

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Robert W. Woodruff Library of the Atlanta University Center, Inc. (the "Library") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Library's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Library as of June 30, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

September 7, 2017

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS	Unrestricted	Restricted		Total
	<u> </u>	<u>Temporarily</u>	<u>Permanently</u>	<u> </u>
Cash and Cash Equivalents	\$ 184,534	\$ -	\$ -	\$ 184,534
Accounts Receivable, Net	97,575	-	-	97,575
Investments, at Fair Value	998,844	3,193,996	5,868,485	10,061,325
Prepaid Assets	524,136	-	-	524,136
Property and Equipment, Net	<u>28,003,265</u>	<u>-</u>	<u>-</u>	<u>28,003,265</u>
	<u>\$ 29,808,354</u>	<u>\$ 3,193,996</u>	<u>\$ 5,868,485</u>	<u>\$ 38,870,835</u>
LIABILITIES AND NET ASSETS				
Accrued Expenses	\$ 850,876	\$ -	\$ -	\$ 850,876
Capital Leases Payable	<u>304,654</u>	<u>-</u>	<u>-</u>	<u>304,654</u>
Total Liabilities	<u>1,155,530</u>	<u>-</u>	<u>-</u>	<u>1,155,530</u>
Net Assets	<u>28,652,824</u>	<u>3,193,996</u>	<u>5,868,485</u>	<u>37,715,305</u>
	<u>\$ 29,808,354</u>	<u>\$ 3,193,996</u>	<u>\$ 5,868,485</u>	<u>\$ 38,870,835</u>

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	Unrestricted	Restricted		Total
	<u> </u>	<u>Temporarily</u>	<u>Permanently</u>	<u> </u>
Cash and Cash Equivalents	\$ 156,043	\$ -	\$ -	\$ 156,043
Accounts Receivable, Net	140,012	-	-	140,012
Investments, at Fair Value	653,698	1,878,957	5,818,485	8,351,140
Prepaid Assets	655,429	-	-	655,429
Property and Equipment, Net	<u>28,941,853</u>	<u>-</u>	<u>-</u>	<u>28,941,853</u>
	<u>\$ 30,547,035</u>	<u>\$ 1,878,957</u>	<u>\$ 5,818,485</u>	<u>\$ 38,244,477</u>
LIABILITIES AND NET ASSETS				
Accrued Expenses	<u>\$ 580,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,853</u>
Total Liabilities	<u>580,853</u>	<u>-</u>	<u>-</u>	<u>580,853</u>
Net Assets	<u>29,966,182</u>	<u>1,878,957</u>	<u>5,818,485</u>	<u>37,663,624</u>
	<u>\$ 30,547,035</u>	<u>\$ 1,878,957</u>	<u>\$ 5,818,485</u>	<u>\$ 38,244,477</u>

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

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporarily</u>	<u>Permanently</u>	
Revenues and Other Support				
Affiliated institutional support	\$ 9,749,215	\$ -	\$ -	\$ 9,749,215
Investment income	24,764	865,063	-	889,827
Library income	41,282	-	-	41,282
Other revenue	129,828	-	-	129,828
Contributions	<u>97,725</u>	<u>847,078</u>	<u>50,000</u>	<u>994,803</u>
	10,042,814	1,712,141	50,000	11,804,955
Net assets released from restrictions	<u>397,102</u>	<u>(397,102)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>10,439,916</u>	<u>1,315,039</u>	<u>50,000</u>	<u>11,804,955</u>
Expenses and Other Loss				
Expenses				
Program expenses	9,446,752	-	-	9,446,752
General and administrative expenses	2,149,491	-	-	2,149,491
Fundraising and development	<u>152,524</u>	<u>-</u>	<u>-</u>	<u>152,524</u>
Total expenses	<u>11,748,767</u>	<u>-</u>	<u>-</u>	<u>11,748,767</u>
Other Loss				
Loss on sale of property and equipment	<u>4,507</u>	<u>-</u>	<u>-</u>	<u>4,507</u>
Total other loss	<u>4,507</u>	<u>-</u>	<u>-</u>	<u>4,507</u>
Total Expenses and Other Loss	<u>11,753,274</u>	<u>-</u>	<u>-</u>	<u>11,753,274</u>
Increase (Decrease) in Net Assets	(1,313,358)	1,315,039	50,000	51,681
Net Assets, Beginning of Year	<u>29,966,182</u>	<u>1,878,957</u>	<u>5,818,485</u>	<u>37,663,624</u>
Net Assets, End of Year	<u>\$ 28,652,824</u>	<u>\$ 3,193,996</u>	<u>\$ 5,868,485</u>	<u>\$ 37,715,305</u>

