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

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011
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 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, 2012 and 2011 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, 2012 and 2011 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 16, 2012

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ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
ASSETS				
Cash and Cash Equivalents	$ 159,878	$ 1,945	$ -	$ 161,823
Accounts Receivable, Net	43,530	-	-	43,530
Unconditional Promises to Give, Net	1,428,642	1,543,244	-	2,971,886
Investments, at Fair Value	353,098	1,119,050	5,718,702	7,190,850
Prepaid Assets	591,124	-	-	591,124
Property and Equipment, Net	27,918,710	-	-	27,918,710
	$ 30,494,982	$ 2,664,239	$ 5,718,702	$ 38,877,923
LIABILITIES AND NET ASSETS				
Accrued Expenses	$ 556,030	$ -	$ -	$ 556,030
Note Payable	639,608	-	-	639,608
Interest Rate Swap Liability	55,935	-	-	55,935
Capital Leases Payable	3,678	-	-	3,678
Total Liabilities	1,255,251	-	-	1,255,251
Commitments and Contingencies (Notes 7 and 8)				
Net Assets	29,239,731	2,664,239	5,718,702	37,622,672
	$ 30,494,982	$ 2,664,239	$ 5,718,702	$ 38,877,923

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

2011			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 265,801	$ 5,403	$ -	$ 271,204
36,978	-	-	36,978
2,839,375	1,543,244	-	4,382,619
264,613	1,613,408	5,693,250	7,571,271
391,526	-	-	391,526
29,117,086	-	-	29,117,086
$ 32,915,379	$ 3,162,055	$ 5,693,250	$ 41,770,684
$ 555,824	$ -	$ -	$ 555,824
2,079,608	-	-	2,079,608
104,949	-	-	104,949
154,038	-	-	154,038
2,894,419	-	-	2,894,419
30,020,960	3,162,055	5,693,250	38,876,265
$ 32,915,379	$ 3,162,055	$ 5,693,250	$ 41,770,684

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
Revenues and Other Support				
Affiliated institutional support	$ 8,847,220	$ -	$ -	$ 8,847,220
Investment income (loss)	31,505	(121,370)	-	(89,865)
Library income	63,632	-	-	63,632
Other revenue	42,649	-	-	42,649
Contributions	-	367,683	25,452	393,135
	8,985,006	246,313	25,452	9,256,771
Net assets released from restrictions	744,129	(744,129)	-	-
Total Revenues and Other Support	9,729,135	(497,816)	25,452	9,256,771
Expenses and Other Income (Losses)				
Expenses				
Program expenses	8,469,413	-	-	8,469,413
General and administrative expenses	1,943,176	-	-	1,943,176
Fundraising and development	146,789	-	-	146,789
Total expenses	10,559,378	-	-	10,559,378
Other Income (Losses)				
Change in fair value of interest rate swap	49,014	-	-	49,014
Loss on sale of property and equipment	-	-	-	-
Total other income (losses)	49,014	-	-	49,014
Total Expenses and Other Income (Losses)	10,510,364	-	-	10,510,364
Increase (Decrease) in Net Assets	(781,229)	(497,816)	25,452	(1,253,593)
Net Assets, Beginning of Year	30,020,960	3,162,055	5,693,250	38,876,265
Net Assets, End of Year	$ 29,239,731	$ 2,664,239	$ 5,718,702	$ 37,622,672

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

	2011			
		Restricted		
	Unrestricted	**Temporarily**	**Permanently**	**Total**
	$ 8,414,124	$ -	$ -	$ 8,414,124
	67,092	1,184,831	-	1,251,923
	54,492	-	-	54,492
	115,211	-	-	115,211
	-	701,768	31,832	733,600
	8,650,919	1,886,599	31,832	10,569,350
	1,021,783	(1,021,783)	-	-
	9,672,702	864,816	31,832	10,569,350
	9,001,867	-	-	9,001,867
	2,012,587	-	-	2,012,587
	107,960	-	-	107,960
	11,122,414	-	-	11,122,414
	39,658	-	-	39,658
	(61,555)	-	-	(61,555)
	(21,897)	-	-	(21,897)
	11,144,311	-	-	11,144,311
	(1,471,609)	864,816	31,832	(574,961)
	31,492,569	2,297,239	5,661,418	39,451,226
	$ 30,020,960	$ 3,162,055	$ 5,693,250	$ 38,876,265

