

CLEMSON[®]

U N I V E R S I T Y

CLEMSON, SOUTH CAROLINA



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

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



Comprehensive Annual Financial Report

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For the Year Ended June 30, 2011

Prepared by the Comptrollers Office

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Introductory Section
(unaudited)



President's Letter

2011

Dear Friends of Clemson:

The 2010-11 academic and fiscal year was one in which Clemson University turned the corner on three years of recession and dealing with dramatic cuts in state support for higher education institutions. These cuts left Clemson with about 9 percent of its total budget coming from state appropriations, and a determination to succeed in the future as a more privately funded public university.

We began the year with the public kickoff of our \$600 million Will to Lead capital campaign, and followed that with kickoff events in cities throughout the state and nation. By June 1, 2011, we had passed the \$500 million mark on our way to a successful conclusion to the campaign by June 30, 2012. Soon, construction resumed on two recession-delayed academic building projects.

While less visible to the outside world, a yearlong strategic planning process that culminated in 2011 has had more impact than virtually any other project since the adoption of the top-20 vision.

The planning process offered unprecedented opportunities for engagement and input. Faculty and staff wrestled with a series of blunt, thought-provoking questions, such as: "If peers came to review your programs, which programs would they likely identify as candidates for increased funding, continued funding, closure, downsizing, merger or reorganization? How would your answer change if you knew that your funding from the University would decrease by 20 percent?" A new catch phrase — "divest to invest" — swept across campus as the Provost and three mission vice presidents visited each academic department individually to hear their answers to these questions and their plans for the future.

The Clemson 2020 Road Map strategic plan was approved by the Board of Trustees in April, 2011. In presenting it to them and to faculty and staff at an earlier campus Town Meeting, I said the core of the plan is fairly simple:

- One, we're going back on offense.
- Two, we're going to make investments — in students, faculty and staff, student engagement, emphasis areas that drive economic development and address great challenges, and competitive facilities and infrastructure.
- Three, we're going to make divestments and generate 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

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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 5, 2011

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, 2011. 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, 2011, 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 Doctoral/Research University-Extensive, a category comprising less than 4 percent of all universities in America. Students can choose from more than 70 undergraduate and 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



FINANCIAL AFFAIRS

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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 10.5 percent, a slight decline from June, 2010. For more than three years, there was a wide gap between the state's unemployment rate and the national unemployment rate, however, that gap is now narrowing.

The South Carolina Economic Outlook, published by the South Carolina Department of Commerce, reports an increase in nonfarm employment of about 13,500 jobs over the past year, largely in manufacturing, leisure and hospitality, and professional business services. Weekly unemployment claims dropped 13 percent in June, 2011 as compared to June, 2010. South Carolina residents are also earning more, with incomes up 1.8 percent over the previous quarter.

Sales prices of single family homes increased 1.6 percent in June over the prior year and building permits and the value of those permits also increased over the same period. Despite those gains in the real estate market, the sales volume of single family homes dropped almost 20% in June and foreclosures were up 2.4 percent over the same period last year.

The Board of Economic Advisors for the state of South Carolina reported in June that state revenues were up 6.9 percent over the same period a year ago; economists were expecting growth of only 4.2 percent.

Economist Dr. Bruce Yandle, Dean Emeritus at Clemson University, has been quoted as saying "I think the outlook for South Carolina is better than that for the U.S." The bright spots in the state's economy have been in the automotive industry, including the Clemson University International Center for Automotive Research in the Upstate, and Boeing in Charleston. Despite the threat of a downgrade in the state's credit rating, Moody's Investors Services reaffirmed the state's AAA rating in August, 2011.

Long-Term Financial Planning

As a result of responsible financial management, Clemson's financial health is strong. Clemson has aggressively managed \$80.9 million in state funding cuts over the past three years through increased revenue generation, conservative spending, deep internal cuts and reallocations, and efficiency gains. The University went "back on offense" during the 2010-2011 fiscal year, per President Barker. The Clemson 2020 Road Map, a long-term strategic plan, was approved by the Board of Trustees in April, 2011. Through strategic divestment, resource allocations and increased revenue generation, the plan advances the University's mission objectives by enhancing student engagement, providing IT infrastructure, addressing critical deferred maintenance and improvement of physical assets, and increasing investments in world-class faculty and

staff. The Will to Lead campaign went public during the 2010-2011 fiscal year with a goal of raising \$600 million in private gifts by June 30, 2012. Will to Lead funds will be prioritized to students and faculty, facilities, and unrestricted dollars.

The University's proposed investments over the next five years include:

- Faculty to fill endowed chairs funded through the state's Centers of Economic Excellence program to support economic development, and teams of researchers in strategic areas such as energy, transportation and health;
- Competitive scholarships and graduate stipends;
- Engagement, entrepreneurship and leadership experiences for all undergraduate students;
- Facilities, technology and infrastructure, including the first phase of updating Clemson's outdated utility system and phasing out the use of coal; and
- Targeted performance-based raises and "bottom-line bonuses" to reward faculty and staff for generating revenue or cost savings.

Funding for the plan includes:

- Targeted retirement and severance incentives;
- Reallocation of existing funds for capital and technology improvements;
- Sale of a university airplane;
- Elimination of selected low-enrollment degree programs as current majors graduate; and
- Increased revenue from summer school, distance and executive education, research and private partnerships.

President Barker stressed that the plan is about "positioning Clemson to be successful in this funding climate – as a more independently-funded, public university."

Major Initiatives

In 2010-11 Clemson University continued to deliver value and a quality education for students, and economic development for South Carolina, despite the recession and continued reductions in state support. Major initiatives included:

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

The 2020 Road Map strategic plan was approved by the Clemson University Board of Trustees in April 2011. It is a realistic plan for challenging economic times, but it's also aggressive. It invests in priorities that will make Clemson a stronger, more efficient and more productive university without losing the characteristics that make it special.

Its goals state that, in 2020, Clemson will be a top-20 public university, a national model for student engagement, a creator of jobs and solutions to problems and a great place to work, study and live. The University will keep our promise to current and future students and to the state of South Carolina to:

- provide talent for the new economy;
- drive innovation that stimulates economic growth, creates jobs and solves problems;
- serve the public good by focusing on emphasis areas that address some of the great challenges of the 21st century – energy, transportation, health and sustainable environment.

II. The Will to Lead Campaign

Clemson launched the “quiet phase” of a major capital campaign just months before the recession and global fiscal crisis hit, which led to the largest state budget cuts in history. Leaders briefly considered postponing the effort, but instead retooled the campaign to focus on a few core priorities and gifts that would have immediate impact.

With that approach, Clemson went public with a higher goal and a shorter timeline, kicking off the public phase of the Will to Lead capital campaign to raise \$600 million in private gifts by June 30, 2012. Its priorities are support for students and faculty, facilities and unrestricted dollars. Campaign leaders even have a separate accounting for “core” gifts that go directly to scholarships, professorships, student engagement or a priority facility.

Campaign Highlights to Date

- \$4 million investment by C. Tycho Howle of Atlanta and an anonymous private sector partner, along with a state match through the lottery-funded Centers of Economic Excellence program, to support an endowed chair position in the Cyber-Institute Center of Economic Excellence.
- \$2 million gift to endow the Thomas F. Hash ’69 Endowed Chair in Sustainable Development, also matched by state funds.
- Alumni participation rank of third among public research universities in the nation, according to U.S. News & World Report, based on the percentage of alumni who donate to their alma maters.
- \$674,000 for the Class of 1960 North Green landscape project highlighting the major transitions of the 1950s and 1960s, when Clemson went from an all-male, all-white military school to a desegregated, coeducational university.
- \$485,000 in private gifts to support a need-based “completion grants” and job program targeting students near the end of their academic careers to ensure that they can graduate on time.
- More than \$1.2 million from the Clemson Corps; the Classes of 1954, 1958 and 1959; IPTAY; the Clemson Alumni Association; the Clemson student body; and others for the Scroll of Honor Memorial to the more than 470 Clemson alumni who made the ultimate sacrifice in service to their country.
- \$750,000 from former Clemson golfers, including Lucas Glover, Charles Warren and Jonathan Byrd, to build the three-story, 6,600-square-foot Larry J. Penley Jr. Golf Facility, named for the current Tiger golf coach.

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 focus on research emphasis areas that align with state economic development priorities supports existing economic sectors and nurtures emerging industries.

The road to economic prosperity and recovery for South Carolina is a statewide highway that runs through Clemson and its innovation campuses and research centers across South Carolina.

- *Clemson University International Center for Automotive Research (CU-ICAR), Greenville*
 - Proterra Inc., which develops and assembles fuel cell hybrid-powered transit vehicles, will locate a facility for research and development as well as assembly of its products at CU-ICAR, leasing 25 acres in Technology Neighborhood Three to construct a 240,000-square-foot building initially, with potential expansion into the entire 50-acre site. Proterra anticipates that it will invest \$68 million and create 1,300 new jobs.
 - The Center for Emerging Technologies under construction at CU-ICAR is the first multi-tenant building on the research campus. Owned by the Clemson University Real Estate Foundation with tenants programmatically linked to Clemson University, the Center for Emerging Technologies will offer approximately 60,000 gross square feet of space.
- *Clemson University Advanced Materials Center, Anderson County*
 - The Duke Energy Innovation Center, under construction at the Advanced Materials Center, will serve as a high-tech business incubator focusing on the advanced materials industry. Space will be available for startup companies and “landing parties” of companies exploring the viability of locating new businesses or relocating existing businesses in the area.
- *Clemson University Restoration Institute (CURI), North Charleston*
 - Construction is under way on what will be the world’s largest wind turbine drivetrain testing facility, which promises to make South Carolina a world leader in the wind-energy economy. The testing facility will be housed in a former Navy warehouse, now part of Clemson’s CURI campus, adjacent to existing rail and ship-handling infrastructure. Already, IMO Group announced that it would locate its first U.S. plant in the Charleston region — bringing 190 jobs — in part because of the facility.

- *Clemson at the Falls, Downtown Greenville*
 - The College of Business and Behavioral Science has consolidated many of its graduate and community outreach programs at Clemson at the Falls, a vibrant epicenter for business education located in downtown Greenville. The new campus gives Upstate residents greater access to graduate business studies, small-business assistance, entrepreneurial support, leadership development or continuing education. The Clemson at the Falls campus is home to part-time, full-time and dual-degree MBA programs, the Arthur M. Spiro Institute for Entrepreneurial Leadership, Professional Advancement and Continuing Education, and the Small Business Development Center.

IV. Facilities -- Building to Compete

In 2007, Clemson announced plans for a major campus development initiative. A year later, in response to unprecedented midyear budget cuts and endowment losses, Clemson delayed two projects that were already under construction.

By 2010-11, the University restarted those projects and tackled another long overdue renovation and expansion project — aided by federal stimulus dollars and private gifts. Capital and infrastructure investments will be a major part of the Clemson 2020 long-term strategic plan. And more and more, these projects are being used as laboratories to give students hands-on, real-world opportunities to learn about engineering, design, environmental sustainability and energy conservation.

In compliance with University policy and its commitment to environmental sustainability, all new facilities must be designed to meet a minimum of LEED (Leadership in Energy & Environmental Design) Silver certification.

Projects Under Way

- 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 will feature highly sustainable and innovative building designs.
- Life Sciences — a new 95,000-gross-square-foot facility 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 agriculture industries.
- 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.

V. Highlights of 2010-11

- A record-setting 16,867 students applied to Clemson this year, a 4 percent increase over last year and the largest number of freshman applications in University history. The average SAT of this year's freshman class is 1231, and just over half of Clemson's freshmen graduated in the top 10

percent of their high school class. Every single incoming freshman from South Carolina received a scholarship — 99 percent funded through state lottery revenues.

- 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.
- The real tuition cost to in-state freshmen is about 32 percent of sticker price. The average first-time in-state freshman at Clemson last year actually paid \$3,462 in academic fees, compared to the sticker price of \$10,848.
- The Graduate School received a record-breaking 6,082 applications for the 2010-11 academic year, a 20 percent increase over last year. This year's graduate students included nine Fulbright Scholars from seven countries and 10 National Science Foundation Fellows.
- Clemson is ranked No. 23 among national public universities, No. 9 among "up-and-coming" universities, and No. 12 among national universities — public and private — 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 "Academic Programs to Look For."
- Clemson was the only South Carolina university included on PARADE magazine's "A-List of Schools and Colleges" in the "large state university" category, a ranking based on a national survey of high school guidance counselors.
- A 2010 study by BusinessWeek/Bloomberg News ranked Clemson as South Carolina's best return-on-investment for undergraduate students — a ranking based on a combination of graduation rates, tuition and lifetime earnings.
- The growth of Clemson's research program is reflected in faculty productivity. In FY 2010, research expenditures totaled \$87,481,000. This includes an increase of 13 percent in federal and 30 percent in corporate funding expenditures respectively over the previous year.
- Clemson graduated 27 percent more undergraduate students than in FY 2000 by increasing retention and graduation rates instead of enrollment. The total number of graduates has increased 21.3 percent since FY 2000 while enrollment has remained relatively stable.
- Clemson has the best Town-Gown Relations according to The Princeton Review's "Best 371 Colleges." The University also ranks No. 1 for Jock Schools, No. 5 for Happiest Students and No. 5 for Everyone Plays Intramural Sports.
- Ninety-two percent of seniors would choose Clemson again, compared to 88 percent at Clemson's peer institutions, according to the National Survey of Student Engagement.
- For the fourth 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.

- According to a Clemson survey, 25 percent of this year's new graduates had jobs before leaving Clemson — a hiring rate that's twice the national average. Another 28 percent planned to attend graduate school.
- Clemson was named a Campus with a Conscience and one of The Princeton Review's 100 socially responsible colleges and universities.
- Seven of Clemson's 19 teams finished their seasons ranked in the top 25: women's outdoor track (7), women's indoor track (11), women's tennis (14), rowing (15), baseball (16), men's indoor track (22) and men's swimming (25).
- Clemson has gone to a bowl game, the NCAA Basketball Tournament and the NCAA Baseball Tournament for the third consecutive year. Clemson joins Florida State as the only schools in the nation to play in all three postseason events each of the last three years.
- The women's track team has won both the indoor and outdoor ACC Championships for the past two years.
- The women's tennis team has reached the Sweet 16 of the NCAA Tournament for the seventh time in the last 10 years.

Awards and Acknowledgements

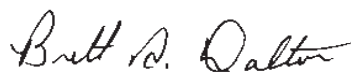
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Clemson University for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is 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
Chief Financial Officer

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, 2010

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.



President

Executive Director

CLEMSON UNIVERSITY BOARD OF TRUSTEES

(as of June 30, 2010)

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Partner, Nelson Mullins Riley & Scarborough

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TRUSTEE EMERITI

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Louis P. Batson Company

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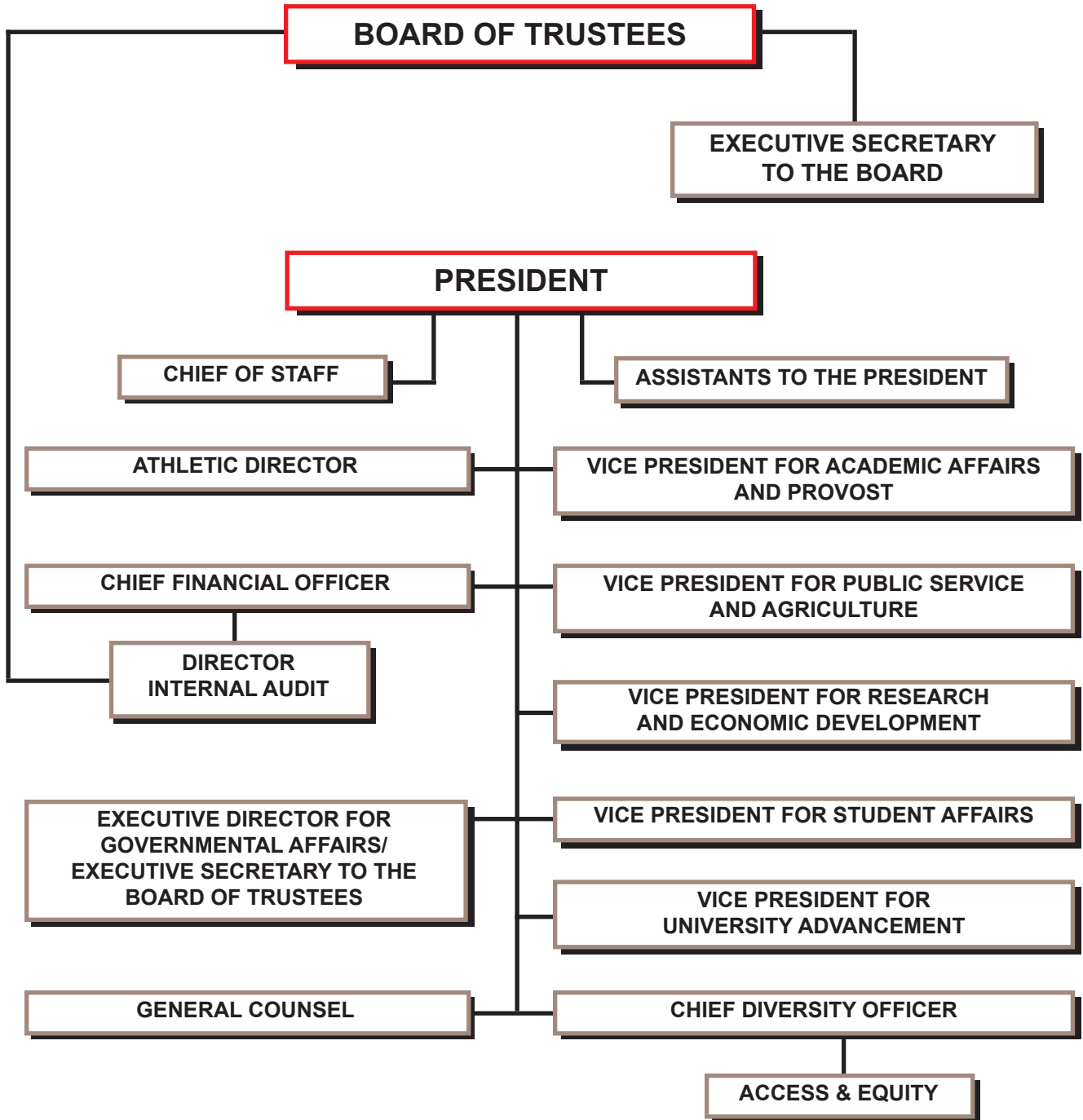
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Chairman and CEO, Retired
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D. Leslie Tindal
Retired
South Carolina Commissioner of Agriculture

Allen P. Wood
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Mosley, Wilkins, Wood Associates, Ltd.

