

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2007 AND 2006  
with  
INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT                  | 3           |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION  | 4-5         |
| CONSOLIDATED STATEMENT OF ACTIVITIES          | 6-7         |
| CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES | 8           |
| CONSOLIDATED STATEMENT OF CASH FLOWS          | 9           |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS    | 10-17       |

## INDEPENDENT AUDITORS' REPORT

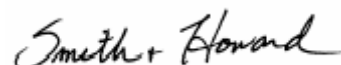
**Board of Trustees of  
Robert W. Woodruff Library of the  
Atlanta University Center, Inc.**

We have audited the accompanying consolidated statement of financial position of the Robert W. Woodruff Library of the Atlanta University Center, Inc. (the Library) (a not-for-profit organization) and Subsidiary as of June 30, 2007 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Library as of and for the year ended June 30, 2006 were audited by other auditors whose report dated August 11, 2006 expressed an unqualified opinion on those statements. As discussed in Note 10 to the financial statements, the Company has recorded an adjustment to increase prepaid assets and unrestricted net assets at June 30, 2006. The other auditors reported on the financial statements before the adjustment.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Robert W. Woodruff Library of the Atlanta University Center, Inc. as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 10 that were applied to restate the June 30, 2006 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Robert W. Woodruff Library of the Atlanta University Center, Inc's June 30, 2006 financial statements other than with respect to the adjustments described in Note 10 and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2006 financial statements taken as a whole.



August 20, 2007

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2007 AND 2006**

|  | 2007                 |                     |                     | Total                |
|--|----------------------|---------------------|---------------------|----------------------|
|  | Unrestricted         | Restricted          |                     |                      |
| ASSETS                                       |                      | Temporarily         | Permanently         |                      |
| Cash and Cash Equivalents                    | \$ 30,693            | \$ -                | \$ -                | \$ 30,693            |
| Accounts Receivable, Net (Note 7)            | 120,926              | -                   | -                   | 120,926              |
| Unconditional Promises to Give, Net (Note 8) | -                    | 693,775             | -                   | 693,775              |
| Investments, at Market Value (Note 4)        | 2,236,444            | 3,040,741           | 5,554,301           | 10,831,486           |
| Prepaid Assets (Note 10)                     | 413,320              | -                   | -                   | 413,320              |
| Property and Equipment, Net (Note 2)         | <u>16,940,913</u>    | <u>-</u>            | <u>-</u>            | <u>16,940,913</u>    |
|  | <u>\$ 19,742,296</u> | <u>\$ 3,734,516</u> | <u>\$ 5,554,301</u> | <u>\$ 29,031,113</u> |
| <b>LIABILITIES AND NET ASSETS</b>            |                      |                     |                     |                      |
| Accounts Payable                             | \$ 95,519            | \$ -                | \$ -                | \$ 95,519            |
| Accrued Expenses                             | 364,612              | -                   | -                   | 364,612              |
| Due to AUC Consortium, Inc.                  | -                    | -                   | -                   | -                    |
| Capital Leases Payable (Note 5)              | <u>110,528</u>       | <u>-</u>            | <u>-</u>            | <u>110,528</u>       |
| Total Liabilities                            | <u>570,659</u>       | <u>-</u>            | <u>-</u>            | <u>570,659</u>       |
| Commitments and Contingencies (Note 5)       |                      |                     |                     |                      |
| Net Assets                                   |                      |                     |                     |                      |
| Unrestricted net assets                      | 19,171,637           | -                   | -                   | 19,171,637           |
| Temporarily restricted (Note 9)              | -                    | 3,734,516           | -                   | 3,734,516            |
| Permanently restricted (Note 9)              | <u>-</u>             | <u>-</u>            | <u>5,554,301</u>    | <u>5,554,301</u>     |
|  | <u>19,171,637</u>    | <u>3,734,516</u>    | <u>5,554,301</u>    | <u>28,460,454</u>    |
|  | <u>\$ 19,742,296</u> | <u>\$ 3,734,516</u> | <u>\$ 5,554,301</u> | <u>\$ 29,031,113</u> |