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Salaries	$ 3,029,713	$ 3,071,650
Fringe benefits and payroll taxes	717,522	665,744
	3,747,235	3,737,394
Contracted IT and other professional services	1,574,722	1,523,915
Library resources	1,354,695	1,785,039
Repairs and maintenance	505,532	488,030
Utilities	438,218	432,109
Supplies	174,996	236,941
Leases and rentals	159,392	169,300
Travel and training	114,916	81,838
Insurance	107,524	118,395
Interest expense	98,676	162,269
Telephone and communications	82,014	74,592
Auto fuel	68,147	46,565
Miscellaneous	57,795	59,272
Auditing and accounting	48,935	44,157
Conferences	42,145	11,941
Dues and subscriptions	35,050	24,857
Licenses and fees	33,464	44,626
Printing/duplication	26,130	41,544
Board support	3,016	1,544
Uniforms	2,397	1,375
Property taxes	1,168	9,458
Inter-library loans	293	801
Total expenses before depreciation and amortization	8,676,460	9,095,962
Depreciation and amortization	1,882,918	2,026,452
	$ 10,559,378	$ 11,122,414

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, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities:		
Decrease in Net Assets	$ (1,253,593)	$ (574,961)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,882,918	2,026,452
Net realized and unrealized (gain) loss on investments	265,449	(1,059,558)
Loss on sale of property and equipment	-	61,555
Change in fair value of interest rate swap	(49,014)	(39,658)
Change in present value of long-term promises to give	(197,267)	(257,473)
Increase in accounts receivable	(6,552)	(6,240)
Decrease in unconditional promises to give	1,608,000	1,609,500
(Increase) decrease in prepaid assets	(199,598)	297,471
Decrease in accrued expenses	(218,073)	(206,183)
Net Cash Provided By Operating Activities	1,832,270	1,850,905
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	7,810,544	8,279,243
Purchases of investments	(7,695,572)	(6,986,958)
Purchases of property and equipment	(466,263)	(1,437,759)
Net Cash Required By Investing Activities	(351,291)	(145,474)
Cash Flows From Financing Activities:		
Repayment of note payable	(1,440,000)	(1,444,000)
Principal payments on capital leases payable	(150,360)	(143,271)
Net Cash Required By Financing Activities	(1,590,360)	(1,587,271)
Net Increase (Decrease) in Cash and Cash Equivalents	(109,381)	118,160
Cash and Cash Equivalents at Beginning of Year	271,204	153,044
Cash and Cash Equivalents at End of Year	$ 161,823	$ 271,204
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	$ 109,854	$ 167,323

<u>Supplemental Non-Cash Investing Activity:</u>

At June 30, 2012, accrued expenses included $203,379 of payables related to an ongoing HVAC project and $14,900 for an equipment purchase.

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 7,700 undergraduate and 1,200 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, 2012, 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").

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.

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 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 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.

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2012 and 2011.

- 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- 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 unless such gains are less than $125,000, then spending will be limited to no more than $125,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ -	$ 324,305	$ 5,659,918	$ 5,984,223
Cash contributions	-	-	33,332	33,332
Earnings used in Operations	-	(334,243)	-	(334,243)
Investment return:				
Investment Income	-	170,105	-	170,105
Net appreciation	-	1,014,726	-	1,014,726
Endowment net assets, June 30, 2011	-	1,174,893	5,693,250	6,868,143
Cash contributions	-	-	25,452	25,452
Earnings used in Operations	-	(310,920)	-	(310,920)
Investment return:				
Investment Income	-	175,708	-	175,708
Net depreciation	-	(297,078)	-	(297,078)
Endowment net assets, June 30, 2012	$ -	$ 742,603	$ 5,718,702	$ 6,461,305

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's cash accounts include both interest and non-interest bearing accounts. The Library's non-interest bearing cash balances are fully insured by the Federal Deposit Insurance Corporation through December 31, 2012. 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.

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.