CLEMSON UNIVERSITY ORGANIZATION CHART





Financial Section



INDEPENDENT AUDITORS' 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, 2011, 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, 2011, 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, 2011, 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 3, 2011 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.

Management's discussion and analysis as listed in the accompanying table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, the supplementary information to the financial statements, and statistical section 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. The supplementary information to the financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Greenwood, South Carolina
October 3, 2011

Elliott Davis, LLC

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 2011. While audited financial statements for fiscal year 2010 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 \$180.8 million

- Current assets increased by \$122 million. An unrestricted cash increase of \$47.4 million and a restricted cash increase of \$79.4 million were primarily responsible. The unrestricted cash increase was driven by student fee collections influenced by Board-approved tuition increases of 7.5 percent for resident students, reduced to 7 percent for Spring semester, and 8 percent for nonresident students, as well as an increase in enrollment. In addition, cash balances for

Condensed Summary of Net Assets (thousands of dollars)

	2011	2010	Increase/ (Decrease)	Percent Change
Assets				
Current assets	\$ 445,530	\$ 323,506	\$ 122,024	37.72%
Capital assets, net	639,827	607,952	31,875	5.24%
Other assets	176,063	149,161	26,902	18.04%
Total Assets	<u>1,261,420</u>	<u>1,080,619</u>	<u>180,801</u>	16.73%
Liabilities				
Current Liabilities	104,797	94,291	10,506	11.14%
Noncurrent Liabilities	186,756	134,150	52,606	39.21%
Total Liabilities	<u>291,553</u>	<u>228,441</u>	<u>63,112</u>	27.63%
Net Assets				
Invested in capital assets, net of debt	462,861	483,924	(21,063)	(4.35)%
Restricted - nonexpendable	50,959	47,853	3,106	6.49%
Restricted - expendable	334,901	237,490	97,411	41.02%
Unrestricted	121,146	82,911	38,235	46.12%
Total Net Assets	<u>\$ 969,867</u>	<u>\$ 852,178</u>	<u>\$ 117,689</u>	13.81%

auxiliaries increased as a result of an increase in information systems development fees, Athletics, and Food Services revenues. Proceeds from a 2011 State Institution Bond issue resulted in an increase in unexpended restricted cash of \$55.6 million at fiscal year end. There was an additional increase of \$8.6 million attributable to funds previously earmarked for capital projects and debt service. Other contributing factors to the increase in restricted cash balances were: a \$7 million grant received from the SC Department of Commerce for the Wind Turbine Drive-Train Test Facility grant, a \$4.2 million increase in IPTAY scholarship cash, and a \$1.5 million increase in Sponsored Programs accounts receivable collections. Accounts receivable decreased \$2.8 million, primarily due to sponsorships, licensing fees and other amounts due to Athletics at fiscal year end and the collection of computer systems development fees for other state agencies prior to year end. The grants and contracts receivable decrease of \$3.2 million resulted from a decrease in amounts due from Sponsors of \$2.2 million and a decrease in amounts due for Federal scholarship programs at fiscal year-end of \$1.2 million. Contributions receivable decreased \$141,000. An increase in pledges of almost \$1.4 million was offset by payment of existing pledges. The interest and income receivable increase of \$72,000 resulted from increased cash balances at fiscal year end. The inventory decrease of \$75,000 was attributable to the Apple Store. Prepaid expenses increased \$1.4 million due to pre-payments for library subscriptions.

- Net capital assets increased \$31.9 million. Non-depreciable assets increased \$53.4 million as the self-imposed freeze on major construction spending was lifted. Current campus projects reflected in construction in progress include: the Wind Turbine Drive-Train Test Facility, the expansion and renovation of Lee Hall, the Bio-Life Sciences building, the Innovation Center, and the Academic Success Center. Depreciable net assets decreased \$21.5 million, driven, in large part, by \$17.3 million in building depreciation. Depreciation of new and existing utilities and other non-structural improvements resulted in a decrease of \$1.5 million. Likewise, depreciation expense more than offset current year equipment additions, resulting in a decrease of \$5.3 million. The increase in vehicles of \$565,000 was attributable to current year purchases of departmental vehicles and the trade-in of previously owned vehicles. The purchase of new card access system software totaling \$585,000 was almost fully offset by depreciation of this new and existing software.
- Other assets increased \$26.9 million. The balance on loan to the Clemson University Foundation (CUF) increased \$34.3 million. A total of \$12.6 million was loaned to CUF for investment during the fiscal year. Income, realized gains, and appreciation totaling \$21.7 million resulting from improved market conditions also contributed to the increase. Restricted noncurrent cash balances decreased \$7 million, largely attributable to the CUF loan for investment, offset by increased lottery-funded Endowed Chair gifts and IPTAY gifts. Investments increased \$310,000 due to appreciation

gains on endowment assets held by Wells Fargo. Student loans receivable decreased \$860,000 (with a corresponding increase in restricted noncurrent cash) due to collections of Perkins Federal student loans. Noncurrent contributions receivable increased \$147,000 due to an increase in university pledges.

Liabilities – increase of \$63.1 million

- Current liabilities increased \$10.5 million. The increase in accounts payable of \$3.8 million was largely attributable to capital projects that were under construction at year end. Accrued payroll and related liabilities increased \$2.4 million as a result of a fifty percent accrual of the first payroll in July for certain employees, timing of payment for group insurance that was withheld during June, and accrued student FICA liability. The increase in deferred revenues of \$1.2 million was attributable to amounts received from students for future terms offset by a decrease in amounts received for Sponsored Programs in advance of work performed. Current deposits increased by \$1.9 million due to an increase in the over-recovery of pooled fringes for the fiscal year ending June 30, 2010 that will be absorbed/adjusted through the approved pooled fringe rate established for the fiscal year ending June 30, 2012. The decrease in the current portion of long-term debt totaling \$276,000 was the result of the expiration of a capital lease. The reduction in the current portion of compensated absences and related liabilities of \$81,000 resulted from a University-wide reduction in payroll costs and the replacement of retirement-eligible personnel with temporary and part-time workers. The increase of \$913,000 in interest expense payable resulted from the new 2011 SIB issue in March, 2011. The increase in the current portion of funds held for others of \$366,000 was related to a coach's longevity supplement that was due to be paid in July, 2011.
- Noncurrent liabilities increased by \$52.6 million. The University issued \$62.37 million in State Institution Bonds in March, 2011. The new bond issue, offset by principal payments of existing bonds, notes payable, and expired capital leases resulted in an increase of \$53.7 million in long term debt. As with the current portion of compensated absences and related liabilities, the long-term liability also decreased \$526,000 for the same reasons: reduced payroll costs and the replacement of retirement eligible employees with temporary and part-time workers. Noncurrent deposits increased \$309,000 as a result of the adjustment of over-recoveries for the fiscal year ending June 30, 2011 that will be absorbed/adjusted through the federally approved rate for the fiscal year ending June 30, 2013. The noncurrent portion of funds held for others decreased \$827,000 due to the decline in termination settlement amounts owed to a former employee and the transfer of a coach's longevity supplement to current liabilities.

Net Assets – increase of \$117.7 million

- Capital assets, net of related debt decreased \$21 million. This increase resulted from an increase in net capital assets

of \$31.9 million as discussed above, along with an increase in capital debt of \$52.9 million.

- Restricted – nonexpendable net assets for scholarships and fellowships increased \$3.1 million. The University received \$2.8 million from the lottery-funded South Carolina Endowed Chairs program and recognized \$310,000 in appreciation gains for endowment assets held by Wells Fargo.
- Restricted for expendable net assets increased \$97.4 million, based on the following:
 - Restricted – expendable net assets for scholarships and fellowships increased \$26.2 million due to appreciation received from CUF and Wells Fargo as a result of market performance and an increase in private gifts from IPTAY.
 - Restricted – expendable assets for research increased \$268,000, resulting primarily from a decrease in deferred revenues for Sponsored Programs.
 - Restricted – expendable assets for instructional/departmental use decreased \$359,000 due to the transfer of capital contributions for the WestZone phase III project and the dissolved fiduciary relationship with the University Center - Greenville at the end of the fiscal year.
 - Restricted – expendable assets for student loans increased \$26,000, resulting from investment income on increased collection of Perkins federal student loans.
 - Restricted – expendable assets for capital projects increased \$72.2 million resulting, in large part, from the March 2011 SIB issue and an increase in excess debt service funds for construction projects. Also contributing to the increase was a \$7 million grant from the SC Department of Commerce and \$2 million in other state funds for the Wind Turbine Drive-Train Test Facility.
 - Restricted – expendable assets for debt service decreased \$938,000 due to the retirement of plant improvement bond debt.
- Unrestricted net assets increased \$38.2 million, based on the following:
 - Unrestricted - educational and general net assets increased \$6.2 million, primarily driven by Board-approved student tuition increases and a slight increase in student enrollment.
 - Unrestricted – funds designated for plant fund projects increased \$32.2 million primarily due to the transfer of operating funds for the Student ERP capital project, academic building projects, and deferred maintenance and renovation projects.
 - Unrestricted – public service activities net assets decreased \$267,000. A \$6.3 million decrease in state appropriations was offset by spending cuts during the fiscal year.
 - Unrestricted – auxiliaries net assets increased \$38,000 due to increases in internal loan repayments offset by the transfer of previously accumulated Transportation Services revenues to fund the Student ERP 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:

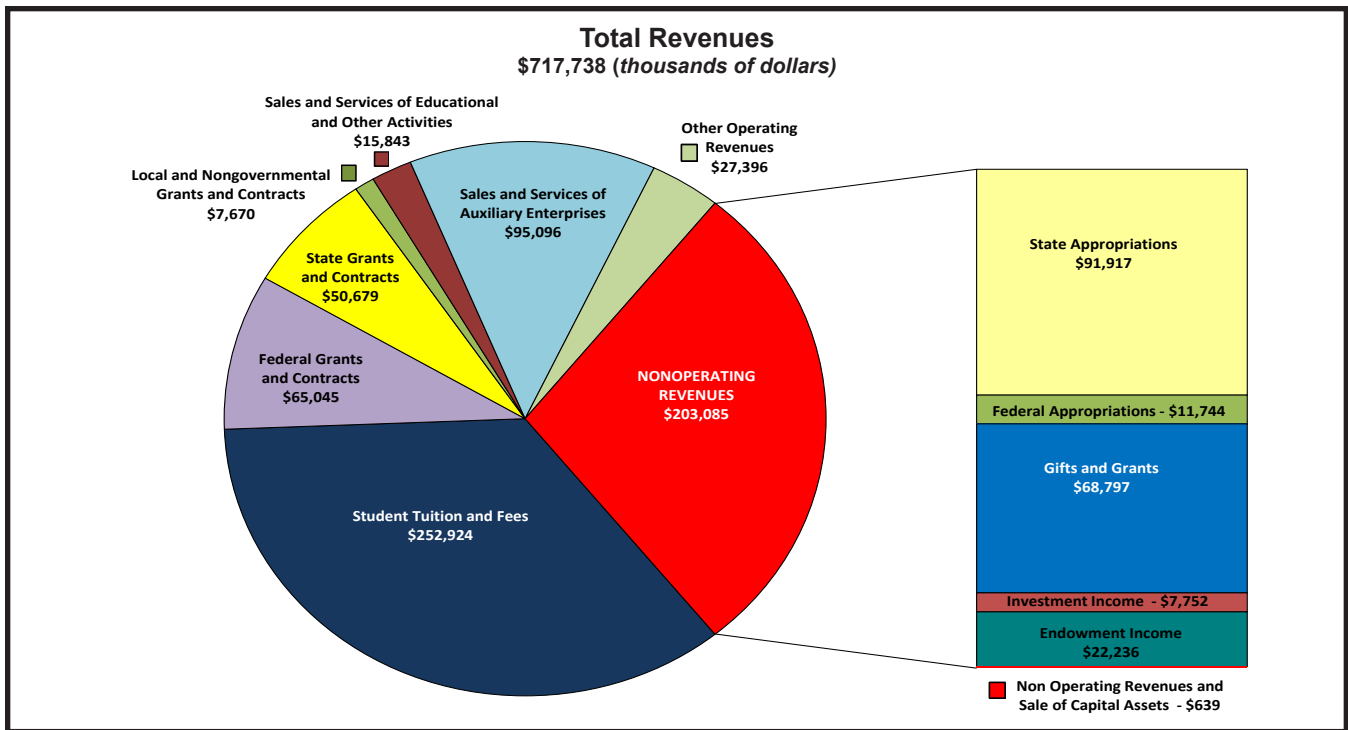
Total Revenues –increase of \$28 million

- Operating revenues increased \$35.5 million, based on the following:
 - Student tuition and fees increased \$29.9 million, the result of a Board approved increase for residents of 7.5 percent for the Fall semester, 7% for the Spring semester, and 8 percent for nonresidents. Enrollment also increased over the prior year.
 - Sales and services revenues increased \$5.9 million. Sales and services of pledged auxiliaries increased \$4.8 million. Athletics revenues increased due to game guarantees, bowl revenues, conference distributions, radio and television fees, ticket sales, licensing, and corporate sponsorships. Non-pledged auxiliaries sales and services increased \$1.1 million. Increases in Information Systems Development contractual commitments for Medicaid IT Services were partially offset by a reduction in revenues from Telecommunications. The \$73,000 decrease in sales and services of educational activities resulted primarily from a decrease in Youth Learning Institute revenues.