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

**2006 (As Restated)**

| <b>Unrestricted</b>  | <b>Restricted</b>   |                     | <b>Total</b>         |
|----------------------|---------------------|---------------------|----------------------|
|                      | <b>Temporarily</b>  | <b>Permanently</b>  |                      |
| \$ 159,412           | \$ -                | \$ -                | \$ 159,412           |
| 49,588               | -                   | -                   | 49,588               |
| -                    | -                   | -                   | -                    |
| 2,739,996            | 2,929,713           | 5,554,301           | 11,224,010           |
| 365,515              | -                   | -                   | 365,515              |
| <u>17,105,729</u>    | <u>-</u>            | <u>-</u>            | <u>17,105,729</u>    |
| <u>\$ 20,420,240</u> | <u>\$ 2,929,713</u> | <u>\$ 5,554,301</u> | <u>\$ 28,904,254</u> |
| <br>                 |                     |                     |                      |
| \$ 278,700           | \$ -                | \$ -                | \$ 278,700           |
| 311,425              | -                   | -                   | 311,425              |
| 459,991              | -                   | -                   | 459,991              |
| <u>210,742</u>       | <u>-</u>            | <u>-</u>            | <u>210,742</u>       |
| <u>1,260,858</u>     | <u>-</u>            | <u>-</u>            | <u>1,260,858</u>     |
| <br>                 |                     |                     |                      |
| 19,159,382           | -                   | -                   | 19,159,382           |
| -                    | 2,929,713           | -                   | 2,929,713            |
| <u>-</u>             | <u>-</u>            | <u>5,554,301</u>    | <u>5,554,301</u>     |
| <u>19,159,382</u>    | <u>2,929,713</u>    | <u>5,554,301</u>    | <u>27,643,396</u>    |
| <u>\$ 20,420,240</u> | <u>\$ 2,929,713</u> | <u>\$ 5,554,301</u> | <u>\$ 28,904,254</u> |

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEARS ENDED JUNE 30, 2007 AND 2006**

|   | <b>2007</b>          |                     |                     |                      |
|---|----------------------|---------------------|---------------------|----------------------|
|   | <u>Unrestricted</u>  | <u>Restricted</u>   |                     | <u>Total</u>         |
|   |                      | <u>Temporarily</u>  | <u>Permanently</u>  |                      |
| Revenues and Other Support                            |                      |                     |                     |                      |
| Affiliated institutional support                      | \$ 7,114,478         | \$ -                | \$ -                | \$ 7,114,478         |
| Investment return (Note 4)                            | 1,379,715            | -                   | -                   | 1,379,715            |
| Library income  | 86,541               | -                   | -                   | 86,541               |
| Other revenue   | 86,499               | 153,063             | -                   | 239,562              |
| Contributions   | -                    | 1,150,000           | -                   | 1,150,000            |
|   | <u>8,667,233</u>     | <u>1,303,063</u>    | <u>-</u>            | <u>9,970,296</u>     |
| Net assets released from restrictions                 | <u>498,260</u>       | <u>(498,260)</u>    | <u>-</u>            | <u>-</u>             |
| <br>Total Revenues and Other Support                  | <br><u>9,165,493</u> | <br><u>804,803</u>  | <br><u>-</u>        | <br><u>9,970,296</u> |
| <br>Expenses  |                      |                     |                     |                      |
| Program expenses                                      | 6,407,267            | -                   | -                   | 6,407,267            |
| General and administrative expenses                   | 2,745,971            | -                   | -                   | 2,745,971            |
| Total expenses  | <u>9,153,238</u>     | <u>-</u>            | <u>-</u>            | <u>9,153,238</u>     |
| <br>Increase in Net Assets                            | <br>12,255           | <br>804,803         | <br>-               | <br>817,058          |
| Net Assets, Beginning of Year, as Previously Reported | 18,877,025           | 2,929,713           | 5,554,301           | 27,361,039           |
| Prior Period Accounting Adjustment (Note 10)          | <u>282,357</u>       | <u>-</u>            | <u>-</u>            | <u>282,357</u>       |
| Net Assets, Beginning of Year, As Restated (Note 10)  | <u>19,159,382</u>    | <u>2,929,713</u>    | <u>5,554,301</u>    | <u>27,643,396</u>    |
| Net Assets, End of Year                               | <u>\$ 19,171,637</u> | <u>\$ 3,734,516</u> | <u>\$ 5,554,301</u> | <u>\$ 28,460,454</u> |