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:

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 as of June 30, 2012 and 2011 were $55,935 and $104,949, respectively, which consists of an interest rate swap with a financial institution. Such amounts were less than 1% of total assets as of June 30, 2012 and 2011. The table below represents fair value measurement hierarchy of the assets (liabilities) at fair value as of June 30:

	2012			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 1,015,022	$ 1,015,022	$ -	$ -
Equities	4,205,336	4,205,336	-	-
Fixed income securities	1,970,492	1,970,492	-	-
Interest rate swap liability	(55,935)	-	-	(55,935)
Total	$ 7,134,915	$ 7,190,850	$ -	$ (55,935)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	2011			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 946,366	$ 946,366	$ -	$ -
Equities	4,594,535	4,594,535	-	-
Fixed income securities	2,030,370	2,030,370	-	-
Interest rate swap liability	(104,949)	-	-	(104,949)
Total	$ 7,466,322	$ 7,571,271	$ -	$ (104,949)

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:

Balance, June 30, 2010	$ (144,607)
Change in the fair value of the interest rate swap	39,658
Balance, June 30, 2011	$ (104,949)
Change in the fair value of the interest rate swap	49,014
Balance, June 30, 2012	$ (55,935)

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. Construction in progress costs relate to a HVAC project. The Library entered into a GMP contract relating to the project. As of June 30, 2012, the Library was committed to $212,555 of the project's estimated total of $867,000. The Library has capitalized the costs and will begin depreciating the asset when it is ready for its intended use; which management expects to occur in 2013. As of June 30, 2012 and 2011, the components of property and equipment were:

	2012	2011
Land	$ 1,643,336	$ 1,637,536
Building and improvements	37,037,540	36,920,486
Furnishings and equipment	9,237,929	9,349,386
Books and reference materials	32,415,173	32,185,069
Artwork and artifacts	123,245	87,750
Construction in progress	212,555	-
	80,669,778	80,180,227
Less: accumulated depreciation and amortization	(52,751,068)	(51,063,141)
	$ 27,918,710	$ 29,117,086

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, 2012 and 2011.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 10. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 Company 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, 2009.

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

Management has evaluated subsequent events through the date of this report, which is the date 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, 2012 and 2011, accounts receivable consisted of:

	2012	2011
Accounts Receivable, gross	$ 2,447,811	$ 2,441,259
Less: Allowance for doubtful accounts	(2,404,281)	(2,404,281)
	$ 43,530	$ 36,978

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2012 consist of several pledges from related parties (see Note 10) to be received over three years as follows:

2013	$ 1,568,000
2014	1,608,000
	3,176,000
Discount to present value	(204,114)
	$ 2,971,886

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, 2012 and 2011.

At June 30, 2012 and 2011, unconditional promises to give were discounted to their present values using interest rate of approximately 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:

	2012	2011
Dividends and interest	$ 218,276	$ 242,671
Net realized and unrealized gain (loss)	(265,449)	1,059,558
Investment fees	(42,692)	(50,306)
	$ (89,865)	$ 1,251,923

NOTE 6 – FINANCING ARRANGEMENTS

On May 31, 2010, the Library entered into a term loan with a financial institution for $3,523,608. Outstanding borrowings on the remaining loan agreement were $639,608 and $2,079,608 at June 30, 2012 and 2011, respectively. Collateral for the note payable includes capital campaign commitments made to the Library. In 2011, the loan payments were amended to four consecutive, bi-annual, payments consisting of three payments of $720,000 with the fourth payment of $639,608 on September 30, 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 2.73% at June 30, 2012).

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 obligation expired 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 year ending June 30, 2013 are $3,678.

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 – 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, 2012 and 2011 approximated $135,000 and $109,000, respectively.

NOTE 10 – NET ASSETS

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

	2012	2011
Temporarily restricted net assets for:		
Library maintenance	$ 1,543,244	$ 1,543,244
Library coordinated programs	1,120,995	1,618,811
Total temporarily restricted net assets	$ 2,664,239	$ 3,162,055
Permanently restricted net assets for:		
Endowments	$ 1,986,093	$ 1,960,641
Institutional member contributions	3,732,609	3,732,609
Total permanently restricted net assets	$ 5,718,702	$ 5,693,250

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

	2012	2011
Library maintenance	$ 200,690	$ 506,185
Library coordinated programs	543,439	515,598
	$ 744,129	$ 1,021,783

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, 2012, 2011, 2010 and 2009 and the remaining balance is included in unconditional promises to give (see Note 4). Unconditional promises to give from related parties at June 30, 2012 and 2011 represents 100% of the Library’s total unconditional promises to give in the accompanying consolidated statement of financial position.