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

	2011	2010	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	\$ 252,924	\$ 223,036	\$ 29,888	13.40%
Sales and services	110,939	105,046	5,893	5.61%
Grants and contracts	123,394	122,161	1,233	1.01%
Other operating revenues	27,396	28,851	(1,455)	(5.04)%
Total operating revenues	<u>514,653</u>	<u>479,094</u>	<u>35,559</u>	7.42%
State appropriations	91,917	114,120	(22,203)	(19.46)%
Federal appropriations	11,744	11,269	475	4.22%
Gifts and grants	68,797	59,473	9,324	15.68%
Investment income (loss)	29,988	22,493	7,495	33.32%
Other nonoperating revenues	502	3,192	(2,690)	(84.27)%
Proceeds from the sale of capital assets	137	57	80	140.35%
Total nonoperating revenues	<u>203,085</u>	<u>210,604</u>	<u>(7,519)</u>	(3.57)%
Total revenues	<u>717,738</u>	<u>689,698</u>	<u>28,040</u>	4.07%
Expenses:				
Compensation and employee benefits	382,789	385,519	(2,730)	(0.71)%
Services and supplies	182,049	174,958	7,091	4.05%
Utilities	17,013	17,733	(720)	(4.06)%
Depreciation	35,009	35,164	(155)	(0.44)%
Scholarships and fellowships	23,402	9,175	14,227	155.06%
Total operating expenses	<u>640,262</u>	<u>622,549</u>	<u>17,713</u>	2.85%
Interest expense	6,034	5,799	235	4.05%
Loss on disposal of capital assets, before proceeds	791	464	327	70.47%
Refunds to grantors	296	95	201	211.58%
Facilities and administrative remittances to the State	450	185	265	143.24%
Total nonoperating expenses	<u>7,571</u>	<u>6,543</u>	<u>1,028</u>	15.71%
Total expenses	<u>647,833</u>	<u>629,092</u>	<u>18,741</u>	2.98%
Income before other revenues, expenses, gains or losses	69,905	60,606	9,299	15.34%
State capital appropriations	6,643	3,736	2,907	77.81%
Capital grants and gifts	38,376	31,148	7,228	23.21%
Additions to permanent endowments	2,765	11,846	(9,081)	(76.66)%
Change in net assets	117,689	107,336	10,353	9.65%
Net assets, beginning	852,178	744,842	107,336	14.41%
Net assets, ending	<u>\$ 969,867</u>	<u>\$ 852,178</u>	<u>\$ 117,689</u>	13.81%

- Grants and contracts revenues increased \$1.2 million. Revenues from federal grants and contracts increased \$1.2 million. Increased revenues from the Department of Agriculture and National Science Foundation sponsored projects were offset by a decrease in Department of Energy revenues. State grants were up \$2 million primarily due to Department of Education grants. Local grants were down \$202,000 due to a decrease in county grants. Nongovernmental grants and contracts declined \$1.8 million due to a decrease in grants from private foundations and corporations.
- Other operating revenues decreased \$1.5 million. Decreases in computer service fees, primarily for amounts charged to other State agencies, and University Center of Greenville membership fees were offset by increases in student orientation fees and student activities.
- Nonoperating revenues decreased \$7.5 million, based on the following:
 - State appropriations decreased \$22.2 million. Appropriations for Educational & General (E&G) activities decreased \$15.9 million. A decrease of \$16.4 million in original appropriations was offset by an increase of \$646,000 for health and dental insurance allocations. Appropriations for Public Service Activities (PSA) decreased \$6.3 million. A decrease of \$6.6 million in original appropriations was offset by a \$256,000 increase in health and dental insurance allocations.
 - Federal appropriations increased \$475,000 due to an increase in Smith Lever amounts recognized. 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



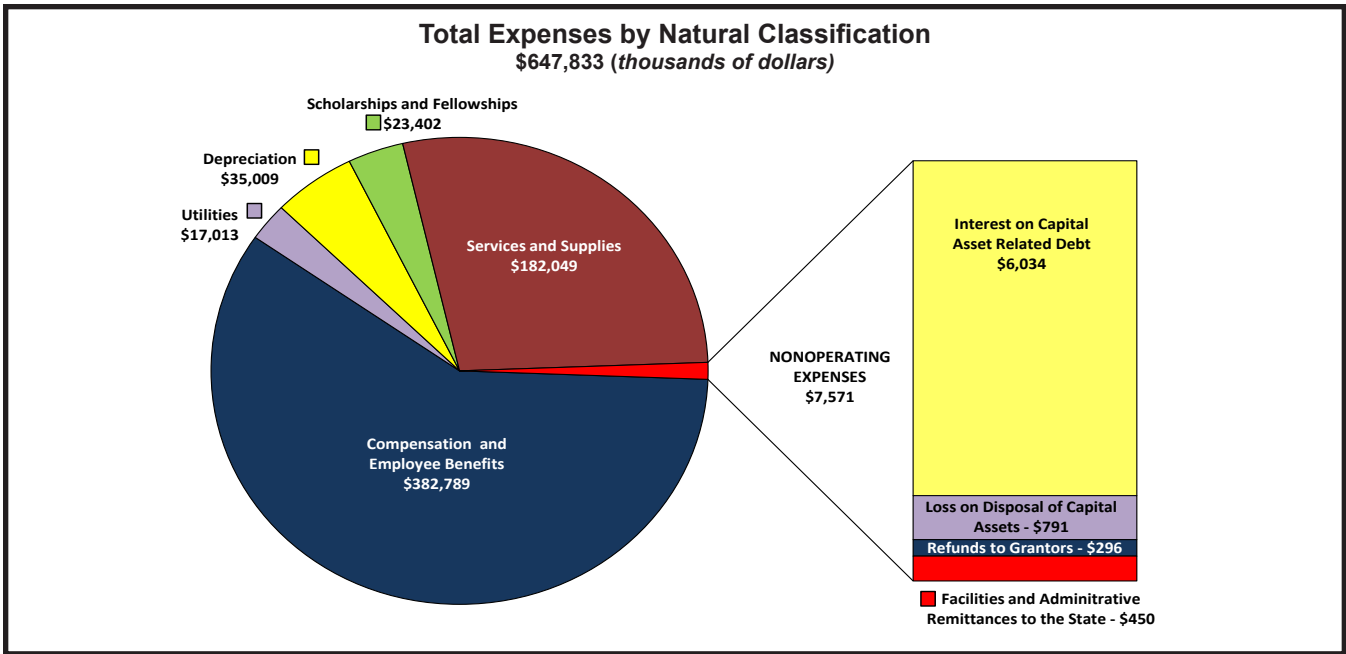
end since awards for the University's land-grant Smith Lever, Hatch, McEntire Stennis and Animal Health appropriations remained approximately the same.

- Gifts and grants increased \$9.3 million. An increase of \$11.9 million in American Recovery and Reinvestment Act (ARRA) State Stabilization (federal stimulus) funding and a \$2 million increase in federal Pell grant revenues were offset by a decrease in private gifts.
- Investment income increased \$7.5 million. Realized and unrealized gains on amounts held by CUF and Wells Fargo increased \$14.4 million. Despite increased cash balances, the rate of return from the State Treasurer's Office decreased.
- Other nonoperating revenues decreased \$2.7 million due to decreased land and timber sales for the current year and prior year receipts of unvested pension contributions from TIAA-CREF and an asbestos settlement.
- Proceeds from the sale of equipment increased \$80,000. State surplus sales, notably of computer equipment and university vehicles, increased over the prior year.

Total Expenses – increase of \$18.7 million

- Operating expenses increased \$17.7 million, based on the following:
 - Compensation and employee benefits decreased \$2.7 million, marking the third consecutive year that these costs have decreased. Classified salaries for staff and unclassified salaries for faculty decreased after retirement incentive plans and voluntary separation plans were offered to selected faculty and staff during the fiscal year.

- Services and supplies expenses increased \$7.1 million. Instruction costs decreased \$623,000 largely related to a decrease in lab/class infrastructure fees and the Creative Inquiry program. Research costs increased \$1 million over the prior year primarily due to an increase in Department of Education grants, offset in part by a decrease in Department of Energy grants. The \$609,000 decrease in public service costs resulted from state appropriation budget cuts for Public Service Activities. Academic support costs decreased \$932,000 due to a decrease in information technology costs for hardware and software upgrades and costs associated with the relocation of the Clemson MBA program to the new Clemson-at-the-Falls site in Greenville, SC. Student services costs increased approximately \$1.1 million due to concert and event costs, campus recreation activity fees, student professional development fees, and information technology costs. The institutional support decrease of \$941,000 resulted primarily from a decrease in consulting fees. Operation and maintenance of plant costs increased \$6.4 million as a result of increased repairs and renovations projects and deferred maintenance projects. Auxiliary services costs increased \$1.6 million due to an increase in information systems development fees for Medicaid IT Services.
- Utilities expenses decreased \$720,000. Almost all of this decrease was attributable to decreased telephone expenses.
- Depreciation expense decreased \$155,000. Equipment depreciation decreased \$364,000 while software depreciation increased \$195,000. Depreciation expense for buildings, utilities systems and other non-structural

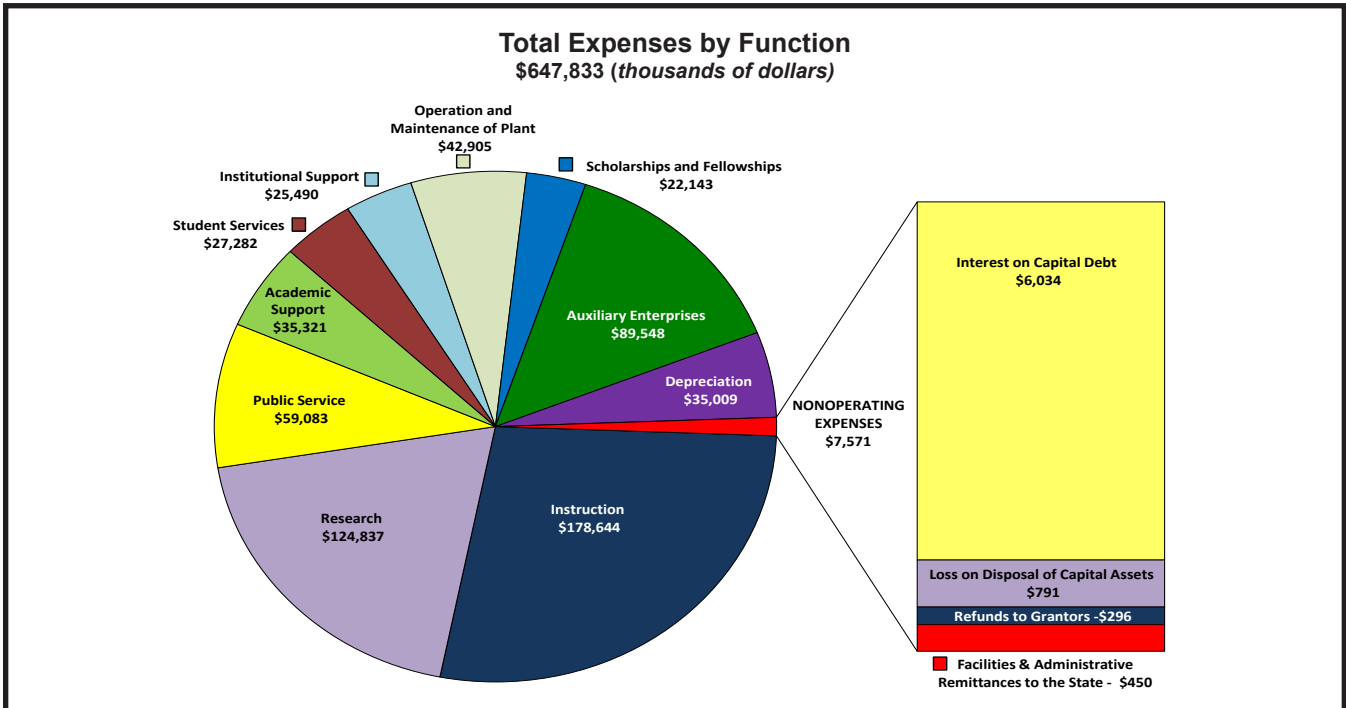


improvements, and vehicles increased only slightly over the prior year.

- Scholarships and fellowships expenses increased \$14.2 million. Expenses related to federal scholarships, recruiting and athletic scholarships, and the Trustee Scholarship program increased in the current year. A change in the methodology of calculating scholarship allowances, as a result of direct lending, also led to an increase in scholarship expenses.
- Nonoperating expenses increased \$1 million, based on the following:
 - Interest expense increased \$235,000. Interest expense accrued for the FY 11 SIB bond issue was offset by

a decrease in bond premium amortization and other interest expense.

- Losses on disposal of capital assets increased \$327,000. The transfer of University Center of Greenville assets and the reclassification of a prior year gift capitalized in error led to the increase in disposal losses.
- Refunds to grantors increased \$201,000 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 increased \$265,000. The State requires such costs collected for non-research sponsored projects in excess



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of \$200,000 to be remitted. E&G program remittances increased \$115,000 and Public Service Activities program remittances increased \$150,000.

- The State capital appropriations increase of \$2.9 million was attributable to a \$3.1 million increase in Research Infrastructure and Economic Development bond proceeds for the Bioengineering Research Center at the Patewood campus of the Greenville Hospital System, the Innovation Center at Research Park, the Rhodes Hall annex, and the Clemson University Restoration Institute in North Charleston. Offsetting that increase was a decline of \$223,000 in capital reserve fund proceeds for the new office building at Baruch Research and Education Center.
- Capital grants and gifts increased \$7.2 million. American Recovery and Reinvestment Act (ARRA) State Stabilization (federal stimulus) funds totaling \$5.6 million were received to fund the renovation of Lee Hall. Capital gifts supporting the Wind Turbine Drive-Train Test Facility project, the WestZone Phase II project, and gifts for the Innovation Center also contributed to the increase.
- The \$9 million decrease in additions to permanent endowments resulted from a decrease in State lottery funded endowed professorships from the previous year.

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 non-operating, 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, 2011 and June 30, 2010 were as follows:

Capital Assets (net of accumulated depreciation)				
	2011	2010	Increase/ (Decrease)	Percent Change
Capital Assets:				
Land	\$ 32,133,383	\$ 32,133,383	\$ —	0.00%
Construction in progress	78,006,644	24,586,034	53,420,610	217.28%
Utilities systems and other non-structural improvements	23,506,063	24,966,466	(1,460,403)	(5.85)%
Buildings and improvements	449,344,281	464,697,910	(15,353,629)	(3.30)%
Computer software	602,922	597,902	5,020	0.84%
Equipment	46,406,021	51,707,514	(5,301,493)	(10.25)%
Vehicles	9,827,223	9,262,627	564,596	6.10%
Total Capital Assets	<u>\$ 639,826,537</u>	<u>\$ 607,951,836</u>	<u>\$ 31,874,701</u>	<u>5.24%</u>

The 217 percent increase in non-depreciable capital assets was attributable to an increase in Construction in Progress. A self-imposed two-year freeze on major capital construction projects was lifted and a State imposed construction moratorium for four-year public institutions that raised tuition by more than 7 percent for in-state students was averted when the University reduced its previously announced 7.5 percent tuition increase to 7 percent for the spring semester. Consequently, the University issued bonded debt (see “Debt Administration” below) and re-started the Bio-Life Sciences (increase of \$6.3 million) and Academic Success Center (increase of \$4.3 million) projects. The new bond proceeds were also combined with internal funds and American Reinvestment and Recovery Act (ARRA) Federal Stimulus funds to increase Construction in Progress for the Lee Hall Expansion and Renovation project by \$16.9 million. ARRA

funds also were responsible for the \$16.4 million increase for the Wind Turbine Drive-Train Test Facility being constructed at the Clemson University Restoration Institute (CURI) in North Charleston. State Research University Infrastructure Bond funding was responsible for the \$4.7 million increase in a new Innovation Center.

Utilities Systems and Other Non-Structural Improvements decreased approximately 6 percent. New additions for parking lot lighting, sidewalks, a new shooting range, and a substation relay upgrade totaling approximately \$366,000 were offset by depreciation expense on new and existing assets of \$1.826 million.

Buildings decreased \$15.4 million. Additions to previously capitalized assets, such as the WestZone addition, totaling \$2 million was offset by depreciation expense on previously existing buildings.

Capitalized Computer Software was virtually unchanged. The purchase and implementation of a new card access system totaling \$585,541 was offset by depreciation of this new and previously existing software of approximately the same amount.

Equipment decreased 5.3 million due to budgetary concerns and constraints.

Vehicles increased 6 percent. Net additions were approximately \$77,000, while depreciation expense and disposals or trade-ins of previously owned departmental vehicles totaled approximately \$488,000.

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 \$176,002,399 in bonds payable and \$963,551 in notes payable at June 30, 2011.

The University's bonded indebtedness consisted of: General Obligation Bonds of \$99,610,000 and various Revenue Bond issues totaling \$76,392,399. General Obligation Bonds are obligations of the State of South Carolina and are secured as to principal and interest by a pledge of full faith, credit, and taxing power of the State and are paid with tuition and matriculation fees. Revenue bonds issued for student and faculty housing, plant improvement, parking and various auxiliary facilities are paid with pledged net revenues, special imposed student fees, and stadium seat taxes. In March, 2011, the State of South Carolina issued on behalf of the University, General Obligation Bonds in the amount of \$62,370,000 for three academic building projects: construction of a new Bio-Life Sciences building, construction of a new Academic Success Center, and expansion and renovation of the Lee Hall, the home of the School of Architecture, Arts and Humanities.

The \$963,551 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 Banc of America used to construct a new scoreboard in Memorial Stadium. One of the notes payable with the SCEO was finalized this past fiscal year with \$78,654 in additional proceeds and was funded with American Recovery and Reinvestment Act (ARRA) Stimulus Funds. The first of three interest-free payments was due in September, 2011.

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 2011 with a \$123 million budgetary surplus.

In his end-of-the-year news release, State Comptroller General, Richard Eckstrom, noted that: "although the unobligated surplus is a positive development, going forward it'd be unwise to take anything less than a frugal approach to spending. We must recommit to the state's historically conservative budgeting practices." Eckstrom also cautioned that the unfunded liability in the State Retirement System is at \$14 billion and growing.

State appropriations to fund operations decreased \$22.2 million for fiscal year 2011, a decline of almost 20 percent from the previous year. The University did receive approximately \$19.1 million in one-time American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Act (stimulus) Funds this past year to fund operations. In 2012, the University will receive one-time capital reserve funding of approximately \$6.2 million for deferred maintenance needs. However, the loss of an additional \$3.3 million in recurring state appropriations, as well as the loss of \$19.1 million in stimulus funding are major challenges faced by the University for fiscal year 2012.

State scholarship programs funded with lottery proceeds remained stable at \$43.8 million for 2011. In addition, through the Endowed Chairs program, which matches private contributions for endowed professorships, the University received \$2.8 million for fiscal year 2011.

Capital projects resumed during fiscal year 2011 leading to an increase in Capital Gifts and Grants as well as State Capital Appropriations. A \$7 million grant was received from the South Carolina Department of Commerce for the Wind Turbine Drive-Train Test Facility currently under construction in Charleston. An additional \$5.9 million in one-time ARRA funds were received for the renovation of Lee Hall. State Capital Appropriations totaling \$6.6 million included \$4.4 million for construction of the Innovation Center at the Clemson University Advanced Materials Center.

Partially in response to the decline in state appropriations for operations, the University's Board of Trustees adopted a budget for fiscal year 2012 that included a 3.8 percent tuition increase for both in-state and out-of-state undergraduate students.