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

**2006 (As Restated)**

| <u>Unrestricted</u>  | <u>Restricted</u>   |                     | <u>Total</u>         |
|----------------------|---------------------|---------------------|----------------------|
|                      | <u>Temporarily</u>  | <u>Permanently</u>  |                      |
| \$ 6,867,274         | \$ -                | \$ -                | \$ 6,867,274         |
| 694,410              | -                   | -                   | 694,410              |
| 68,388               | -                   | -                   | 68,388               |
| 131,597              | 215,081             | -                   | 346,678              |
| -                    | -                   | -                   | -                    |
| <u>7,761,669</u>     | <u>215,081</u>      | <u>-</u>            | <u>7,976,750</u>     |
| <u>429,640</u>       | <u>(429,640)</u>    | <u>-</u>            | <u>-</u>             |
| <u>8,191,309</u>     | <u>(214,559)</u>    | <u>-</u>            | <u>7,976,750</u>     |
| 5,028,400            | -                   | -                   | 5,028,400            |
| <u>3,950,885</u>     | <u>-</u>            | <u>-</u>            | <u>3,950,885</u>     |
| <u>8,979,285</u>     | <u>-</u>            | <u>-</u>            | <u>8,979,285</u>     |
| (787,976)            | (214,559)           | -                   | (1,002,535)          |
| 20,728,679           | 3,351,826           | 5,554,301           | 29,634,806           |
| <u>(781,321)</u>     | <u>(207,554)</u>    | <u>-</u>            | <u>(988,875)</u>     |
| <u>19,947,358</u>    | <u>3,144,272</u>    | <u>5,554,301</u>    | <u>28,645,931</u>    |
| <u>\$ 19,159,382</u> | <u>\$ 2,929,713</u> | <u>\$ 5,554,301</u> | <u>\$ 27,643,396</u> |

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2007 AND 2006**

|   | <b>(As Restated)</b> |                     |
|---|----------------------|---------------------|
|   | <b><u>2007</u></b>   | <b><u>2006</u></b>  |
| Salaries and benefits                               | \$ 2,630,606         | \$ 3,004,587        |
| Fringe benefits                                     | <u>606,000</u>       | <u>623,663</u>      |
|   | 3,236,606            | 3,628,250           |
| Contracted IT and other professional services       | 1,358,587            | 823,553             |
| Telephone and communications                        | 77,694               | 100,911             |
| Bad debt expense (recoveries)                       | (1,500)              | 18,340              |
| Travel and training                                 | 126,798              | 91,601              |
| Supplies  | 206,433              | 283,216             |
| Taxes and insurance                                 | 162,719              | 125,343             |
| Auto fuel   | 28,876               | 13,720              |
| Dues and subscriptions                              | 18,915               | 34,735              |
| Leases and rentals (Note 10)                        | 165,113              | 194,028             |
| Library resources (Note 10)                         | 1,292,047            | 1,262,373           |
| Property taxes                                      | 1,791                | 6,781               |
| Repairs and maintenance                             | 344,060              | 284,477             |
| Utilities   | 425,742              | 348,434             |
| Uniforms  | 1,386                | 3,491               |
| Auditing and accounting                             | 27,500               | 59,971              |
| Board support                                       | 2,526                | 3,611               |
| Licenses and fees                                   | 62,408               | 45,520              |
| Printing/duplication                                | 58,570               | 25,021              |
| Inter-library loans                                 | 1,737                | 1,642               |
| Conferences   | 34,355               | 9,879               |
| Miscellaneous                                       | <u>17,735</u>        | <u>5,463</u>        |
| Total expenses before depreciation and amortization | 7,650,098            | 7,370,360           |
| Depreciation and amortization                       | <u>1,503,140</u>     | <u>1,608,925</u>    |
|   | <u>\$ 9,153,238</u>  | <u>\$ 8,979,285</u> |

