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

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009
with
INDEPENDENT AUDITORS' REPORT

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SMITH & HOWARD
Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the Robert W. Woodruff Library of the Atlanta University Center, Inc. (the "Library") (a not-for-profit organization) as of June 30, 2010 and 2009 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years 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 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 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 audits provide 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, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

August 18, 2010

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ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
ASSETS				
Cash and Cash Equivalents (Note 6)	$ 146,320	$ 6,724	$ -	$ 153,044
Accounts Receivable, Net (Note 3)	30,738	-	-	30,738
Unconditional Promises to Give, Net (Note 4)	3,962,984	1,770,162	1,500	5,734,646
Investments, at Fair Value (Notes 2 and 5)	1,623,727	520,353	5,659,918	7,803,998
Prepaid Assets	688,997	-	-	688,997
Property and Equipment, Net (Note 2)	30,487,663	-	-	30,487,663
	$ 36,940,429	$ 2,297,239	$ 5,661,418	$ 44,899,086
LIABILITIES AND NET ASSETS				
Accounts Payable	$ 20,049	$ -	$ -	$ 20,049
Accrued Expenses	1,462,287	-	-	1,462,287
Note Payable (Note 6)	3,523,608	-	-	3,523,608
Interest Rate Swap Liability (Notes 2 and 6)	144,607	-		144,607
Capital Leases Payable (Note 7)	297,309	-	-	297,309
Total Liabilities	5,447,860	-	-	5,447,860
Commitments and Contingencies (Note 7)				
Net Assets (Note 9)	31,492,569	2,297,239	5,661,418	39,451,226
	$ 36,940,429	$ 2,297,239	$ 5,661,418	$ 44,899,086

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

2009			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 188,611	$ 1,580,233	$ -	$ 1,768,844
68,965	-	-	68,965
-	9,246,561	2,500	9,249,061
64,711	2,146,373	5,631,418	7,842,502
472,556	-	-	472,556
20,159,989	-	-	20,159,989
$ 20,954,832	$ 12,973,167	$ 5,633,918	$ 39,561,917
$ 10,855	$ -	$ -	$ 10,855
2,124,238	-	-	2,124,238
-	-	-	-
-	-	-	-
53,116	-	-	53,116
2,188,209	-	-	2,188,209
18,766,623	12,973,167	5,633,918	37,373,708
$ 20,954,832	$ 12,973,167	$ 5,633,918	$ 39,561,917

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
Revenues and Other Support				
Affiliated institutional support	$ 8,018,810	$ -	$ -	$ 8,018,810
Investment income (loss) (Note 5)	326,001	324,890	-	650,891
Library income	51,793	-	-	51,793
Other revenue	53,734	-	-	53,734
Contributions	-	3,274,632	27,500	3,302,132
	8,450,338	3,599,522	27,500	12,077,360
Net assets released from restrictions	14,275,450	(14,275,450)	-	-
Total Revenues and Other Support	22,725,788	(10,675,928)	27,500	12,077,360
Expenses and Other Losses				
Expenses				
Program expenses	6,795,765	-	-	6,795,765
General and administrative expenses	2,912,470	-	-	2,912,470
Total expenses	9,708,235	-	-	9,708,235
Other Losses				
Change in fair value of interest rate swap	144,607	-	-	144,607
Loss on sale of property and equipment	147,000	-	-	147,000
Total other losses	291,607	-	-	291,607
Total Expenses and Other Losses	9,999,842	-	-	9,999,842
Increase (Decrease) in Net Assets	12,725,946	(10,675,928)	27,500	2,077,518
Net Assets, Beginning of Year	18,766,623	12,973,167	5,633,918	37,373,708
Net Assets, End of Year	$ 31,492,569	$ 2,297,239	$ 5,661,418	$ 39,451,226