CLEMSON UNIVERSITY STATEMENT OF NET ASSETS

June 30, 2011

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 190,307,071	\$ 3,286,894
Restricted Assets - Current:		
Cash and cash equivalents	218,089,588	4,028,569
Accounts receivable (Net of provision for doubtful accounts of \$294,081)	7,337,157	2,868,104
Grants and contracts receivable	19,791,195	—
Contributions receivable, net	1,704,693	—
Interest and income receivable	1,953,983	—
Student loans receivable	23,030	—
Inventories	1,453,131	—
Prepaid expenses	4,869,710	156,332
Total current assets	<u>445,529,558</u>	<u>10,339,899</u>
Noncurrent Assets:		
Notes receivable	137,802,927	—
Contributions receivable, net	1,733,644	—
Investments	2,566,818	—
Restricted Assets - Noncurrent:		
Cash and cash equivalents	26,036,273	—
Student loans receivable	7,923,524	—
Other	—	1,782,511
Capital assets, not being depreciated	110,140,027	1,228,733
Capital assets, net of accumulated depreciation	529,686,510	3,430,400
Total noncurrent assets	<u>815,889,723</u>	<u>6,441,644</u>
Total assets	<u>\$ 1,261,419,281</u>	<u>\$ 16,781,543</u>
LIABILITIES		
Current Liabilities:		
Accounts and retainages payable	\$ 19,431,075	\$ 2,044,368
Arbitrage payable	39,484	—
Accrued payroll and related liabilities	17,038,227	—
Accrued compensated absences and related liabilities	13,831,769	—
Accrued interest payable	1,695,108	9,278
Deferred revenues	33,325,281	2,119,050
Bonds payable	11,804,160	—
Notes payable	488,137	95,167
Deposits	5,453,923	—
Funds held for others	1,689,442	36,216
Total current liabilities	<u>104,796,606</u>	<u>4,304,079</u>
Noncurrent Liabilities:		
Accrued compensated absences and related liabilities	7,967,231	—
Deposits	5,047,745	—
Funds held for others	9,067,430	—
Bonds payable	164,198,239	—
Notes payable	475,414	2,873,314
Total noncurrent liabilities	<u>186,756,059</u>	<u>2,873,314</u>
Total liabilities	<u>\$ 291,552,665</u>	<u>\$ 7,177,393</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 462,860,587	\$ 3,473,163
Restricted for nonexpendable purposes:		
Scholarships and fellowships	50,958,807	—
Restricted for expendable purposes:		
Scholarships and fellowships	161,948,821	—
Research	1,425,347	2,858,032
Instructional/departmental use	20,138,055	—
Loans	1,901,369	—
Capital projects	139,271,993	—
Debt service	10,215,199	—
Unrestricted	121,146,438	3,272,955
Total net assets	<u>\$ 969,866,616</u>	<u>\$ 9,604,150</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, 2011

	<u>Clemson University</u>	<u>Clemson University Research Foundation</u>
REVENUES		
Operating Revenues:		
Student tuition and fees (net of scholarship allowances of \$62,777,424).....	\$ 252,923,930	\$ —
Federal grants and contracts.....	65,045,058	6,072,852
State grants and contracts.....	50,678,679	—
Local grants and contracts.....	756,821	—
Nongovernmental grants and contracts.....	6,913,059	1,418,429
Sales and services of educational and other activities.....	15,843,113	—
Sales and services of auxiliary enterprises - pledged for revenue bonds (net of scholarship allowances of \$10,377,913).....	80,585,740	—
Sales and services of auxiliary enterprises - not pledged.....	14,509,798	—
Other operating revenues.....	27,396,114	5,823,003
Total operating revenues.....	<u>514,652,312</u>	<u>13,314,284</u>
EXPENSES		
Operating Expenses:		
Compensation and employee benefits.....	382,788,797	—
Services and supplies.....	182,049,005	11,555,223
Utilities.....	17,013,492	198,997
Depreciation.....	35,009,059	490,917
Scholarships and fellowships.....	23,401,310	—
Total operating expenses.....	<u>640,261,663</u>	<u>12,245,137</u>
Operating loss/income.....	<u>(125,609,351)</u>	<u>1,069,147</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	91,917,068	—
Federal appropriations.....	11,744,390	—
Gifts and grants.....	68,796,544	8,600
Interest income.....	7,752,089	25,812
Endowment income.....	22,235,802	—
Interest on capital asset related debt.....	(6,033,957)	(240,526)
Other nonoperating revenues.....	502,050	120,476
Gain/Loss on disposal of capital assets.....	(653,948)	—
Refunds to grantors.....	(296,439)	—
Facilities and administrative remittances to the State.....	(450,240)	—
Net nonoperating revenues.....	<u>195,513,359</u>	<u>(85,638)</u>
Income before other revenues, expenses, gains or losses.....	69,904,008	983,509
State capital appropriations.....	6,643,655	—
Capital grants and gifts.....	38,375,779	—
Additions to permanent endowments.....	2,765,526	—
Increase in net assets.....	<u>117,688,968</u>	<u>983,509</u>
NET ASSETS		
Net assets, Beginning of Year.....	852,177,648	8,620,641
Net assets, End of Year.....	<u>\$ 969,866,616</u>	<u>\$ 9,604,150</u>

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from customers.....	\$ 323,843,540
Grants and contracts.....	124,706,022
Payments to suppliers.....	(172,656,183)
Payments to employees.....	(305,831,423)
Payments for benefits.....	(75,423,347)
Payments to students.....	(51,127,229)
Inflows from Stafford loans.....	59,801,718
Outflows from Stafford loans.....	(7,471,046)
Loans to students.....	(66,147)
Collection of loans.....	895,190
Net cash used by operating activities.....	<u>(103,328,905)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations.....	91,889,432
Federal appropriations.....	11,856,369
Gifts and grants.....	93,039,764
Net cash flow provided by noncapital financing activities.....	<u>196,785,565</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt.....	66,442,571
State capital appropriations.....	6,179,114
Capital grants and gifts received.....	37,490,552
Proceeds from sale of property.....	137,204
Purchases of capital assets.....	(62,309,554)
Principal paid on capital debt and leases.....	(12,466,818)
Interest and fees.....	(5,735,743)
Net cash provided by capital activities.....	<u>29,737,326</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments.....	9,187,322
Transfer to Clemson University Foundation.....	(12,631,965)
Proceeds from stock sales.....	77,118
Net cash flows used by investing activities.....	<u>(3,367,525)</u>
Net change in cash.....	119,826,461
Cash beginning of year.....	314,606,471
Cash end of year.....	<u>\$ 434,432,932</u>
Reconciliation of net operating loss to net cash used by operating activities:	
Operating income (loss).....	\$ (125,609,351)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense.....	35,009,059
Change in asset and liabilities:	
Receivables net.....	(15,057,257)
Grants and contracts receivable.....	(874,343)
Student loans receivable.....	872,118
Prepaid expenses.....	(1,884,658)
Inventories.....	74,713
Accounts and retainages payable.....	(2,423,087)
Accrued payroll and related liabilities.....	2,262,929
Accrued compensated absences and related liabilities.....	(445,000)
Deferred revenue.....	2,887,406
Funds held for others.....	1,858,566
Net cash used by operating activities.....	<u>\$ (103,328,905)</u>
NON-CASH TRANSACTIONS	
Increase in fair value of investments.....	\$ 34,196,732
Capital assets acquired through gifts.....	469,802
RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES	
Current assets:	
Cash and cash equivalents.....	\$ 190,307,071
Restricted cash and cash equivalents.....	218,089,588
Noncurrent assets.....	26,036,273
Total cash and cash equivalent balances.....	<u>\$ 434,432,932</u>

See accompanying notes to basic financial statements.

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

June 30, 2011

ASSETS	
Cash and cash equivalents.....	\$ 24,322,059
Contributions receivable, net.....	26,824,821
Due from related organizations	2,042,766
Investments.....	313,814,313
Investments held for Clemson University.....	137,802,927
Cash surrender value of life insurance	1,584,778
Land held for resale.....	11,900
Land, buildings and equipment, net	9,592,951
Investments held in trust for affiliate.....	2,448,946
Other assets.....	177,236
Total assets.....	\$ 518,622,697
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued liabilities.....	\$ 583,253
Due to related organizations	26,393
Accrued liability to Clemson University due to net investment appreciation	34,883,611
Note payable to Clemson University	102,919,316
Deferred revenue.....	359,500
Actuarial liability of annuities payable.....	5,831,393
Trust funds administered for affiliate.....	2,448,946
Total liabilities.....	147,052,412
Net Assets:	
Unrestricted.....	19,277,081
Temporarily restricted.....	133,762,714
Permanently restricted	218,530,490
Total net assets.....	371,570,285
Total liabilities and net assets	\$ 518,622,697

See accompanying notes to basic financial statements.

CLEMSON UNIVERSITY FOUNDATION
NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT:				
Gifts and bequests	\$ 1,442,666	\$ 11,991,055	\$ 9,108,729	\$ 22,542,450
Income on investments	3,702,531	1,316,798	1,699	5,021,028
Net realized and unrealized gains (losses) on investments ..	2,806,210	52,806,204	35,430	55,647,844
Program income.....	677,776	489,049	—	1,166,825
Other income	1,776,176	1,408	251,733	2,029,317
Change in value of split-interest agreements.....	138,872	124,612	1,806,144	2,069,628
Reclassification of donor intent	(323,762)	308,221	15,541	0
Total revenues and gains	<u>10,220,469</u>	<u>67,037,347</u>	<u>11,219,276</u>	<u>88,477,092</u>
Net assets released from restrictions	13,858,008	(13,858,008)	—	0
Total revenues, gains and other support	<u>24,078,477</u>	<u>53,179,339</u>	<u>11,219,276</u>	<u>88,477,092</u>
EXPENSES:				
Program expenses:				
Grant to Clemson University	1,573,320	—	—	1,573,320
Alumni operations.....	920,073	—	—	920,073
Endowments.....	4,571,793	—	—	4,571,793
Operations.....	6,674,988	—	—	6,674,988
Capital projects	2,418,267	—	—	2,418,267
Total program expenses	<u>16,158,441</u>	<u>0</u>	<u>0</u>	<u>16,158,441</u>
General administrative.....	1,333,463	—	—	1,333,463
Fundraising.....	3,085,128	—	—	3,085,128
Total expenses	<u>20,577,032</u>	<u>0</u>	<u>0</u>	<u>20,577,032</u>
Increase in net assets before other changes	<u>3,501,445</u>	<u>53,179,339</u>	<u>11,219,276</u>	<u>67,900,060</u>
OTHER CHANGES:				
Gains on investments, net of distributions	7,308,424	(7,308,424)	—	0
Total other changes.....	<u>7,308,424</u>	<u>(7,308,424)</u>	<u>0</u>	<u>0</u>
Change in net assets.....	10,809,869	45,870,915	11,219,276	67,900,060
Net assets at beginning of year.....	8,467,212	87,891,799	207,311,214	303,670,225
Net assets at end of year	<u>\$ 19,277,081</u>	<u>\$ 133,762,714</u>	<u>\$ 218,530,490</u>	<u>\$ 371,570,285</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 two entities as discretely presented component units.

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 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 the Clemson University Research Foundation, its discretely presented component unit, is considered a

NOTES TO FINANCIAL STATEMENTS

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 FASB Statement No. 117, Financial Reporting for Non-Profit Organizations. 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 utilize 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 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

NOTES TO FINANCIAL STATEMENTS

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.

Deferred Revenues

Deferred 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. Deferred 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 and accrued longevity supplements for an athletic 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.

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

NOTES TO FINANCIAL STATEMENTS

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.

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".

NOTES TO FINANCIAL STATEMENTS

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.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields

a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. Governmental units may avoid the requirement to rebate the "excess" earnings to the federal government under certain circumstances, if they issue no more than \$5 million in total of all such debt in a calendar year or if they meet specified targets for expenditures of the proceeds and interest earnings thereon. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. The federal government only requires arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. Arbitrage expenditures are valued using the rebate method. The expenditure and liability, if any, are recorded and a reserve fund to liquidate the liability is established.

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	\$ 293,020
Current - unrestricted	\$ 190,307,071	Deposits held by State Treasurer	434,054,348
Current - restricted	218,089,588	Other deposits	85,564
Noncurrent - restricted	26,036,273	Investments held by State Treasurer	154,439
Investments	2,566,818	Other investments	2,412,379
Total	<u>\$ 436,999,750</u>	Total	<u>\$ 436,999,750</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, 2011, \$11,804,049 of the \$434,054,348 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 6 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.

NOTES TO FINANCIAL STATEMENTS

Other Investments

The University also has investments in mutual funds as authorized by a single donor. The mutual funds with a fair value of \$2,412,379 are held, and invested by, Wells Fargo, as trustee in accordance with the endowment agreement specified by the donor.

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 \$1,176,804. 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, 2011 were as follows:

Other Investments	Effective Fair Value	Maturity (Years)	Credit Rating
Domestic bond fund	\$ 731,357	6.9	N/A
International bond fund	138,469	9.7	N/A
Equity funds	1,542,553	N/A	N/A
Total other investments	\$ 2,412,379		

NOTE 3. RECEIVABLES

University receivables reported in the Statement of Net Assets as of June 30, 2011, were as follows:

University Receivables	Current	Noncurrent	Total
Accounts receivable, net	\$ 7,337,157	\$ —	\$ 7,337,157
Grants and contracts receivable	19,791,195	—	19,791,195
Notes receivable	—	137,802,927	137,802,927
Contributions receivable, net	1,704,693	1,733,644	3,438,337
Interest and income receivable	1,953,983	—	1,953,983
Student loans receivable	23,030	7,923,524	7,946,554
Total university receivables	\$ 30,810,058	\$ 147,460,095	\$ 178,270,153

Accounts receivable are reported net of allowances for doubtful accounts of \$294,081 based on credit losses experienced in prior years and evaluation of current portfolios. Student payment allowances of \$252,000, parking services allowances of \$37,081 and telecommunications allowances of \$5,000 comprise this amount. Contributions receivable are reported net of allowances for current uncollectible pledges of \$1,102,512 and allowances for noncurrent uncollectible pledges of \$1,035,292.

Accounts receivable for the year ended June 30, 2011, were comprised of the following balances:

Accounts Receivable	
Students/scholarships	\$ 2,840,472
Auxiliaries	1,672,449
Educational programs	937,823
Other	532,042
State bond proceeds	519,580
Camps	438,800
Fees	314,312
Professional development/conferences	81,679
Total accounts receivable	\$ 7,337,157

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, 2011, were comprised of the following balances:

Grants and Contracts Receivable					
	Federal	State	Local	Nongovernmental	Total
Sponsored research	\$ 12,074,260	\$ 2,402,956	\$ 83,104	\$ 1,590,950	\$ 16,151,270
Land-grant appropriations	1,912,879	—	—	—	1,912,879
Scholarship programs	1,727,046	—	—	—	1,727,046
Total grants and contracts receivable	\$ 15,714,185	\$ 2,402,956	\$ 83,104	\$ 1,590,950	\$ 19,791,195

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			
	Current	Noncurrent	Total
University programs	\$ 1,273,415	\$ 1,674,346	\$ 2,947,761
Athletic scholarships	431,278	59,298	490,576
Total contributions receivable	\$ 1,704,693	\$ 1,733,644	\$ 3,438,337

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, 2011, the University had notes receivable from the Clemson University Foundation, a related party, totaling \$137,802,927. 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, 2011, is summarized as follows:

Capital Assets				
	Beginning Balance June 30, 2010	Increases	Decreases	Ending Balance June 30, 2011
Capital assets not being depreciated:				
Land and improvements	\$ 32,133,383	\$ —	\$ —	\$ 32,133,383
*Construction in progress	24,586,034	53,797,667	377,057	78,006,644
Total capital assets not being depreciated	<u>56,719,417</u>	<u>53,797,667</u>	<u>377,057</u>	<u>110,140,027</u>
Depreciable capital assets:				
Utilities systems and other non-structural improvements	43,794,517	365,766	—	44,160,283
Buildings and improvements	724,474,074	2,016,580	—	726,490,654
Computer software	2,094,445	585,541	—	2,679,986
Equipment	187,712,449	10,932,051	8,683,858	189,960,642
Vehicles	15,238,483	726,879	649,970	15,315,392
Total depreciable capital assets at historical cost	<u>973,313,968</u>	<u>14,626,817</u>	<u>9,333,828</u>	<u>978,606,957</u>
Less accumulated depreciation for:				
Utilities systems and other non-structural improvements	18,828,051	1,826,169	—	20,654,220
Buildings and improvements	259,776,164	17,370,209	—	277,146,373
Computer software	1,496,543	580,521	—	2,077,064
Equipment	136,004,935	15,111,014	7,561,328	143,554,621
Vehicles	5,975,856	121,146	608,833	5,488,169
Total accumulated depreciation	<u>422,081,549</u>	<u>35,009,059</u>	<u>8,170,161</u>	<u>448,920,447</u>
Depreciable capital assets, net	<u>551,232,419</u>	<u>(20,382,242)</u>	<u>1,163,667</u>	<u>529,686,510</u>
Capital assets, net	<u>\$ 607,951,836</u>	<u>\$ 33,415,425</u>	<u>\$ 1,540,724</u>	<u>\$ 639,826,537</u>

* Includes current fiscal year capitalized interest of \$577,707
NOTE: The University received \$137,204 in proceeds from the sale of capital assets.