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

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporarily</u>	<u>Permanently</u>	
Revenues and Other Support				
Affiliated institutional support	\$ 9,477,013	\$ -	\$ -	\$ 9,477,013
Investment income (loss)	(2,211)	31,400	-	29,189
Library income	45,719	-	-	45,719
Other revenue	116,914	-	-	116,914
Contributions	119,770	5,000	-	124,770
	<u>9,757,205</u>	<u>36,400</u>	<u>-</u>	<u>9,793,605</u>
Net assets released from restrictions	<u>2,224,968</u>	<u>(2,224,968)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>11,982,173</u>	<u>(2,188,568)</u>	<u>-</u>	<u>9,793,605</u>
Expenses and Other Loss				
Expenses				
Program expenses	9,099,114	-	-	9,099,114
General and administrative expenses	2,021,964	-	-	2,021,964
Fundraising and development	136,461	-	-	136,461
Total expenses	<u>11,257,539</u>	<u>-</u>	<u>-</u>	<u>11,257,539</u>
Other Loss				
Loss on sale of property and equipment	<u>4,076</u>	<u>-</u>	<u>-</u>	<u>4,076</u>
Total other loss	<u>4,076</u>	<u>-</u>	<u>-</u>	<u>4,076</u>
Total Expenses and Other Loss	<u>11,261,615</u>	<u>-</u>	<u>-</u>	<u>11,261,615</u>
Increase (Decrease) in Net Assets	720,558	(2,188,568)	-	(1,468,010)
Net Assets, Beginning of Year	<u>29,245,624</u>	<u>4,067,525</u>	<u>5,818,485</u>	<u>39,131,634</u>
Net Assets, End of Year	<u>\$ 29,966,182</u>	<u>\$ 1,878,957</u>	<u>\$ 5,818,485</u>	<u>\$ 37,663,624</u>

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

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Salaries	\$ 3,627,209	\$ 3,080,178
Fringe benefits and payroll taxes	<u>797,123</u>	<u>756,232</u>
	4,424,332	3,836,410
Library resources	1,778,253	1,829,511
Contracted IT and other professional services	1,739,889	1,712,232
Repairs and maintenance	655,958	648,643
Utilities	305,535	327,862
Insurance	144,590	142,940
Software and supplies	129,041	229,015
Leases and rentals	114,035	107,891
Staff development and training	104,276	73,072
Auditing and accounting	94,500	57,200
Telephone and communications	60,168	57,128
Licenses and fees	54,750	52,464
Shuttle bus and auto fuel	54,705	49,299
Dues and subscriptions	44,704	45,538
Hosted events and conferences	40,282	31,881
Miscellaneous	37,743	43,475
Interest expense	27,983	22,410
Preservation	18,194	57,232
Printing/duplication	<u>16,439</u>	<u>79,319</u>
Total expenses before depreciation and amortization	9,845,377	9,403,522
Depreciation and amortization	<u>1,903,390</u>	<u>1,854,017</u>
	<u>\$ 11,748,767</u>	<u>\$ 11,257,539</u>

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 51,681	\$ (1,468,010)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,903,390	1,854,017
Net realized and unrealized (gain) loss on investments	(752,345)	155,711
Contributions, restricted for endowment	(50,000)	-
Loss on sale of property and equipment	4,507	4,076
(Increase) decrease in accounts receivable	42,437	(104,949)
Decrease in prepaid assets	131,293	95,390
Increase in accrued expenses	270,023	48,299
Net Cash Provided By Operating Activities	<u>1,600,986</u>	<u>584,534</u>
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	13,468,615	8,938,157
Purchases of investments	(14,426,455)	(6,437,741)
Purchases of property and equipment	<u>(618,637)</u>	<u>(3,046,366)</u>
Net Cash Required By Investing Activities	<u>(1,576,477)</u>	<u>(545,950)</u>
Cash Flows From Financing Activities:		
Principal payments on capital leases payable	(46,018)	(10,801)
Contributions, restricted for endowment	<u>50,000</u>	<u>-</u>
Net Cash Provided (Required) By Financing Activities	<u>3,982</u>	<u>(10,801)</u>
Net Increase in Cash and Cash Equivalents	28,491	27,783
Cash and Cash Equivalents at Beginning of Year	<u>156,043</u>	<u>128,260</u>
Cash and Cash Equivalents at End of Year	<u>\$ 184,534</u>	<u>\$ 156,043</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 11,516</u>	<u>\$ 4,447</u>

Supplemental Non-Cash Investing and Financing Activity:

During the year ended June 30, 2017, the Library entered into a capital lease agreement for equipment in the amount of \$350,672.