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

2009			
	Restricted		
Unrestricted	**Temporarily**	**Permanently**	**Total**
$ 8,018,824	$ -	$ -	$ 8,018,824
(982,888)	-	-	(982,888)
70,595	-	-	70,595
115,204	-	-	115,204
-	554,461	40,547	595,008
7,221,735	554,461	40,547	7,816,743
2,806,508	(2,806,508)	-	-
10,028,243	(2,252,047)	40,547	7,816,743
6,853,711	-	-	6,853,711
2,937,305	-	-	2,937,305
9,791,016	-	-	9,791,016
-	-	-	-
-	-	-	-
-	-	-	-
9,791,016	-	-	9,791,016
237,227	(2,252,047)	40,547	(1,974,273)
18,529,396	15,225,214	5,593,371	39,347,981
$ 18,766,623	$ 12,973,167	$ 5,633,918	$ 37,373,708

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Salaries	$ 3,086,538	$ 3,023,339
Fringe benefits and payroll taxes	642,028	651,364
	3,728,566	3,674,703
Library resources	1,511,196	1,435,830
Contracted IT and other professional services	1,180,327	1,505,268
Repairs and maintenance	386,148	379,152
Utilities	383,775	436,138
Supplies	226,303	217,695
Leases and rentals	162,289	160,159
Insurance	113,584	128,694
Telephone and communications	86,801	84,490
Auditing and accounting	85,850	23,900
Printing/duplication	81,755	31,294
Travel and training	62,315	46,221
Miscellaneous	49,414	44,709
Licenses and fees	46,579	42,479
Auto fuel	34,243	40,340
Dues and subscriptions	27,098	18,242
Conferences	16,418	26,221
Property taxes	10,176	11,727
Uniforms	2,889	3,690
Board support	1,622	3,053
Inter-library loans	607	990
Total expenses before depreciation and amortization	8,197,955	8,314,995
Depreciation and amortization	1,510,280	1,476,021
	$ 9,708,235	$ 9,791,016

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

ROBERT WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	$ 2,077,518	$ (1,974,273)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,510,280	1,476,021
Net realized and unrealized (gain) loss on investments	(481,060)	1,387,181
(Gain) loss on sale of property and equipment	147,000	(8,800)
Change in fair value of interest rate swap	144,607	-
(Increase) decrease in accounts receivable	38,227	(3,537)
Decrease in unconditional promises to give	3,514,415	2,667,039
Increase in prepaid assets	(216,441)	(21,368)
Decrease in accounts payable and accrued expenses	(1,373,086)	(293,755)
Net Cash Provided By Operating Activities	5,361,460	3,228,508
Cash Flows From Investing Activities		
Proceeds from the sales of investments	13,792,255	12,736,559
Purchases of investments	(13,272,691)	(11,709,749)
Proceeds from sale of property and equipment	45,000	-
Purchases of property and equipment	(10,921,579)	(2,615,684)
Net Cash Required By Investing Activities	(10,357,015)	(1,588,874)
Cash Flows From Financing Activities		
Proceeds from note payable, net	3,523,608	-
Principal payments on capital lease obligation	(143,853)	(5,912)
Net Cash Provided (Required) By Financing Activities	3,379,755	(5,912)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,615,800)	1,633,722
Cash and Cash Equivalents at Beginning of Year	1,768,844	135,122
Cash and Cash Equivalents at End of Year	$ 153,044	$ 1,768,844
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized	$ 13,424	$ -

Supplemental Non-Cash Investing Activities:

During the years ended June 30, 2010 and 2009, the Library entered into capital lease agreements for equipment in the amount of $388,046 and $53,116, respectively.

At June 30, 2010 and 2009, accrued expenses included $720,329 and $1,730,655, respectively, of construction payables and retainage related to ongoing Library renovations.

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

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 8,500 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. At June 30, 2010, 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

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"). In June 2009, the FASB issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, the Library no longer references to particular standards of GAAP. The adoption of FASB ASC 105 did not impact the Library's consolidated financial position or results of operations.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation

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 statements of activities as net assets released from restrictions.

- 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

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.

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2010 and 2009.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- 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.

