Academic departments (AAUP definition)

Note: Full time includes all regular full time employees, and part time includes all part-time and all temporary employees.

Source: Clemson University Office of Institutional Research (www.clemson.edu/oirweb1/fb/factbook/CUfactbook.cgi)

DEMOGRAPHIC STATISTICS

State of South Carolina
Last Ten Calendar Years

Year	Population at July 1 (a)	Per Capita Income (b)	Average Annual Unemployment Rate (c)
2011	4,679,230	\$ 33,673	10.3%
2010	4,596,958	33,163	11.2%
2009	4,561,242	31,799	11.7%
2008	4,479,800	31,884	6.9%
2007	4,407,709	31,013	5.9%
2006	4,330,108	29,767	6.4%
2005	4,254,989	28,460	6.7%
2004	4,201,437	27,039	6.8%
2003	4,146,770	25,852	6.7%
2002	4,104,683	25,348	5.9%

(a) Source: U.S. Census Bureau

(b) Source: U.S. Board of Economic Advisors

(c) Source: U.S. Department of Labor

TEN LARGEST EMPLOYERS

State of South Carolina

Latest Completed Calendar Year and Ten Years Prior

(Listed Alphabetically)

2011

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Greenville County School District
Greenville Hospital System
Michelin North America, Inc.
Palmetto Health Alliance, Inc.
U.S. Department of Defense
U.S. Postal Service
University of South Carolina
Wal-Mart Associates, Inc.

2001

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Greenville County School District
Michelin North America, Inc.
Springs Industries, Inc.
U.S. Department of Defense
U.S. Postal Service
University of South Carolina
Wal-Mart Associates, Inc.
Westinghouse Savannah River

Note: Due to confidentiality issues, the number of employees for each company is not available, and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

This Comprehensive Annual Financial Report is also available
on the Clemson University Comptroller Office website located at
<http://www.comptroller.clemson.edu>

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