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, 2017 AND 2016**

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

The Robert W. Woodruff Library of the Atlanta University Center, Inc. (the "Library"), a Georgia not-for-profit 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 7,300 undergraduate and 1,100 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 that included eight separate properties located on James P. Brawley Drive in Atlanta, Georgia. As of June 30, 2016, these individual properties were consolidated into one parcel now known as 118 James P. Brawley.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Library follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

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.

Cash and Cash Equivalents

The Library considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The Library uses the allowance method to determine uncollectible, unconditional pledges and accounts receivable. The allowance is based on management's analysis of specific amounts due, pledges made and historical data. No allowance was deemed necessary at June 30, 2017 and 2016.

Presentation

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 that are not subject to donor-imposed stipulations.
- Temporarily restricted – 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 statements of activities and changes in net assets as net assets released from restrictions.
- Permanently restricted – 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2017 and 2016.

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

- Interpretation of Relevant Law

The Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Library and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Library.
- (7) The investment policies of the Library.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Library must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Library, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

- Spending Policy

The Library has a spending policy approved by the Library's Board of Trustees that authorizes the Library to budget for, and make, annual disbursements from its endowment fund for operating expenses or capital expenditures, including any interest or fees, in an amount up to 5% of the trailing 12 quarters' average portfolio balance on September 30th. In cases where the proposed spending amount brings the endowment ending balance below the corpus balance, no operational amount will be authorized.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ -	\$ 1,485,492	\$ 5,818,485	\$ 7,303,977
Earnings used in Operations	-	(389,574)	-	(389,574)
Investment return:				
Investment Income	-	174,896	-	174,896
Net depreciation	-	(143,496)	-	(143,496)
Endowment net assets, June 30, 2016	-	1,127,318	5,818,485	6,945,803
Cash contributions	-	-	50,000	50,000
Earnings used in Operations	-	(391,624)	-	(391,624)
Investment return:				
Investment Income	-	116,083	-	116,083
Net appreciation	-	748,980	-	748,980
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 1,600,757</u>	<u>\$ 5,868,485</u>	<u>\$ 7,469,242</u>

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Library's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. At times, cash and cash equivalent balances exceed federally insured amounts. The Library believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments

The Library's investments are stated at fair market value. The amount assigned to investments acquired by donation is the fair 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 Values Measured on Recurring Basis

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The tables below represent fair value measurement hierarchy of the assets at fair value as of June 30:

		<u>2017</u>		
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 436,300	\$ 436,300	\$ -	\$ -
Equities	2,005,872	2,005,872	-	-
Mutual Funds:				
Real estate	188,503	188,503	-	-
Large cap blend	473,422	473,422	-	-
Foreign large value growth	402,669	402,669	-	-
Foreign large value blend	396,515	396,515	-	-
Foreign mid/small blend	148,953	148,953	-	-
Mid cap growth	817,445	817,445	-	-
Diversified emerging markets	389,268	389,268	-	-
Small cap growth	192,037	192,037	-	-
Small cap blend	174,050	174,050	-	-
Alternative	475,088	475,088	-	-
Fixed income securities:				
Ultra-short bonds	2,581,264	2,581,264	-	-
Intermediate term bonds	1,041,557	1,041,557	-	-
High yield bonds	338,382	338,382	-	-
Total	<u>\$ 10,061,325</u>	<u>\$ 10,061,325</u>	<u>\$ -</u>	<u>\$ -</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Fair Value</u>	<u>2016</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 151,299	\$ 151,299	\$ -	\$ -
Mutual Funds:				
World allocation	633,452	633,452	-	-
Large cap growth	1,767,811	1,767,811	-	-
Foreign large value	1,088,881	1,088,881	-	-
Mid cap growth	489,700	489,700	-	-
Diversified emerging markets	398,353	398,353	-	-
Small growth	484,247	484,247	-	-
Fixed income securities:				
Ultra-short bonds	1,385,844	1,385,844	-	-
Intermediate term bonds	1,371,608	1,371,608	-	-
World bonds	289,238	289,238	-	-
Short-term bonds	290,707	290,707	-	-
Total	<u>\$ 8,351,140</u>	<u>\$ 8,351,140</u>	<u>\$ -</u>	<u>\$ -</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 (25-45 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, 2017 and 2016, the components of property and equipment were:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 4,555,088	\$ 4,501,438
Building and improvements	40,625,388	40,395,968
Furnishings and equipment	10,789,394	10,271,397
Books and reference materials	33,243,227	33,337,283
Artwork and artifacts	159,523	159,523
Construction in progress	<u>41,823</u>	<u>21,624</u>
	89,414,443	88,687,233
Less: accumulated depreciation and amortization	<u>(61,411,178)</u>	<u>(59,745,380)</u>
	<u>\$ 28,003,265</u>	<u>\$ 28,941,853</u>