**NOTE 5.
DEFERRED REVENUES, DEPOSITS, AND
FUNDS HELD FOR OTHERS**

Deferred 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, 2011.

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.

Public Service Program receipts result from letter-of-credit draw-downs of federal appropriations for Hatch and Smith Lever funds for the University's agricultural research and extension programs. Fees collected in advance for municipal services, contract credit courses, and various departmental accounts comprise the remaining balance of deferred revenues.

A summary listing of deferred revenue follows:

Deferred Revenues	
Athletic event receipts - fall semester	\$ 13,885,867
Sponsored research programs	9,157,024
Academic and other fees -	
second summer semester	7,878,467
Educational programs	1,149,026
Admission fees - fall semester	658,806
Other	310,300
Public service program	280,572
Other auxiliary fees - second summer session	5,219
Total deferred revenues	<u>\$ 33,325,281</u>

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, 2012. Actual under-recovery or over-recovery of costs are reflected in future rate proposals and approvals. Beginning with the fiscal year ending June 30, 2010, 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 \$3,994,593 balance in current deposits represents over-recoveries for the fiscal year ending June 30, 2010, and will be absorbed/adjusted through the pooled fringe rate established for the fiscal year ending June 30, 2012. The \$5,047,745 balance in noncurrent 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. 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	\$ 3,994,593	\$ 5,047,745
Football guarantees/conference settlement	802,662	—
Student campus card balances	427,401	—
Miscellaneous departmental	229,267	—
Total deposits	\$ 5,453,923	\$ 5,047,745

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 \$599,343 of the current amount. The balance of current funds held for others is comprised of a longevity supplement for an athletic coach and 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	\$ —	\$ 7,571,920
Coach's termination settlement	599,343*	1,495,510
Coach's longevity supplement	386,493	—
Amounts held in trust	703,606**	—
Total funds held for others	\$ 1,689,442	\$ 9,067,430

* Included in the "Due Within One Year" column of Long-Term Liabilities (Note 11).
 ** All amounts due on demand, not included in the "Due Within One Year" column of Long-Term Liabilities (Note 11).

NOTES TO FINANCIAL STATEMENTS

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

Bonds Payable

At June 30, 2011, bonds payable consisted of the following:

BONDS PAYABLE	Original Debt	Interest Rate (outstanding)	Maturity Dates	June 30, 2011 Balance	Debt Retired in Fiscal Year 2011
General Obligation Bonds					
Bonds dated 7/01/02 (Series 2002B)	\$ 22,165,000	4.00-4.375%	6/1/2017	\$ 15,305,000	\$ 2,215,000
Bonds dated 3/01/03 (Series 2003B)	12,000,000	3.50-4.50%	6/1/2017	5,815,000	845,000
Bonds dated 12/01/03 (Series 2003F)	11,000,000	3.50-4.25%	6/1/2018	6,075,000	490,000
Bonds dated 4/01/07 (Series 2007B)	14,000,000	2.50-4.50%	6/1/2021	10,045,000	760,000
Bonds dated 3/01/11 (Series 2011B)	62,370,000	2.00-5.00%	3/1/2031	62,370,000	—
				<u>99,610,000</u>	
Plant Improvement Refunding Bonds					
Bonds dated 3/01/98 (Series 1998)	6,985,000	0.00%	5/1/2011	—	820,000
				<u>—</u>	
Revenue Bonds					
Bonds dated 1/01/98 (Series 1998A)	30,135,000	4.75%	5/1/2012	1,930,000	2,195,000
Bonds dated 8/01/03 (Series 2003)	27,290,000	4.00-5.00%	5/1/2018	22,770,000	820,000
Bonds dated 12/1/05 (Series 2005)	22,130,000	4.00-5.00%	5/1/2020	17,390,000	1,795,000
				<u>42,090,000</u>	
Athletic Facilities Revenue Bonds					
Bonds dated 6/01/01 (Series 2001)	20,985,000	4.375-4.75%	5/1/2016	8,885,000	1,510,000
Bonds dated 6/01/03 (Series 2003)	7,000,000	3.00-5.00%	5/1/2023	6,960,000	15,000
Bonds dated 12/1/05 (Series 2005)	15,000,000	4.00-6.00%	5/1/2025	14,200,000	200,000
				<u>30,045,000</u>	
Subtotal bonds payable				171,745,000	11,665,000
Plus unamortized bond premium				4,954,211	340,833
Less unamortized bond issue costs				(696,812)	(76,369)
Total Bonds Payable				<u>\$ 176,002,399</u>	<u>\$ 11,929,464</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. Plant Improvement Refunding Bonds are limited obligations of the University payable solely from, and secured by a pledge of a special student fee for plant improvements. 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 Plant Improvement Refunding Bonds, Series 1998; the Revenue Bonds, Series 1998A, 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, 2010 were \$20,493,449.18 which results in a legal annual debt service limit at June 30, 2011 of \$18,444,104. This amount is equal to 90% of tuition fees collected for the prior fiscal year.

The series 1998A Auxiliary Revenue Bonds maturing on or after May 1, 2008 are subject to redemption at the option of the University on and after May 1, 2007 in whole or in part at any time upon 30 days notice, at a declining premium. After May 1, 2007, the Auxiliary Revenue Bonds can be redeemed at 101% through April 30, 2008 and from May 1, 2008 through April 30, 2009 at 100.5% of par. After April 30, 2009 they can be redeemed at par.

The Series 1998 Plant Improvement Refunding Bonds are not subject to redemption prior to maturity and were paid off in full as of June 30, 2011.

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

NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

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.

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.

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.

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.

During the fiscal year ending June 30, 2011, the State of South Carolina issued on behalf of the University, General Obligation State Institution Bonds in the amount of \$62,370,000. A portion of the proceeds of these bonds will be used to (i) construct a Bio-Life Sciences Building, (ii) construct an Academic Success Center and (iii) expand and renovate the existing Lee Hall Architecture Building. The Series 2011B General Obligation State Institution Bonds maturing on and after March 1, 2022 shall be 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. The Series 2011B 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.

NOTES TO FINANCIAL STATEMENTS

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, 2011, are as follows:

Revenue and Athletic Facilities Revenue Bonds			
Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,845,000	\$ 3,357,985	\$ 10,202,985
2013	7,170,000	3,044,747	10,214,747
2014	7,510,000	2,709,378	10,219,378
2015	7,860,000	2,355,740	10,215,740
2016	8,240,000	1,983,552	10,223,552
2017 through 2021	24,630,000	4,735,718	29,365,718
2022 through 2026	9,880,000	1,148,731	11,028,731
Total Revenue and Athletic Facilities Revenue Bonds	<u>\$ 72,135,000</u>	<u>\$ 19,335,851</u>	<u>\$ 91,470,851</u>

Amounts including interest required to complete payment of the General Obligation Bonds as of June 30, 2011, are as follows:

General Obligation Bonds			
Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,690,000	\$ 4,499,177	\$ 9,189,177
2013	4,875,000	4,309,753	9,184,753
2014	5,065,000	4,119,990	9,184,990
2015	5,270,000	3,917,990	9,187,990
2016	5,480,000	3,701,837	9,181,837
2017 through 2021	25,690,000	15,297,388	40,987,388
2022 through 2026	23,540,000	9,376,000	32,916,000
2027 through 2031	25,000,000	3,668,750	28,668,750
Total General Obligation Bonds	<u>\$ 99,610,000</u>	<u>\$ 48,890,885</u>	<u>\$ 148,500,885</u>

The University reported principal retirements and interest expenditures related to the bonds as follows for the year ended June 30, 2011:

Principal Retirements and Interest Expenses		
<u>Bond Type</u>	<u>Principal</u>	<u>Interest</u>
General obligation bonds	\$ 4,310,000	\$ 2,746,420
Plant improvement refunding bonds	820,000	30,750
Revenue bonds	4,810,000	1,874,990
Athletic facilities revenue bonds	1,725,000	1,391,693
Total Principal Retirements and Interest Expenses	<u>\$ 11,665,000</u>	<u>\$ 6,043,853</u>

Arbitrage Liability Accrual

Arbitrage liability for the General Obligation Bonds, Series 2007B is \$39,484. Ninety percent of the liability is required to be rebated to the federal government no later than 60 days after April 19, 2012.

Notes Payable

For the fiscal year ending June 30, 2010, the University received a \$1,181,053 grant from the South Carolina Energy Office (SCEO) funded with American Recovery and Reinvestment Act (ARRA) Stimulus Funds for energy efficiency and renewable energy improvements.

NOTES TO FINANCIAL STATEMENTS

Terms of the grant require that 25 percent of the proceeds received are to be recognized as a note payable to the SCEO and are to be paid in future years from energy savings at zero percent interest. As of June 30, 2010, the University had received \$866,437 in grant proceeds, and, accordingly, recorded a notes payable in the amount of \$216,609. The remaining proceeds were received early in FY11 and the amount due to the SCEO was increased to the total of \$295,263. The first payment on this note is due September 1, 2011.

At June 30, 2011, notes payable consisted of the following:

Notes Payable			
	Interest	Maturity	Amount
SC Energy Office Note dated 7/1/03	1.00%	7/1/2013	\$ 152,034
Banc of America Leasing Note dated 7/18/05	5.42%	7/18/2012	516,254
SC Energy Office Note dated 8/19/09	0.00%	9/1/2013	295,263
Total Notes Payable			<u><u>\$ 963,551</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, 2011 are as follows:

Debt Service - Notes Payable			
	Principal	Interest	Total
Year Ending June 30			
2012	\$ 488,137	\$ 24,988	\$ 513,125
2013	325,807	5,816	331,623
2014	149,607	515	150,122
Total Debt Service - Notes Payable	<u><u>\$ 963,551</u></u>	<u><u>\$ 31,319</u></u>	<u><u>\$ 994,870</u></u>

Total principal paid on notes payable was \$371,522 for the year ended June 30, 2011. Total interest expense for notes payable was \$43,182.

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.

Future commitments for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2011, were as follows:

Operating Lease Commitments	
	Operating Leases
Year Ending June 30:	
2012	\$ 1,077,085
2013	825,348
2014	720,704
2015	720,704
2016	720,704
2017-2019	2,683,409
Total Operating Lease Commitments	<u><u>\$ 6,747,954</u></u>

NOTES TO FINANCIAL STATEMENTS

Capital Leases

The University's last Capital Lease expired in 2011. Expenditures for fiscal year 2011 were \$481,250 of which \$32,621 represented interest and \$18,333 represented executory costs. Total principal paid on the capital lease was \$430,296 for the fiscal year ended June 30, 2011. The interest rate was 7.58 percent.

Operating Leases

The University's noncancellable operating leases having remaining terms of more than one year expire in various fiscal years from 2011 through 2019. 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, 2012. Under this agreement, the University paid CURF \$77,955 in the current year.

In December 2009, the University entered into a real property operating lease with CURF, a component unit, 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, a component unit, 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 \$53,763 in the current fiscal year.

In the current fiscal year, Clemson University incurred expenses of \$726,183 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 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. 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 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 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 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. Effective July 1, 2006 the employee contribution rate increased to 6.50 percent of eligible compensation. Effective July 1, 2010, the employer contribution rate was 13.29 percent, which includes a 3.90 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2011, 2010, and 2009 were approximately \$14,361,613, \$14,729,084, and \$15,019,381 respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the

NOTES TO FINANCIAL STATEMENTS

University paid employer group-life insurance contributions of approximately \$233,101 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, 2010, the employer contribution rate became 15.43 percent which, as for the SCRS, included a 3.90 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2011, 2010, and 2009 were approximately \$238,980, \$234,049, and \$244,056 respectively, and equaled the required contributions of 11.13 percent (excluding the surcharge, incidental death and accidental death) for each year. Also, the University paid employer group-life insurance contributions of \$4,294 and accidental death insurance contributions of \$4,294 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. 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

NOTES TO FINANCIAL STATEMENTS

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, 9.24 percent plus the retiree surcharge of 3.90 percent from the employer in fiscal year 2011.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year 2011, total contribution requirements to the ORP were approximately \$4,142,127 (excluding the surcharge) from the University as employer and \$6,349,959 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 post-employment health, dental and vision and long-term disability benefits to retired State and school district employees and their covered 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 retirement service credit and the last five years of employment were served in a consecutive, full-time, permanent position with an employer that participates in the state insurance program. For new hires May 2, 2008 and after, new provision created by Act 195 of 2008 apply. Retirees with twenty-five years of established state service are eligible for 100% funding of the employer's share of the premium. Retirees with fifteen through twenty-four years of establish state service, are eligible for 50% funding

of the employer's share of the premium. Retirees with 5 years, but fewer than 15 years of established state service 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. 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 approved for disability.

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% and 3.90% of annual covered payroll for 2010 and 2011, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. Clemson University paid approximately \$9,083,100 and \$9,955,435 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010 and 2011, 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 year ended June 30, 2011.

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 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.

NOTES TO FINANCIAL STATEMENTS

**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. 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, 2011 was as follows:

Long-Term Liabilities					
	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Bonds payable, notes payable and capital lease obligations:					
General obligation bonds	\$ 41,550,000	\$ 62,370,000	\$ 4,310,000	\$ 99,610,000	\$ 4,690,000
Plant improvement bonds	820,000	—	820,000	—	—
Revenue bonds	46,900,000	—	4,810,000	42,090,000	5,035,000
Athletic facilities revenue bonds	31,770,000	—	1,725,000	30,045,000	1,810,000
Subtotal bonds payable	121,040,000	62,370,000	11,665,000	171,745,000	11,535,000
Unamortized revenue bond premium	1,301,128	3,993,917	340,834	4,954,211	340,833
Unamortized bond issue costs	(498,852)	(274,329)	(76,369)	(696,812)	(71,673)
Total bonds payable	121,842,276	66,089,588	11,929,465	176,002,399	11,804,160
Capital lease payables	430,296	—	430,296	—	—
Notes payable	1,256,419	78,654	371,522	963,551	488,137
Total bonds, notes and capital leases	123,528,991	66,168,242	12,731,283	176,965,950	12,292,297
Other liabilities:					
Accrued compensated absences	22,244,000	13,895,723	14,340,723	21,799,000	13,831,769
Funds held for others	10,493,763	158,537	599,034	10,053,266	985,836
Arbitrage payable	39,484	—	—	39,484	39,484
Total other liabilities	32,777,247	14,054,260	14,939,757	31,891,750	14,857,089
Total long-term liabilities	\$ 156,306,238	\$ 80,222,502	\$ 27,671,040	\$ 208,857,700	\$ 27,149,386

Additional information regarding Bonds and Notes Payable is included in Note 6. Additional information regarding Capital Lease Obligations is included in Note 7. The balance in the long-term liability account "Funds held for others" represents the Federal liability for the Perkins Loan program and longevity incentives 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 \$327,664,505. The \$327,664,505 includes estimated costs of \$211,399,502 for capital projects currently in progress plus \$116,265,003 estimated costs for other capital projects already in service. Of the total estimated cost, \$138,015,100 was unexpended at June 30, 2011. Of the total expended through June 30, 2011, the University has capitalized substantially complete and in use projects in the amount of \$112,019,818. Of the unexpended balance the University has remaining commitment balances of \$75,786,449 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of June 30, 2011 was \$615,971. Capital projects at June 30, 2011 which constitute construction in progress that are to be capitalized when completed are listed below.

Construction Costs and Commitments				
Project Number	Project	Approximate Cost	Amount Expended	
9807	Academic Success Center	\$ 13,635,000	\$ 6,762,090	
1083	Banner	25,245,000	2,276,850	
9542	Baruch Temporary Living Quarters	400,000	38,955	
9878	Bioengineering Research Center	7,000,000	4,794,833	
9871	Bio/Life Sciences Building	50,000,000	11,715,789	
9884	Dining Hall/Post Office	600,000	588,902	
9541	Edisto Peanut Lab	300,000	36,425	
9891	Freeman Hall Expansion	97,500	91,893	
9873	Golf Practice Facility	3,293,500	1,429,937	
9894	Indoor Football Practice Field	150,000	6,156	
9883	Innovation Center Construction	6,000,000	5,664,380	
9886	Lee Complex Expansion	31,600,000	19,176,223	
1021	Library Storing and Archiving	493,000	23,111	
9864	North Charleston Land and Renovation	10,420,000	517,404	
9889	Wind Turbine Facility	62,165,502	24,883,696	
	Total Construction Costs and Commitments	\$ 211,399,502	\$ 78,006,644	

The amount expended includes only capitalized project expenses and capitalized interest on construction debt for projects less than 95% complete and not in service at June 30, 2011. No noncapitalized expenditures are included in these totals.

Non-Capitalized

At June 30, 2011 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 \$35,719,861. This amount includes costs incurred to date of \$17,889,170 and estimated costs to complete of \$17,830,691. The University has remaining commitment balances with certain parties related to these projects of \$2,582,537. Retainages payable on the non-capitalized projects as of June 30, 2011, was \$33,379. 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.

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.