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

**ROBERT WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2007 AND 2006**

|   | <u>2007</u>        | <b>(As Restated)</b><br><u>2006</u> |
|---|--------------------|-------------------------------------|
| Cash Flows From Operating Activities  |                    |                                     |
| Increase (Decrease) in Net Assets   | \$ 817,058         | \$ (1,002,535)                      |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (required) by operating activities:                     |                    |                                     |
| Depreciation and amortization   | 1,503,140          | 1,608,925                           |
| Net realized and unrealized gain on investments   | (1,133,158)        | (169,463)                           |
| (Increase) decrease in accounts receivable  | (71,338)           | 561,942                             |
| Increase in unconditional promises to give  | (693,775)          | -                                   |
| Increase in prepaid assets  | (47,805)           | (345,789)                           |
| Decrease in accounts payable, deposits, accrued expenses and other liabilities  | <u>(129,994)</u>   | <u>(14,809)</u>                     |
| Net Cash Provided (Required) By Operating Activities  | <u>244,128</u>     | <u>638,271</u>                      |
| Cash Flows From Investing Activities  |                    |                                     |
| Decrease in investments, net  | 1,525,682          | 193,655                             |
| Proceeds from sale of property and equipment  | 16,000             | -                                   |
| Purchases of property and equipment   | <u>(1,354,324)</u> | <u>(747,936)</u>                    |
| Net Cash Provided (Required) By Investing Activities  | <u>187,358</u>     | <u>(554,281)</u>                    |
| Cash Flows From Financing Activities:   |                    |                                     |
| Decrease in due to AUC Consortium   | (459,991)          | (12,852)                            |
| Principal payments on capital lease obligation  | <u>(100,214)</u>   | <u>(106,890)</u>                    |
| Net Cash Required By Financing Activities   | <u>(560,205)</u>   | <u>(119,742)</u>                    |
| Net Decrease in Cash and Cash Equivalents   | (128,719)          | (35,752)                            |
| Cash and Cash Equivalents at Beginning of Year  | <u>159,412</u>     | <u>195,164</u>                      |
| Cash and Cash Equivalents at End of Year  | <u>\$ 30,693</u>   | <u>\$ 159,412</u>                   |
| Supplemental Disclosure:  |                    |                                     |
| Increase in investments due to transfer of assets from Atlanta University Center (AUC) in exchange for reduction of amount due from AUC | <u>\$ -</u>        | <u>\$ 1,622,116</u>                 |

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

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

The Robert W. Woodruff Library of the Atlanta University Center, Inc. (the "Library"), a Georgia nonprofit corporation, was organized in March 2004 as a vehicle for the cooperative educational efforts of its affiliated member institutions of higher education: Clark Atlanta University, Interdenominational Theological Center ("ITC"), Morehouse College, and Spelman College. The Library serves approximately 9,000 undergraduate and 1,500 graduate students and maintains an extensive holding of volumes, serials, periodicals, microfilms, and electronic databases, including special collections and archives rich in African American materials.

W. L. Acquisitions, LLC ("Acquisitions") organized in November 2004 and wholly owned by the Library, has a primary purpose to acquire land on behalf of the Library. In July 2005, the Library transferred title of certain tracts of land to Acquisitions. At June 30, 2007, Acquisitions holds title to eight separate properties located on James P. Brawley Drive in Atlanta, Georgia.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting, Presentation and Principles of Consolidation

The financial statements of the Library have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of the Robert W. Woodruff Library of the Atlanta University Center, Inc. and its wholly-owned subsidiary. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements present "net assets". Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Library and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Library and/or the passage of time. When the stipulations expire or have been met by action of the Library, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Permanently restricted net assets - Net assets that are subject to permanent donor-imposed stipulations include funds that must be maintained permanently by the Library. The donors permit the Library to use all of the income earned on the related investments for programmatic and operating purposes.