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 a 3 year average of the market values of the total unrestricted and temporarily restricted net assets in the endowment fund. In addition, spending cannot exceed the total return gains earned in the prior fiscal year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2010 and 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	$ -	$ 1,366,080	$ 5,593,371	$ 6,959,451
Cash contributions	-	-	38,047	38,047
Earnings used in Operations	-	(486,458)	-	(486,458)
Investment return:				
Investment Income	-	274,089	-	274,089
Net depreciation	(264,111)	(1,153,711)	-	(1,417,822)
Endowment net assets, June 30, 2009	(264,111)	-	5,631,418	5,367,307
Cash contributions	-	-	28,500	28,500
Earnings used in operations	-	(2,400)	-	(2,400)
Investment return:				
Investment Income	-	152,386	-	152,386
Net appreciation	264,111	174,319	-	438,430
Endowment net assets, June 30, 2010	$ -	$ 324,305	$ 5,659,918	$ 5,984,223

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, accounts receivable, and unconditional promises to give. 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 and unconditional promises to give balances and believes that its exposure to credit risk is limited. As a result of liquidity issues experienced in the global credit and capital markets, it is at least reasonably possible that changes in risks in the near term could occur which in turn 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

The FASB issued a pronouncement on fair value measurement defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The statement, when adopted by the Library, did not have any impact on the Library's consolidated financial statements.

GAAP 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:

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.

Total liabilities at fair value classified within Level 3 were $144,607 as of June 30, 2010, which consists of an interest rate swap with a financial institution. Such amounts were less than 1% of total assets as of June 30, 2010. The Library did not have any assets within Level 3 for the year ended June 30, 2009. The table below represents fair value measurement hierarchy of the assets (liabilities) at fair value as of June 30:

	2010			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 2,033,183	$ 2,033,183	$ -	$ -
Equities	3,863,783	3,863,783	-	-
Fixed income securities	1,907,032	1,907,032	-	-
Interest rate swap liability	(144,607)	-	-	(144,607)
Total	$ 7,659,391	$ 7,803,998	$ -	$ (144,607)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	2009			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 2,658,002	$ 2,658,002	$ -	$ -
Equities	3,497,216	3,497,216	-	-
Fixed income securities	1,687,284	1,687,284	-	-
Total	$ 7,842,502	$ 7,842,502	$ -	$ -

The table below sets forth a summary of changes in the fair value of the Library's Level 3 assets for the year ended June 30, 2010:

Balance, June 30, 2009	$ -
Change in the fair value of the interest rate swap	(144,607)
Balance, June 30, 2010	$ (144,607)

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. In 2009, construction-in-progress costs relate to library renovations; which were completed during June 2010 and transferred from construction-in-progress to property and equipment. As of June 30, 2010 and 2009, the components of property and equipment were:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

	2010	2009
Land	$ 1,637,536	$ 1,810,761
Building and improvements	36,661,473	23,080,310
Furnishings and equipment	9,158,158	12,269,529
Books and reference materials	32,078,128	32,668,898
Construction in Progress	-	3,882,275
	79,535,295	73,711,773
Less: accumulated depreciation and amortization	(49,047,632)	(53,551,784)
	$ 30,487,663	$ 20,159,989

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, 2010 and 2009.

Derivative Financial Instruments

The Library accounts for derivative financial instruments in accordance with GAAP, which requires that all derivative instruments be recorded on the consolidated statements of financial position at their respective fair values.

On May 12, 2009, the Library entered into an interest rate swap agreement in the management of interest rate risk. The interest rate swap agreement effectively fixes the interest rate at 4.98% on $3,800,000 of variable rate borrowings under the Library's non-revolving loan (see Note 6). The initial fair value and subsequent changes in the fair value of the agreement are reported as a gain or loss in the accompanying consolidated statement of activities and changes in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 11. 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.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through August 18, 2010, the date which the consolidated financial statements were available to be issued.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are reported net of any allowances for doubtful accounts. As of June 30, 2010 and 2009, accounts receivable consisted of:

	2010	2009
Accounts Receivable, gross	$ 2,435,019	$ 2,473,246
Less: Allowance for doubtful accounts	(2,404,281)	(2,404,281)
	$ 30,738	$ 68,965

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2010 consist of several pledges, including related parties (see Note 11) to be received over four years as follows:

2011	$ 1,609,500
2012	1,608,000
2013	1,568,000
2014	1,608,000
	6,393,500
Discount to present value	(658,854)
	$ 5,734,646

The Library uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made and historical data. Management believes all pledges are collectible and accordingly, no allowance was deemed necessary at June 30, 2010 and 2009.