NOTES TO FINANCIAL STATEMENTS

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. This entity had no transactions with the University and did not significantly require the time or service of any University employees.

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 \$168,062 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 \$616,015 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 2010-11 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, 2011:

State Appropriations			
	Educational and General	Public Service	Total
Original appropriation	\$ 62,013,524	\$ 28,214,589	\$ 90,228,113
Employer contributions health and dental insurance allocation	646,325	256,367	902,692
Appropriation allocations from the State Commission on Higher Education:			
For Academic Endowment Match	27,636	—	27,636
For Clemson Agriculture Education Teachers - teacher recruitment	—	758,627	758,627
Total state appropriation revenues	\$ <u>62,687,485</u>	\$ <u>29,229,583</u>	\$ <u>91,917,068</u>

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. The University received \$7,000,000 from the South Carolina Department of Commerce to fund construction of a Wind Turbine Drive-Train Test Facility.

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, 2011:

Other Amounts Received from State Agencies	Operating Revenues	Nonoperating Revenues	Capital and Endowment Proceeds	Total
Received from the Commission on Higher Education (CHE):				
LIFE Scholarships	\$ 23,924,000	\$ —	\$ —	\$ 23,924,000
Palmetto Scholarships	18,118,882	—	—	18,118,882
Need-Based Grants	1,688,256	—	—	1,688,256
HOPE Scholarships	61,600	—	—	61,600
University Center - Greenville	1,122,021	—	—	1,122,021
SC Experimental Programs to Stimulate Competitive Research	—	132,016	—	132,016
SC Manufacturing Extension Partnership	—	300	—	300
SC Alliance for Minority Participation	—	29,834	—	29,834
Centers of Excellence	—	112,500	—	112,500
Received from the Department of Education	3,852,412	—	—	3,852,412
Received from Department of Health and Environmental Control	287,061	—	—	287,061
Received from various other state agencies	1,023,649	—	—	1,023,649
Received from agencies outside South Carolina	600,798	—	—	600,798
Received from South Carolina Department of Commerce	—	—	7,000,000	7,000,000
State lottery funding for permanent endowments	—	—	2,755,500	2,755,500
Capital reserve fund proceeds	—	—	72,120	72,120
Research infrastructure bond proceeds	—	—	6,571,535	6,571,535
Total other amounts received from State Agencies	\$ 50,678,679	\$ 274,650	\$ 16,399,155	\$ 67,352,484

The University received American Recovery and Reinvestment Act of 2009 (ARRA) "Stimulus" funds from State agencies this past fiscal year. State Fiscal Stabilization Funds (SFSF) were received from the State Treasurer's Office. Educational and General SFSF Education Funds totaling \$16,484,608 were recorded as nonoperating gifts and grants revenues and were used for instruction compensation and employee benefit expenses. Educational and General SFSF Education Funds totaling \$5,847,722 were recorded as capital grants and gifts and funded major renovations to Lee Hall and the purchase of a new student ERP system. Public Service Activities SFSF Government Services funds totaling \$2,600,000 were recorded as nonoperating gifts and grants revenues and were used for agricultural research and extension public service compensation and employee benefit expenses.

The University received an ARRA-funded grant of \$1,181,053 from the S.C. Energy Office (SCEO) for the fiscal year ending June 30, 2010, for energy efficiency and renewable energy improvements. Terms of the grant require that 25 percent of the proceeds received are to be recognized as a note payable to the SCEO and are to be paid in future years from energy savings at zero percent interest. As of June 30, 2010, the University had received \$866,437 in grant proceeds, and accordingly, recorded a notes payable in the amount of \$216,609. As of June 30, 2011, the University had received the remaining \$314,616 in grant proceeds and increased the notes payable by \$78,654, to a total of \$295,263. Net proceeds of \$235,962 were recorded as Federal grants and contracts operating revenues and were used to fund non-capitalized operations and maintenance of plant improvements.

Following is a summary of ARRA amounts received from State agencies for the fiscal year ended June 30, 2011:

Stimulus Amounts Received from State Agencies	Educational and General	Public Service	Total
State Received from the State Treasurer's Office:			
State Fiscal Stabilization Funds - Education Fund - University operations	\$ 16,484,608	\$ —	\$ 16,484,608
State Fiscal Stabilization Funds - Education Fund - University capital projects	5,847,722	—	5,847,722
State Fiscal Stabilization Funds - Government Services Fund - University operations	—	2,600,000	2,600,000
Received from the South Carolina Energy Office:			
ARRA grant proceeds for energy efficiency and renewable energy improvements	314,616	—	314,616
Less: 25 percent of proceeds recorded as a note payable	(78,654)	—	(78,654)
Total stimulus amounts received from state agencies	\$ 22,568,292	\$ 2,600,000	\$ 25,168,292

NOTES TO FINANCIAL STATEMENTS

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 \$15,264,591, comprised of \$6,022,594 in fees for computer services classified as other operating revenues, and \$9,241,997 in information and systems development fees classified as sales and services of auxiliary enterprises.

Also, the University collected and remitted \$34,615 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 2011 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);
- (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

NOTES TO FINANCIAL STATEMENTS

In addition, the Chief Administrative Officer and Chief Financial Officer are each covered for \$250,000 under specific public official bonds, and the postmaster is covered under a performance bond for \$25,000. The Chief Administrative Officer, 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, 2011, 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, 2011, 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 2011 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.

NOTE 17. OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2011 are summarized as follows:

Operating Expenses by Function						
	Compensation and Employee Benefits	Services and Supplies	Utilities	Depreciation	Scholarships and Fellowships	Total
Instruction	\$ 150,132,967	\$ 26,858,333	\$ 1,121,325	\$ —	\$ 531,053	\$ 178,643,678
Research	81,583,284	40,855,655	1,542,201	—	855,960	124,837,100
Public Service	41,528,046	16,008,833	1,515,757	—	30,133	59,082,769
Academic Support	24,062,181	10,540,279	716,186	—	2,000	35,320,646
Student Services	17,645,644	9,189,798	412,787	—	33,470	27,281,699
Institutional Support	21,096,275	4,095,238	298,765	—	—	25,490,278
Operation and Maintenance of Plant	11,891,329	24,360,132	6,653,983	—	—	42,905,444
Scholarships and Fellowships	516	194,015	—	—	21,948,694	22,143,225
Auxiliary Services	34,848,555	49,946,722	4,752,488	—	—	89,547,765
Depreciation	—	—	—	35,009,059	—	35,009,059
	<u>\$ 382,788,797</u>	<u>\$ 182,049,005</u>	<u>\$ 17,013,492</u>	<u>\$ 35,009,059</u>	<u>\$ 23,401,310</u>	<u>\$ 640,261,663</u>

NOTES TO FINANCIAL STATEMENTS

**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 2011, this rate was 4.0%. At June 30, 2011, net appreciation gains of \$5,172,548 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	\$ 61,286,104
University administered loans	248,618
Payment of maturing debt	11,771,137
Bond proceeds and other amounts restricted for capital projects	145,159,730
Funds held for others	(376,001)
	<u>\$ 218,089,588</u>
Noncurrent:	
Cash and cash equivalents:	
Endowments	\$ 24,765,941
Federal Perkins Loan Program	1,270,332
	<u>\$ 26,036,273</u>
Student Loans Receivable:	
Federal Perkins Loan Program	\$ 7,923,524
	<u> </u>

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	2011	2010	Increase/ (Decrease)
Charges for services	\$ 487,256,198	\$ 450,242,767	\$ 37,013,431
Operating grants and contributions	138,426,989	125,278,809	13,148,180
Capital grants and contributions	38,375,779	31,148,304	7,227,475
Less: expenses	(647,246,007)	(628,851,000)	(18,395,007)
Net program revenue (expense)	<u>16,812,959</u>	<u>(22,181,120)</u>	<u>38,994,079</u>
General revenues:			
Contributions to permanent endowments	2,765,526	11,846,416	(9,080,890)
Transfers:			
State appropriations	91,917,068	114,119,657	(22,202,589)
State capital appropriations	72,120	174,442	(102,322)
Capital improvement bond proceeds	—	518,987	(518,987)
Economic development bond proceeds	—	120,622	(120,622)
Research infrastructure bond proceeds	6,571,535	2,921,496	3,650,039
Less: transfers out to state agencies/funds	(450,240)	(185,314)	(264,926)
Total general revenue and transfers	<u>100,876,009</u>	<u>129,516,306</u>	<u>(28,640,297)</u>
Change in net assets	117,688,968	107,335,186	10,353,782
Net assets - beginning	<u>852,177,648</u>	<u>744,842,462</u>	<u>107,335,186</u>
Net assets - ending	<u>\$ 969,866,616</u>	<u>\$ 852,177,648</u>	<u>\$ 117,688,968</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 2011 were recorded by the University as nonoperating gift revenues totaling \$9,635,414. CUF also reimbursed the University \$911,161 for salaries for time devoted by University employees to CUF and to fund other University initiatives.

Equipment donated by CUF to the University totaled \$83,768 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 \$1,364,981 for University building projects. As of June 30, 2011, CUF had remaining commitments of

approximately \$1,536,004 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 \$137,802,927.

CUF charges an annual fee of 1.25 percent for managing the University's endowments. For the fiscal year ending June 30, 2011, the management fee was \$1,261,657, net of current year income, gains and appreciation losses of \$22,897,841. At fiscal year end, \$375,190 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

NOTES TO FINANCIAL STATEMENTS

realize appreciation in investment values. Under this policy, 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, 2011 follows:

Investments	
Money market funds	\$ 12,656,633
Treasury/agency	17,815,018
Mortgage backed securities	10,064,052
Corporate bonds	7,903,034
Global bonds	1,625,065
U.S. Equities	192,805,197
Global equities	84,147,182
Hedge funds	67,894,657
Private equity	15,470,843
Real estate	10,055,008
Commodities	12,657,640
Other	971,857
Subtotal - marketable investments	434,066,186
Subordinated note receivable from Clemson University Real Estate Foundation, Inc.	20,000,000
	<u>\$ 454,066,186</u>

**NOTE 22.
SUBSEQUENT EVENTS**

On July 11, 2011, the University offered Voluntary Separation and Retirement Incentive Plans to eligible employees. Based on each division’s plans, and in accordance with the 2020 Road Map intent to divest and reallocate funds so that they may be invested in strategic priorities, eligible employees had until August 29, 2011, to declare their intention to separate or retire from the University no later than September, 30, 2011.

Subsequently, 46 employees elected to participate in the Voluntary Separation Plan at an anticipated cost of \$1,803,225 for the fiscal year ending June 30, 2012. In addition, 35 employees elected to participate in the Retirement Incentive Plan at an anticipated cost of \$1,025,460 for the fiscal year ending June 30, 2012.

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 \$5,453,194 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 \$1,439,125 due from CURF at June 30, 2011.

Also, the University made \$806,155 in operating lease payments to CURF for office space. CURF reimbursed the University \$107,312 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, 2003 AND 2005)
For the year ended June 30, 2011

	Dining Services	Vending Operations	Bookstore	Parking Services	Housing	Total
Revenues:						
Student meal plans	\$ 14,438,243	\$ —	\$ —	\$ —	\$ —	\$ 14,438,243
Food service commissions	1,441,424	—	—	—	—	1,441,424
Other	—	373	—	—	118,569	118,942
Residence halls	—	—	—	—	26,751,530	26,751,530
Campus vending machines	—	511,107	—	—	—	511,107
ATM rental	—	77,205	—	—	—	77,205
Contract revenue	—	339,545	1,274,610	73,136	172,580	1,859,871
Parking permits	—	—	—	2,093,486	—	2,093,486
Transit fees	—	—	—	1,074,741	—	1,074,741
Parking citations	—	—	—	832,855	—	832,855
Investment income	51,655	9,119	19,648	18,287	65,155	163,864
Total revenues	15,931,322	937,349	1,294,258	4,092,505	27,107,834	49,363,268
Expenses:						
Salaries	140,480	47,663	52,900	486,725	5,121,029	5,848,797
Fringe benefits	47,573	16,228	18,021	172,019	1,333,172	1,587,013
Travel	1,608	—	—	5,947	42,847	50,402
Contractual services	10,913,548	—	—	1,270,697	815,586	12,999,831
Repairs	442,425	1,759	8,383	115,563	343,420	911,550
Telecommunications	2,818	420	—	4,517	238,462	246,217
Heat, light, and power	654,510	13,826	14,073	44,947	2,148,361	2,875,717
Water, sewer and garbage	84,322	—	—	60	444,514	528,896
Rents	104,870	—	—	63,400	16,204	184,474
Supplies and materials	49,858	—	1,042	76,564	791,129	918,593
Insurance	21,483	—	—	5,280	210,040	236,803
University debit card fees	306,212	36,296	—	2,010	130,119	474,637
Cable television	—	—	—	—	230,330	230,330
Other operating expenses	1,119,858	56,933	88,419	560,986	2,733,518	4,559,714
Capital outlay	196,453	—	—	164,757	42,363	403,573
Total expenses	14,086,018	173,125	182,838	2,973,472	14,641,094	32,056,547
Net revenues	\$ 1,845,304	\$ 764,224	\$ 1,111,420	\$ 1,119,033	\$ 12,466,740	\$ 17,306,721

CLEMSON UNIVERSITY
SCHEDULE OF PLEDGED NET REVENUES
ATHLETIC FACILITIES REVENUE BONDS (SERIES 2001, 2003 AND 2005)

For the year ended June 30, 2011

	Football	Basketball	Other Sports	Non Program Specific	Total
Revenues:					
Ticket sales	\$ 18,784,904	\$ 1,476,872	\$ 475,066	\$ —	\$ 20,736,842
Student fees	1,457,154	137,259	—	—	1,594,413
Away game sales and guarantees	1,000,000	—	7,500	—	1,007,500
Contributions	2,326,623	676,143	3,216,657	3,328,316	9,547,739
Direct institutional support	948,705	363,668	2,163,063	36,174	3,511,610
NCAA/Conference distributions including tournament revenues	6,266,848	5,100,278	109,683	86,921	11,563,730
Broadcast, television, radio and internet rights	—	—	—	1,370,000	1,370,000
Program sales, concessions, novelty sales and parking	1,421,747	227,701	99,844	37,532	1,786,824
Royalties, advertisements and sponsorships	320,000	120,000	135,000	3,367,655	3,942,655
Endowment and investment income	—	—	—	198,094	198,094
Other	12,147	—	78,670	134,251	225,068
Total operating revenues	<u>32,538,128</u>	<u>8,101,921</u>	<u>6,285,483</u>	<u>8,558,943</u>	<u>55,484,475</u>
Expenses:					
Athletic student aid	3,168,065	1,010,124	5,320,041	917,595	10,415,825
Guarantees	1,000,000	450,379	34,449	69,113	1,553,941
Coaching salaries, benefits and bonuses paid by the institution and related entities	4,729,894	2,411,718	3,523,804	164,267	10,829,683
Support staff/administrative salaries, benefits and bonuses paid by the institution and related entities	1,532,393	387,994	103,096	6,738,109	8,761,592
Recruiting	490,305	271,970	307,291	—	1,069,566
Team travel	1,443,737	818,810	1,290,067	220,341	3,772,955
Equipment, uniforms and supplies	572,574	165,811	583,162	193,948	1,515,495
Game expenses	1,983,300	474,358	314,977	—	2,772,635
Fund raising, marketing and promotion	—	—	—	389,848	389,848
Direct facilities, maintenance and rental	156,629	42,208	49,405	1,789,491	2,037,733
Indirect facilities and administrative support	—	—	—	2,590,776	2,590,776
Other operating expenses	814,497	356,341	493,691	5,999,730	7,664,259
Total operating expenditures	<u>15,891,394</u>	<u>6,389,713</u>	<u>12,019,983</u>	<u>19,073,218</u>	<u>53,374,308</u>
Net Revenues	<u>\$ 16,646,734</u>	<u>\$ 1,712,208</u>	<u>\$ (5,734,500)</u>	<u>\$ (10,514,275)</u>	<u>\$ 2,110,167</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)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues:										
Student tuition and fees (net of scholarship allowances)	\$ 252,924	\$ 223,036	\$ 205,488	\$ 188,530	\$ 176,240	\$ 166,912	\$ 149,405	\$ 131,049	\$ 111,346	\$ 97,269
Federal grants and contracts	65,045	63,792	59,205	56,165	52,318	54,641	53,203	58,208	57,819	46,464
State grants and contracts	50,679	48,683	47,248	43,414	35,947	36,181	35,052	31,451	29,158	19,885
Local grants and contracts	757	959	872	799	851	1,311	1,678	1,136	1,319	1,103
Nongovernmental grants and contracts	6,913	8,727	11,700	11,177	11,138	9,435	9,800	9,742	10,140	8,656
Sales and services of educational and other activities	15,843	15,917	16,543	16,268	14,027	14,351	13,646	11,596	9,675	9,481
Sales and services of auxiliary enterprises (net of scholarship allowances)	95,096	89,129	86,282	79,159	77,359	71,774	65,443	63,585	60,049	58,158
Other operating revenues	27,396	28,851	21,671	25,013	19,206	16,438	14,496	14,263	13,204	12,156
Total operating revenues	514,653	479,094	449,009	420,525	387,086	371,043	342,723	321,030	292,710	253,172
State appropriations	91,917	114,120	128,279	167,224	150,335	134,678	126,589	126,020	139,615	155,453
Federal appropriations	11,744	11,269	12,317	14,186	9,667	11,338	10,986	10,339	11,492	9,772
Gifts and grants	68,797	59,473	46,872	44,466	39,298	36,329	33,971	29,525	28,100	31,650
Interest income	7,752	12,408	10,029	8,462	6,585	3,340	5,102	4,916	7,587	7,405
Endowment income	22,236	10,085	(20,283)	(7,046)	16,003	7,804	6,252	6,769	2,563	(1,788)
Other nonoperating revenues	502	3,192	1,944	1,389	753	483	657	991	1,490	1,423
Proceeds from the sale of capital assets	137	57	715	—	20,061	—	5,029	—	—	14,016
Total nonoperating revenues	203,085	210,604	179,873	228,681	242,702	193,972	188,586	178,560	190,847	217,931
Total revenues	\$ 717,738	\$ 689,698	\$ 628,882	\$ 649,206	\$ 629,788	\$ 565,015	\$ 531,309	\$ 499,590	\$ 483,557	\$ 471,103