Cash and Cash Equivalents

Cash and cash equivalents include investments with an original maturity of three months or less. Cash and cash equivalents do not include investments that the Library has both the ability and intent to hold long-term. At times throughout the year, cash and cash equivalents may exceed amounts insured by the FDIC.

Investments

The Library's investments are stated at market value. The amount assigned to investments acquired by donation is the market value at the date of donation. All gains and losses arising from the sale, collection or other disposition of investments and ordinary income derived from investments are accounted for in the net assets group owning such assets, except for income derived from investments of permanently restricted endowment and similar funds, which income is accounted for as temporarily restricted net assets if restricted by the donor, or if unrestricted by the donor, as unrestricted net assets.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the short maturity of these financial instruments.

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated remaining useful lives of buildings (25-50 years), furnishings and equipment (3-10) and books and reference materials (10 years). Generally, property and equipment disposals are removed from the records at the time of disposal. As of June 30, 2007 and 2006, the components of property and equipment were:

|   | <u>2007</u>          | <u>2006</u>          |
|---|----------------------|----------------------|
| Land  | \$ 1,596,761         | \$ 1,601,761         |
| Building and improvements                       | 21,850,897           | 20,953,966           |
| Furnishings and equipment                       | 11,900,544           | 11,771,056           |
| Books and reference materials                   | <u>32,175,790</u>    | <u>31,892,358</u>    |
|   | 67,523,992           | 66,219,141           |
| Less: accumulated depreciation and amortization | <u>(50,583,079)</u>  | <u>(49,113,412)</u>  |
|   | <u>\$ 16,940,913</u> | <u>\$ 17,105,729</u> |

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 6. These funds are recorded as unrestricted affiliated institutional support in the accompanying Consolidated Statement of Activities.

Private gifts and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Tax Status

The Library is a nonprofit organization exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no provisions for income taxes are recorded in the accompanying consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Reclassifications

Certain amounts in the June 30, 2006 consolidated financial statements have been reclassified to conform to the current year presentation.

**NOTE 3 - RETIREMENT PLAN**

The Library offers its employees a deferred compensation plan qualified under Internal Revenue Code 403(b). The plan, available to all full-time Library employees, permits them to defer a portion of their gross salaries up to the maximum amount allowed by the Internal Revenue Code. The plan is managed by Teacher Insurance Annuity Association (TIAA). The Library contributes to the plan by matching up to 7% of each employee's contribution. Contributions for the years ended June 30, 2007 and 2006 totaled \$97,758 and \$87,057, respectively.

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 4 – INVESTMENTS**

The following schedule summarizes the investment income and its classification in the Consolidated Statement of Activities and changes in net assets for the years ended June 30:

|  | <u>2007</u>         | <u>2006</u>       |
|--|---------------------|-------------------|
| Dividends and interest   | \$ 617,059          | \$ 272,435        |
| Net realized and unrealized income, net of investment fees of \$129,674 and \$73,499, respectively | <u>762,656</u>      | <u>421,975</u>    |
|  | <u>\$ 1,379,715</u> | <u>\$ 694,410</u> |

The following schedule summarizes investments by category at June 30:

|                                       | <u>2007</u>          | <u>2006</u>          |
|---------------------------------------|----------------------|----------------------|
| Money Market Funds                    | \$ 9,694             | \$ 959,772           |
| Mutual Funds and Government Bonds     | 2,977,023            | 3,402,828            |
| Mutual Funds/ Fixed Income Instrument | 5,504,744            | 4,735,420            |
| Money Market Funds                    | 102,543              | 70,409               |
| Equities                              | 1,743,035            | 1,472,919            |
| Fixed Income Securities               | <u>494,447</u>       | <u>582,662</u>       |
|                                       | <u>\$ 10,831,486</u> | <u>\$ 11,224,010</u> |

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Library has received grants for special purposes, which are subject to review and audit by the grantor agencies. If such audits occur, they could lead to requests for reimbursement to the grantor agency for expenditures disallowed, if any, under terms of the applicable grant agreement. The use or transfer of such assets, including permanently restricted endowments, may be subject to donor stipulations, which may restrict such use or transfer.