Donated Collections, Artifacts, and Artwork

The Library receives donated collections, artifacts and artwork that are maintained for public exhibition, education and research in furtherance of public service rather than for financial gain and are considered to have cultural, aesthetic or historical value worth preserving perpetually. In conformity with GAAP, the collections, artifacts, and artwork have been excluded from the consolidated statements of financial position. The Library maintains a detail list of the items' locations, conditions, donor information and access requirements.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Library evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2017 and 2016.

Self-Insurance

The Library provides a self-insurance program for its employees' health insurance. The program has an out of pocket maximum cost per the individual and per the group. The Library has re-insurance coverage for any losses in excess of program maximums. Total expenses relating to the self-insurance plan for the year ended June 30, 2017 and 2016 approximated \$336,000 and \$319,000, respectively. As of June 30, 2017 and 2016, claims incurred but not yet reported were estimated to be \$63,320 and \$45,632, respectively, which is included in accrued expenses in the accompanying consolidated statements of financial position.

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 9. These funds are recorded as unrestricted affiliated institutional support in the accompanying consolidated statements of activities and changes in net assets.

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, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Library is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

The Library annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Library takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Library is subject to examination by the federal and state taxing authorities. In general, the Library is no longer subject to tax examinations for the tax years ending before June 30, 2014.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Subsequent Events

The Library evaluated subsequent events from the financial reporting date of June 30, 2017 through the date of the report, which is the date the Library's consolidated financial statements were available to be issued and determined that there were no significant subsequent events requiring disclosure.

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – INVESTMENTS

The following schedule summarizes the investment income (loss) and its classification in the consolidated statements of activities and changes in net assets for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 191,568	\$ 236,317
Net realized and unrealized gain (loss)	752,345	(155,711)
Investment fees	<u>(54,086)</u>	<u>(51,417)</u>
	<u>\$ 889,827</u>	<u>\$ 29,189</u>

NOTE 4 – FINANCING ARRANGEMENTS

The Library has a line of credit with a financial institution providing for maximum borrowings of \$1,100,000, bearing interest at one month LIBOR. The line of credit is unsecured and matures on November 4, 2017. At June 30, 2017, there were no outstanding borrowings on this line of credit.

The Library has a second line of credit with a different financial institution providing for maximum borrowings of \$1,100,000, bearing interest at one month LIBOR plus 1.8%. The line of credit is unsecured and matures on February 28, 2018. At June 30, 2017, there were no outstanding borrowings on the line of credit.

NOTE 5 – CAPITAL LEASES PAYABLE

During the year ended June 30, 2017, the Library entered into a capital lease agreement for certain computer equipment valued at \$350,672. Accumulated depreciation at June 30, 2017 was \$58,445. Capital lease equipment is included as a part of property and equipment in the accompanying consolidated statements of financial position. Future annual minimum lease payments for years ending June 30 are as follows:

2018	\$ 124,895
2019	124,895
2020	<u>72,855</u>
	322,645
Less: Amounts representing interest	<u>(17,991)</u>
	<u>\$ 304,654</u>

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – 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.

NOTE 7 – 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. The Library contributes to the plan by matching up to 7% of each employee's contribution. Contributions for the years ended June 30, 2017 and 2016 approximated \$131,000 and \$130,000, respectively.

NOTE 8 – NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets for:		
Library maintenance	\$ 726,486	\$ 726,486
Library coordinated programs	<u>2,467,510</u>	<u>1,152,471</u>
Total temporarily restricted net assets	<u>\$ 3,193,996</u>	<u>\$ 1,878,957</u>
	<u>2017</u>	<u>2016</u>
Permanently restricted net assets for:		
Endowments	\$ 2,135,876	\$ 2,085,876
Institutional member contributions	<u>3,732,609</u>	<u>3,732,609</u>
Total permanently restricted net assets	<u>\$ 5,868,485</u>	<u>\$ 5,818,485</u>

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 – NET ASSETS (Continued)

Temporarily restricted net assets were released for the following purposes during the years ended June 30:

	<u>2017</u>		<u>2016</u>
Library maintenance	\$	-	\$ 39,500
Library renovations		-	1,712,260
Library coordinated programs		<u>397,102</u>	<u>473,208</u>
	<u>\$</u>	<u>397,102</u>	<u>\$ 2,224,968</u>

NOTE 9 – 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.