For the Fiscal Year
(percent of total income)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues:										
Student tuition and fees (net of scholarship allowances)	35.2%	32.3%	32.7%	29.0%	28.0%	29.5%	28.1%	26.2%	23.0%	20.6%
Federal grants and contracts	9.1%	9.2%	9.4%	8.7%	8.3%	9.8%	10.0%	11.7%	12.0%	9.8%
State grants and contracts	7.1%	7.1%	7.5%	6.7%	5.7%	6.4%	6.6%	6.3%	6.0%	4.2%
Local grants and contracts	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.2%	0.3%	0.2%
Nongovernmental grants and contracts	1.0%	1.3%	1.9%	1.7%	1.8%	1.7%	1.8%	1.9%	2.1%	1.8%
Sales and services of educational and other activities	2.2%	2.3%	2.6%	2.5%	2.2%	2.5%	2.6%	2.3%	2.0%	2.0%
Sales and services of auxiliary enterprises (net of scholarship allowances)	13.2%	12.9%	13.7%	12.2%	12.4%	12.7%	12.3%	12.7%	12.4%	12.3%
Other operating revenues	3.8%	4.2%	3.4%	3.9%	3.0%	2.9%	2.8%	2.9%	2.7%	2.7%
Total operating revenues	71.7%	69.4%	71.3%	64.8%	61.5%	65.7%	64.5%	64.2%	60.5%	53.6%
State appropriations	12.8%	16.5%	20.4%	25.8%	23.9%	23.8%	23.8%	25.2%	28.9%	33.0%
Federal appropriations	1.6%	1.6%	2.0%	2.2%	1.5%	2.1%	2.1%	2.1%	2.4%	2.1%
Gifts and grants	9.6%	8.6%	7.5%	6.8%	6.3%	6.3%	6.4%	5.9%	5.8%	6.8%
Interest income	1.1%	1.8%	1.6%	1.3%	1.0%	0.6%	1.0%	1.0%	1.6%	1.6%
Endowment income	3.1%	1.5%	(3.2)%	(1.1)%	2.5%	1.4%	1.2%	1.4%	0.5%	(0.4)%
Other nonoperating revenues	0.1%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Proceeds from the sale capital assets	0.0%	0.1%	0.1%	0.0%	3.2%	0.0%	0.9%	0.0%	0.0%	3.0%
Total nonoperating revenues	28.3%	30.6%	28.7%	35.2%	38.5%	34.3%	35.5%	35.8%	39.5%	46.4%
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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SCHEDULE OF EXPENSES BY USE

	For the Fiscal Year <i>(amounts expressed in thousands)</i>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses:										
Compensation and employee benefits	\$ 382,789	\$ 385,519	\$ 394,708	\$ 402,601	\$ 366,732	\$ 341,740	\$ 314,270	\$ 298,717	\$ 304,259	\$ 292,247
Services and supplies	182,049	174,958	158,556	174,642	148,409	140,594	134,961	130,586	124,100	108,322
Utilities	17,013	17,733	19,376	17,951	16,483	13,884	12,032	12,103	11,542	12,006
Depreciation	35,009	35,164	33,364	32,697	29,946	25,829	24,474	23,323	22,359	19,158
Scholarships and fellowships	23,402	9,175	13,382	10,845	6,794	6,319	8,115	9,962	10,238	9,090
Total operating expenses	<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>	<u>440,823</u>
Interest on capital asset related debt	6,034	5,799	6,637	7,196	7,211	7,014	6,743	6,794	5,321	4,300
Loss on disposal of capital assets	791	464	802	443	744	686	553	1,205	1,094	1,396
Refunds to grantors	296	95	213	386	697	182	256	100	335	289
Facilities and administrative remittances to the State	450	185	608	710	644	347	198	299	549	418
Total nonoperating expenses	<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>	<u>6,403</u>
Total expenses	<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>	<u>\$ 447,226</u>

	For the Fiscal Year <i>(percent of total income)</i>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses:										
Compensation and employee benefits	59.2%	61.3%	62.9%	62.2%	63.5%	63.7%	62.7%	61.9%	63.4%	65.3%
Services and supplies	28.1%	27.8%	25.3%	27.0%	25.7%	26.2%	26.9%	27.0%	25.9%	24.2%
Utilities	2.6%	2.8%	3.1%	2.8%	2.9%	2.6%	2.4%	2.5%	2.4%	2.7%
Depreciation	5.4%	5.6%	5.3%	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%	4.3%
Scholarships and fellowships	3.6%	1.5%	2.1%	1.6%	1.2%	1.2%	1.6%	2.1%	2.1%	2.0%
Total operating expenses	<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>	<u>98.5%</u>
Interest on capital asset related debt	0.9%	0.9%	1.1%	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%	1.0%
Loss on disposal of capital assets	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Refunds to grantors	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%
Facilities and administrative remittances to the State	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Total nonoperating expenses	<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>	<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>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses:										
Instruction	\$ 178,644	\$ 175,249	\$ 173,423	\$ 176,165	\$ 159,318	\$ 144,342	\$ 131,830	\$ 121,968	\$ 119,546	\$ 114,357
Research	124,837	126,972	125,623	127,427	112,141	106,608	104,580	104,510	101,788	93,953
Public service	59,083	62,390	68,508	72,649	60,951	56,912	52,772	51,496	57,502	56,508
Academic support	35,321	37,181	35,775	38,647	43,104	38,200	34,469	28,484	31,367	28,811
Student services	27,282	25,316	25,189	27,150	23,607	20,899	19,208	18,868	17,842	17,614
Institutional support	25,490	26,389	27,843	31,951	27,039	24,261	20,721	18,843	18,074	17,287
Operation and maintenance of plant	42,905	37,435	35,869	48,826	36,811	39,057	35,025	36,211	35,880	28,167
Scholarships and fellowships	22,143	8,124	12,488	10,006	6,165	5,956	7,727	9,626	9,871	8,682
Auxiliary enterprises	89,548	88,329	81,304	73,218	69,282	66,302	63,046	61,362	58,269	56,286
Depreciation	35,009	35,164	33,364	32,697	29,946	25,829	24,474	23,323	22,359	19,158
Interest on capital debt	6,034	5,799	6,637	7,196	7,211	7,014	6,743	6,794	5,321	4,300
Loss on disposal of capital assets	791	464	802	443	744	686	553	1,205	1,094	1,396
Refunds to grantors	296	95	213	386	697	182	256	100	335	289
Facilities and administrative remittances to the State	450	185	608	710	644	347	198	299	549	418
Total expenses	\$ 647,833	\$ 629,092	\$ 627,646	\$ 647,471	\$ 577,660	\$ 536,595	\$ 501,602	\$ 483,089	\$ 479,797	\$ 447,226

	For the Fiscal Year									
	<i>(percent of total income)</i>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses:										
Instruction	27.7%	27.9%	27.7%	27.2%	27.5%	26.9%	26.3%	25.3%	24.9%	25.6%
Research	19.3%	20.2%	20.0%	19.7%	19.4%	19.9%	20.9%	21.6%	21.2%	21.0%
Public service	9.1%	9.9%	10.9%	11.2%	10.6%	10.6%	10.5%	10.7%	12.0%	12.6%
Academic support	5.5%	5.9%	5.7%	6.0%	7.5%	7.1%	6.9%	5.9%	6.5%	6.4%
Student services	4.2%	4.0%	4.0%	4.2%	4.1%	3.9%	3.8%	3.9%	3.7%	3.9%
Institutional support	3.9%	4.2%	4.4%	4.9%	4.7%	4.5%	4.1%	3.9%	3.8%	3.9%
Operation and maintenance of plant	6.6%	6.0%	5.7%	7.5%	6.4%	7.3%	7.0%	7.5%	7.5%	6.3%
Scholarships and fellowships	3.4%	1.3%	2.0%	1.6%	1.1%	1.1%	1.5%	2.0%	2.1%	1.9%
Auxiliary enterprises	13.8%	14.0%	13.0%	11.3%	12.0%	12.4%	12.6%	12.7%	12.1%	12.6%
Depreciation	5.4%	5.6%	5.3%	5.0%	5.2%	4.8%	4.9%	4.8%	4.7%	4.3%
Interest on capital debt	0.9%	0.9%	1.1%	1.1%	1.2%	1.3%	1.3%	1.4%	1.1%	1.0%
Loss on disposal of capital assets	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%
Refunds to grantors	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%
Facilities and administrative remittances to State	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	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)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Total revenues (from schedule of revenues by source)	\$ 717,738	\$ 689,698	\$ 628,882	\$ 649,206	\$ 629,788	\$ 565,015	\$ 531,309	\$ 499,590	\$ 483,557	\$ 471,103
Total expenses (from schedule of expenses by use and function)	(647,833)	(629,092)	(627,646)	(647,471)	(577,660)	(536,595)	(501,602)	(483,089)	(479,797)	(447,226)
Income before other revenues, expenses, gains or losses	69,905	60,606	1,236	1,735	52,128	28,420	29,707	16,501	3,760	23,877
State capital appropriations	6,643	3,736	6,986	19,501	44,149	19,938	12,469	2,543	10,570	12,483
Capital grants and gifts	38,376	31,148	13,059	3,998	25,563	2,727	7,487	2,568	6,175	1,865
Additions to permanent endowments	2,765	11,846	2,491	5,898	1,839	7,508	2,170	7,004	20	235
Total changes in net assets	117,689	107,336	23,772	31,132	123,679	58,593	51,833	28,616	20,525	38,460
Net assets, beginning	852,178	744,842	721,070	689,938	566,259	507,666	455,833	427,217	406,692	368,233
Net Assets, Ending	\$ 969,867	\$ 852,178	\$ 744,842	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217	\$ 406,692
Invested in capital assets, net of related debt	\$ 462,861	\$ 483,924	\$ 456,106	\$ 429,669	\$ 390,891	\$ 315,987	\$ 294,089	\$ 248,604	\$ 256,258	\$ 252,576
Restricted - expendable	334,901	237,490	207,228	207,042	191,603	132,724	117,212	122,791	109,161	101,223
Restricted - nonexpendable	50,959	47,853	35,785	33,916	28,291	26,184	18,632	16,347	9,228	9,223
Unrestricted	121,146	82,911	45,723	50,443	79,153	91,364	77,733	68,091	52,570	43,670
Total	\$ 969,867	\$ 852,178	\$ 744,842	\$ 721,070	\$ 689,938	\$ 566,259	\$ 507,666	\$ 455,833	\$ 427,217	\$ 406,692

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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>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Obligation Bonds	\$ 99,610	\$ 41,550	\$ 45,685	\$ 49,660	\$ 53,475	\$ 43,655	\$ 46,605	\$ 49,460	\$ 42,465	\$ 9,915
Plant Improvement Bonds	—	820	1,610	2,360	3,080	3,770	4,435	5,070	5,685	6,275
Revenue Bonds	42,090	46,900	51,490	55,875	61,155	64,981	61,322	63,982	38,475	40,910
Athletic Facilities Revenue Bonds	30,045	31,770	33,410	34,975	36,465	37,685	23,840	24,935	25,975	19,960
Notes Payable	964	1,256	1,394	1,876	2,335	2,771	852	1,048	706	155
Capital Lease Obligations	—	430	873	1,285	1,920	3,143	4,276	5,355	6,369	7,323
Total Outstanding Debt	\$ 172,709	\$ 122,726	\$ 134,462	\$ 146,031	\$ 158,430	\$ 156,005	\$ 141,330	\$ 149,850	\$ 119,675	\$ 84,538
Full-time equivalent students	18,417	18,237	17,367	16,250	16,226	16,044	15,948	15,780	15,620	15,800
Outstanding debt per student	\$ 9,378	\$ 6,730	\$ 7,742	\$ 8,987	\$ 9,764	\$ 9,724	\$ 8,862	\$ 9,496	\$ 7,662	\$ 5,351

Note: Outstanding debt per student calculated using fall semester full-time equivalent student enrollment data for the last ten academic years (page 72).

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	
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
2002	4,843	4,843	985	555	1,540	3.14

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Plant Improvement Bonds

Fiscal Year Ended June 30,	Tuition and Matriculation Fees	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2011	\$ 1,080	\$ 1,080	\$ 820	\$ 31	\$ 851	1.27
2010	1,117	1,117	790	67	857	1.30
2009	1,147	1,147	750	101	851	1.35
2008	1,061	1,061	720	132	852	1.25
2007	985	985	690	162	852	1.16
2006	1,003	1,003	665	190	855	1.17
2005	1,005	1,005	635	216	851	1.18
2004	1,003	1,003	615	242	857	1.17
2003	1,002	1,002	590	266	856	1.17
2002	1,177	1,177	570	292	862	1.37

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	
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
2002	27,456	24,929	2,527	833	3,360	1,025	823	1,848	1.82

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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	
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
2002	32,701	21,941	10,760	2,445	2,290	4,735	2.27

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

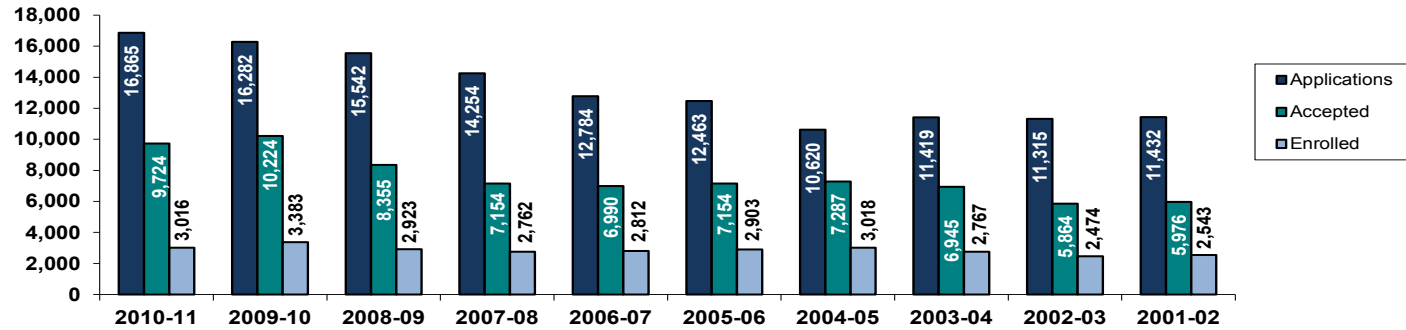
ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Admissions-Freshman										
Accepted as a percentage of applications	57.7%	62.8%	53.8%	50.2%	54.7%	57.4%	68.6%	60.8%	51.8%	52.3%
Enrolled as a										
Percentage of accepted	31.0%	33.1%	35.0%	38.6%	40.2%	40.6%	41.4%	39.9%	42.2%	42.6%
SAT scores-total	1,231	1,225	1,227	1,221	1,217	1,225	1,204	1,204	1,205	1,191
Verbal	599	597	597	595	592	600	589	587	587	584
Math	632	628	630	626	625	625	615	617	618	607
South Carolina average SAT score-total	979	982	985	984	985	993	986	989	981	974

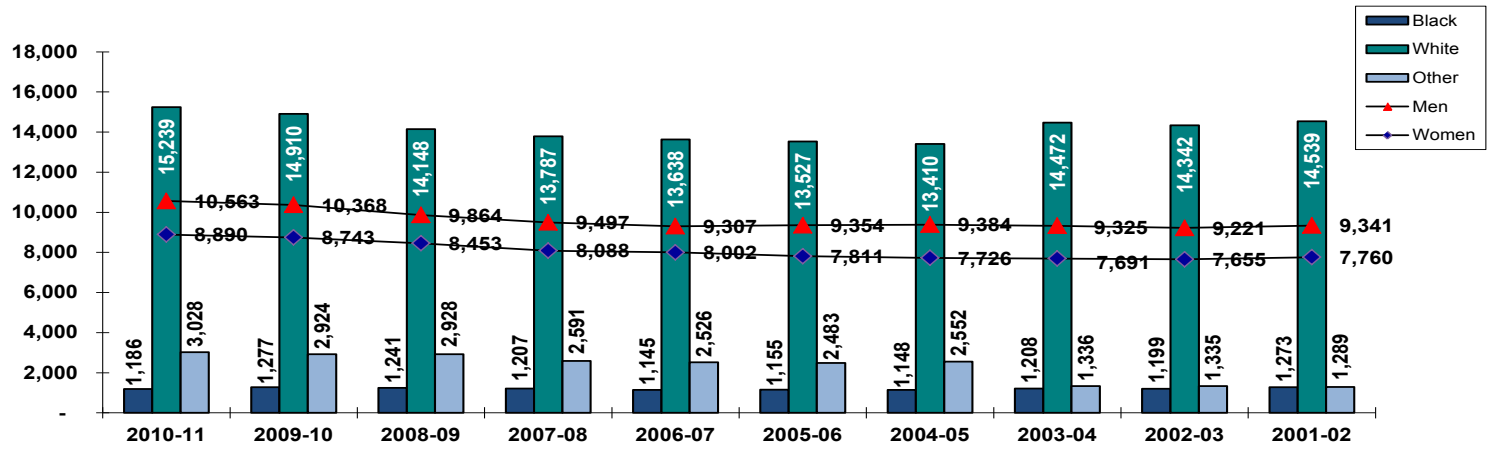
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**Admissions —
Freshman
Applied,
Accepted and
Enrolled**