During the year ended June 30, 2006, the Library entered into a capital lease agreement for certain computer equipment valued at \$317,632, which is included as a part of Property and Equipment in the accompanying Consolidated Statement of Financial Position. The present value of the minimum lease payments was \$110,528 and \$210,742 at June 30, 2007 and 2006, respectively. The Library is obligated to pay all outstanding balances under the capital lease during the year ending June 30, 2008.

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 6 - RELATED PARTY TRANSACTIONS AND ARRANGEMENTS**

The Library's affiliated member institutions (Clark Atlanta University, Morehouse College, Spelman College, and ITC) have use of the library and the other services that are offered. Each member contributes funds based upon an agreed amount for support of the Library.

**NOTE 7 – ACCOUNTS RECEIVABLE**

Accounts receivable are reported net of any allowances for doubtful accounts. As of June 30, 2007 and 2006, accounts receivable consisted of:

|                                       | <u>2007</u>        | <u>2006</u>        |
|---------------------------------------|--------------------|--------------------|
| Accounts Receivable, gross            | \$ 2,525,207       | \$ 2,453,869       |
| Less: Allowance for doubtful accounts | <u>(2,404,281)</u> | <u>(2,404,281)</u> |
|                                       | <u>\$ 120,926</u>  | <u>\$ 49,588</u>   |

**NOTE 8 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30, 2007 consists of one pledge to be received over three years as follows:

|                                 |                   |
|---------------------------------|-------------------|
| 2008                            | \$ 250,000        |
| 2009                            | 250,000           |
| 2010                            | <u>250,000</u>    |
|                                 | 750,000           |
| Discount to present value at 4% | <u>(56,225)</u>   |
|                                 | <u>\$ 693,775</u> |

**ROBERT W. WOODRUFF LIBRARY  
OF THE ATLANTA UNIVERSITY CENTER, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 9 - NET ASSETS**

Temporarily and permanently restricted net assets at June 30 were available as follows:

|  | <u>2007</u>         | <u>2006</u>         |
|--|---------------------|---------------------|
| Temporarily restricted net assets for RWWL coordinated programs  | <u>\$ 3,734,516</u> | <u>\$ 2,929,713</u> |
| Permanently restricted net assets for permanently endowed funds for the library and other coordinated programs | <u>\$ 5,554,301</u> | <u>\$ 5,554,301</u> |

**NOTE 10 – PRIOR PERIOD ADJUSTMENTS**

June 30, 2007

During 2007, management determined that certain costs benefiting future periods were improperly recorded as expenses during the year ended June 30, 2006. The effect of the adjustment was an understatement of prepaid expenses and an overstatement of expenses in the amount of \$282,357. Accordingly, the June 30, 2006 consolidated financial statements have been restated as follows:

|                         | <u>As<br/>Previously<br/>Reported</u> | <u>Adjustment</u> | <u>As Restated</u> |
|-------------------------|---------------------------------------|-------------------|--------------------|
| Prepaid assets          | \$ 83,158                             | \$ 282,357        | \$ 365,515         |
| Unrestricted net assets | 18,877,025                            | 282,357           | 19,159,382         |
| Library resources       | 1,527,118                             | (264,745)         | 1,262,373          |
| Leases and rentals      | 211,640                               | (17,612)          | 194,028            |
| Change in net assets    | (1,284,892)                           | 282,357           | (1,002,535)        |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**NOTE 10 – PRIOR PERIOD ADJUSTMENTS (Continued)**

June 30, 2006

During 2006, the Library determined that several restricted programs had expenses misclassified in previous years that were paid by the appropriate grant but not properly applied in the accounting records. This resulted in the reclassification of net assets totaling \$207,554 which was adjusted in the accompanying consolidated financial statements.

During 2006, the Library determined that the historical costs and accumulated depreciation for property, plant, and equipment distributed from the Center was incorrectly recorded in the June 30, 2005 financial statements. As a result, depreciation expense and accumulated depreciation was understated by \$998,875. Accordingly, the accompanying consolidated financial statements have been adjusted to reflect this correction.