At June 30, 2010 and 2009, unconditional promises to give were discounted to their present values using interest rates ranging from 1% to 4%.

NOTE 5 – 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:

	2010	2009
Dividends and interest	$ 169,831	$ 404,293
Net realized and unrealized gain (loss)	481,060	(1,387,181)
	$ 650,891	$ (982,888)

NOTE 6 – FINANCING ARRANGEMENTS

On May 12, 2009, the Library entered into two non-revolving master borrowing loans with a financial institution for $3,800,000 and $1,950,000. According to the agreement, the Library was allowed to borrow up to the loan amount until the date the loans were converted to term loans (the "conversion date"). The loans had conversion dates of March 31, 2010 and June 1, 2010, respectively. The Library did not borrow against the $1,950,000 master borrowing loan and thus the agreement expired on June 1, 2010 and was not renewed.

Outstanding borrowings on the remaining loan agreement were $3,523,608 at June 30, 2010. There were no outstanding borrowings at June 30, 2009. Collateral for the note payable includes capital campaign commitments made to the Library. On August 12, 2010, the remaining loan was amended to change the maturity date from March 31, 2014 to September 1, 2012. The amended loan requires five consecutive, bi-annual, payments consisting of four payments of $804,000 beginning September 1, 2010 and the fifth payment of $307,608 on September 1, 2012 at which time the unpaid principal and accrued interest are due in full. The note bears interest at LIBOR plus 2.5% (effective rate of 2.8% at June 30, 2010). During 2010, $43,193 of interest was capitalized in accordance with GAAP.

Principal maturities on the note payable at June 30 are as follows:

2011	$ 1,608,000
2012	1,608,000
2013	307,608
	$ 3,523,608

NOTE 7– CAPITAL LEASE PAYABLE

The Library has a capital lease agreement for certain telephone equipment valued at $55,416. The obligations expire in 2013. During the year ended June 30, 2010, the Library entered into a capital lease agreement for certain computer equipment valued at $388,046. The obligations expire in 2012. Capital lease equipment is included as a part of property and equipment in the accompanying consolidated statements of financial position. Future minimum lease payments for the years ending June 30 are as follows:

2011	$ 153,585
2012	151,409
2013	3,079
	308,073
Less: Amounts representing interest	(10,764)
	$ 297,309

NOTE 8 – 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 9 – NET ASSETS

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

	2010	2009
Temporarily restricted net assets for:		
Library renovation	$ 1,777,555	$ 11,374,984
Library coordinated programs	519,684	1,598,183
Total temporarily restricted net assets	$ 2,297,239	$ 12,973,167
Permanently restricted net assets for:		
Endowments	$ 1,928,809	$ 1,901,309
Institutional member contributions	3,732,609	3,732,609
Total permanently restricted net assets	$ 5,661,418	$ 5,633,918

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

	2010	2009
Library renovation	$ 12,500,019	$ 2,503,777
Library coordinated programs	1,775,431	302,731
	$ 14,275,450	$ 2,806,508

NOTE 10 – 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, 2010 and 2009 approximated $108,000 and $107,000, respectively.

NOTE 11 – 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.

During the year ended June 30, 2008, the Library's affiliated member institutions agreed to provide contributions totaling $8,000,000 restricted as to use for future Library renovations and a maintenance reserve fund. During the year ended June 30, 2010, the Library's affiliated member institutions agreed to provide an additional contribution of $1,608,000 to be used for Library renovations. The contributions are expected to be received each year ending June 30, 2009 through June 30, 2014. The Library has received $1,608,000 for each of the years ending June 30, 2010 and 2009 and the remaining balance is included in unconditional promises to give (see Note 4). Unconditional promises to give from related parties represents 99% and 61% at June 30, 2010 and 2009, respectively, of the Library's total unconditional promises to give in the accompanying consolidated statement of financial position.