	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Enrollment										
Undergraduate and graduate FTE	18,417	18,237	17,367	16,250	16,226	16,043	15,948	15,780	15,620	15,800
Undergraduate and graduate headcount	19,453	19,111	18,317	17,585	17,309	17,165	17,110	17,016	16,876	17,101
Percentage of men	54.3%	54.2%	53.9%	54.0%	53.8%	54.5%	54.8%	54.8%	54.6%	54.6%
Percentage of women	45.7%	45.8%	46.1%	46.0%	46.2%	45.5%	45.2%	45.2%	45.4%	45.4%
Percentage of black	6.1%	6.7%	6.8%	6.9%	6.6%	6.7%	6.7%	7.1%	7.1%	7.4%
Percentage of white	78.3%	78.0%	77.2%	78.4%	78.8%	78.8%	78.4%	85.0%	85.0%	85.0%
Percentage of other	15.6%	15.3%	16.0%	14.7%	14.6%	14.5%	14.9%	7.9%	7.9%	7.6%

**Enrollment —
Undergraduate
and Graduate
Headcount**



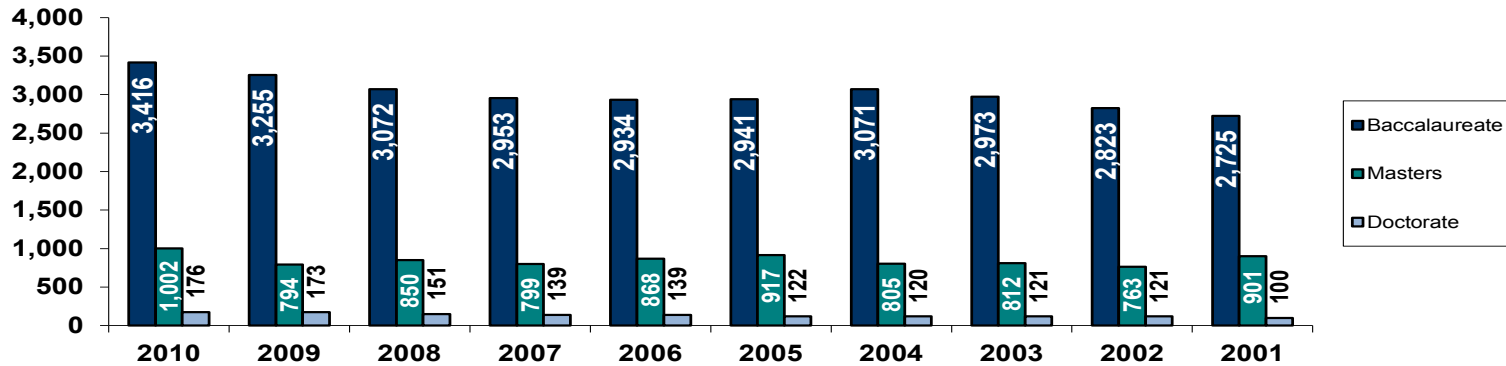
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Degrees Earned*

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Baccalaureate	3,416	3,255	3,072	2,953	2,934	2,941	3,071	2,973	2,823	2,725
Masters**	1,002	794	850	799	868	917	805	812	763	901
Doctorate	176	173	151	139	139	122	120	121	121	100

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

** Masters awards include specialist degrees.



UNDERGRADUATE AVERAGE ANNUAL TUITION AND FEES

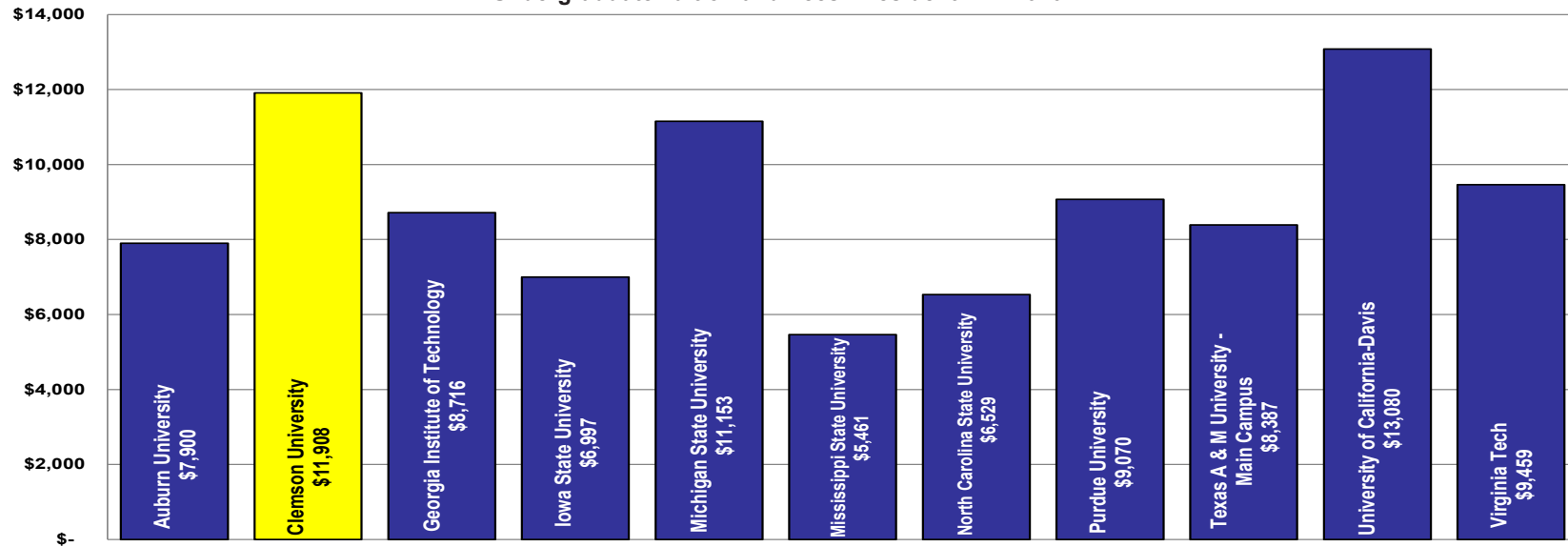
Clemson University in Comparison to Ten Peer Land-Grant Institutions

Last ten fiscal years

Institution - Resident	For the Fiscal Year									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Auburn University	\$ 7,900	\$ 6,972	\$ 6,500	\$ 5,834	\$ 5,496	\$ 5,278	\$ 4,828	\$ 4,426	\$ 3,784	\$ 3,260
Clemson University	11,908	11,078	10,379	9,937	9,400	8,816	7,840	6,934	5,834	4,490
Georgia Institute of Technology	8,716	7,506	6,040	5,642	4,926	4,648	4,278	4,076	3,616	3,454
Iowa State University	6,997	6,651	6,360	6,161	6,060	5,634	5,426	5,028	4,110	3,442
Michigan State University	11,153	10,880	10,214	9,640	8,793	7,945	7,000	6,703	5,022	4,632
Mississippi State University	5,461	5,151	5,151	4,929	4,596	4,312	3,874	3,874	3,874	3,586
North Carolina State University	6,529	5,474	5,274	5,117	4,783	4,338	4,260	3,970	3,827	3,302
Purdue University	9,070	8,638	7,750	7,416	7,096	6,458	6,092	5,860	5,580	4,164
Texas A & M University - Main Campus	8,387	8,177	7,844	7,335	6,966	6,399	5,955	5,051	3,949	3,127
University of California - Davis	13,080	10,405	9,497	8,925	8,323	8,129	7,557	6,438	4,630	4,595
Virginia Tech	9,459	8,605	8,198	7,397	6,973	6,378	5,838	5,095	3,936	3,664

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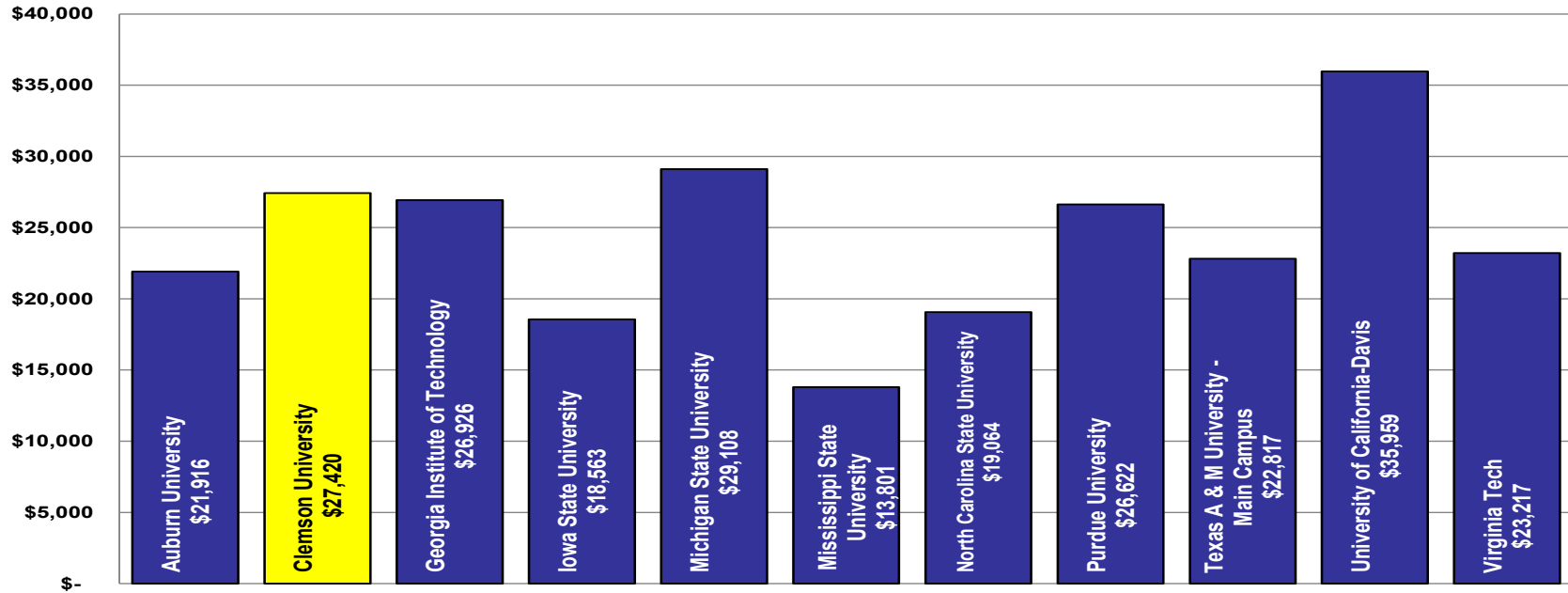
Undergraduate Tuition and Fees - Resident - FY 2010-11



For the Fiscal Year

Institution - Non Resident	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Auburn University	\$ 21,916	\$ 19,452	\$ 18,260	\$ 16,334	\$ 15,496	\$ 14,878	\$ 14,048	\$ 12,886	\$ 11,084	\$ 9,780
Clemson University	27,420	25,388	23,401	21,867	19,824	18,440	16,404	14,532	12,932	11,284
Georgia Institute of Technology	26,926	25,716	25,182	23,366	20,272	18,990	17,558	16,002	13,986	12,350
Iowa State University	18,563	17,871	17,350	16,919	16,554	15,724	15,128	14,370	12,802	10,776
Michigan State University	29,108	27,343	23,500	23,500	21,438	19,697	17,845	16,663	12,276	11,310
Mississippi State University	13,801	13,021	12,503	11,420	10,552	9,772	8,780	8,780	8,780	8,125
North Carolina State University	19,064	17,959	17,572	17,315	16,981	16,536	16,157	15,818	15,111	13,294
Purdue University	26,622	25,118	23,224	22,224	21,266	19,824	18,700	17,640	16,260	13,872
Texas A & M University - Main Campus	22,817	22,607	22,184	15,675	15,216	14,679	13,695	12,131	9,181	8,191
University of California - Davis	35,959	33,074	30,105	28,545	27,007	25,949	24,513	20,648	17,009	15,669
Virginia Tech	23,217	21,878	20,825	19,775	19,049	17,837	16,581	15,029	13,552	12,488

Undergraduate Tuition and Fees - Non Resident - FY 2010-11



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>									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Faculty										
Part-time	248	238	284	269	274	261	267	252	253	234
Full-time	1,150	1,153	1,205	1,205	1,155	1,104	1,032	1,037	1,057	1,055
Percentage tenured	42.3%	42.7%	40.1%	39.5%	42.1%	46.0%	46.6%	45.9%	46.8%	48.6%
Staff and administrators with faculty rank										
Part-time	668	687	581	506	491	543	548	515	494	468
Full-time	2,486	2,657	2,839	2,834	2,738	2,711	2,614	2,609	2,743	2,795
Total employees										
Part-time	916	925	865	775	765	804	815	767	747	702
Full-time	3,636	3,810	4,044	4,039	3,893	3,815	3,646	3,646	3,800	3,850
Students per full-time										
Faculty	16.9	16.8	15.2	14.6	15.0	15.5	16.6	16.4	16.0	16.2
Staff	7.8	5.0	6.5	6.2	6.3	6.3	6.5	6.5	6.2	6.1
Average annual faculty salary*	\$ 78,257	\$ 78,038	\$ 77,330	\$ 76,639	\$ 74,045	\$ 72,854	\$ 71,652	\$ 67,446	\$ 66,262	\$ 64,118

*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)

SCHEDULE OF CAPITAL ASSET INFORMATION

Last Ten Fiscal Years

	For the Fiscal Year									
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Academic buildings:										
Net assignable square feet (in thousands)	1,286,350	1,675,560	1,310,706	1,169,179	1,032,554	1,030,574	991,148	975,674	947,671	957,219
Administrative and support buildings:										
Net assignable square feet (in thousands)	615,539	731,487	630,397	667,120	802,209	802,492	797,169	809,272	810,782	805,837
Laboratories:										
Net assignable square feet (in thousands)	598,763	986,055	725,166	715,677	711,254	530,723	562,792	560,962	453,125	537,997
Auxiliary and independent operations buildings:										
Net assignable square feet (in thousands)	1,527,397	1,674,427	1,637,796	1,782,291	1,782,291	1,781,931	1,753,852	1,742,076	1,751,840	1,778,193
Student housing:										
Residence halls	23	23	23	23	23	23	21	21	21	21
Suites	3	3	3	3	3	3	3	3	3	3
Apartments	4	4	4	4	4	4	4	4	4	4
Units available	6,074	6,145	6,145	6,198	6,215	6,346	6,346	6,216	6,221	6,468
Units in use	5,845	6,303	5,974	5,923	6,129	6,148	6,148	6,398	6,267	6,313
Percent occupancy	96.2%	102.6%	97.2%	95.6%	98.6%	96.9%	96.9%	102.9%	100.7%	97.6%
Dining facilities:										
Locations		17	17	16	16	16	15	14	13	12
Average daily customers	16,277	15,651	14,851	15,024	15,531	14,685	13,986	13,430	12,382	11,957
Parking facilities:										
Parking spaces available	11,939	12,679	12,993	12,839	13,302	13,302	13,312	13,312	13,211	12,639
Parking permits issued to students	15,379	13,292	12,555	15,358	13,086	14,891	15,983	15,950	13,919	12,460
Parking permits issued to faculty/staff	4,983	4,730	4,678	3,898	4,788	5,024	5,374	4,650	4,359	4,177

Sources:

Building square footage	Clemson University Office of Institutional Research
Student housing	Clemson University Housing
Dining facilities	Clemson University Business Services
Parking facilities	Clemson University Parking Services

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)
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%
2001	4,062,933	24,974	5.2%

(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 Nine Years Prior (a)

(Listed Alphabetically)

2010	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
U.S. Department of Defense	Greenville County School District
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Springs Industries, Inc.
Palmetto Health Alliance, Inc.	U.S. Department of Defense
Greenville County School District	U.S. Postal Service
University of South Carolina	University of South Carolina
U.S. Postal Service	Wal-Mart Associates, Inc
Wal-Mart Associates, Inc.	Westinghouse Savannah River

(a) The ten largest employers prior to calendar year 2001 are unavailable.

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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