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

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012
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 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, 2013 and 2012, 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.

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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, 2013 and 2012, 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

August 23, 2013

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
ASSETS				
Cash and Cash Equivalents	$ 152,299	$ 5,246	$ -	$ 157,545
Accounts Receivable, Net	31,966	-	-	31,966
Unconditional Promises to Give, Net	789,832	707,838	-	1,497,670
Investments, at Fair Value	363,150	1,473,436	5,768,338	7,604,924
Prepaid Assets	579,463	-	-	579,463
Property and Equipment, Net	27,998,986	-	-	27,998,986
	$ 29,915,696	$ 2,186,520	$ 5,768,338	$ 37,870,554
LIABILITIES AND NET ASSETS				
Accrued Expenses	$ 467,360	$ -	$ -	$ 467,360
Note Payable	-	-	-	-
Interest Rate Swap Liability	17,780	-	-	17,780
Capital Leases Payable	263,292	-	-	263,292
Total Liabilities	748,432	-	-	748,432
Net Assets	29,167,264	2,186,520	5,768,338	37,122,122
	$ 29,915,696	$ 2,186,520	$ 5,768,338	$ 37,870,554

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

2012			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 159,878	$ 1,945	$ -	$ 161,823
43,530	-	-	43,530
1,428,642	1,543,244	-	2,971,886
353,098	1,119,050	5,718,702	7,190,850
591,124	-	-	591,124
27,918,710	-	-	27,918,710
$ 30,494,982	$ 2,664,239	$ 5,718,702	$ 38,877,923
$ 556,030	$ -	$ -	$ 556,030
639,608	-	-	639,608
55,935	-	-	55,935
3,678	-	-	3,678
1,255,251	-	-	1,255,251
29,239,731	2,664,239	5,718,702	37,622,672
$ 30,494,982	$ 2,664,239	$ 5,718,702	$ 38,877,923

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
Revenues and Other Support				
Affiliated institutional support	$ 9,234,305	$ -	$ -	$ 9,234,305
Investment income (loss)	28,393	675,324	-	703,717
Library income	61,027	-	-	61,027
Other revenue	42,105	-	-	42,105
Contributions	-	340,574	49,636	390,210
	9,365,830	1,015,898	49,636	10,431,364
Net assets released from restrictions	1,493,617	(1,493,617)	-	-
Total Revenues and Other Support	10,859,447	(477,719)	49,636	10,431,364
Expenses and Other Income (Losses)				
Expenses				
Program expenses	8,831,387	-	-	8,831,387
General and administrative expenses	1,986,043	-	-	1,986,043
Fundraising and development	151,274	-	-	151,274
Total expenses	10,968,704	-	-	10,968,704
Other Income (Losses)				
Change in fair value of interest rate swap	38,155	-	-	38,155
Loss on sale of property and equipment	(1,365)	-	-	(1,365)
Total other income	36,790	-	-	36,790
Total Expenses and Other Income (Losses)	10,931,914	-	-	10,931,914
Increase (Decrease) in Net Assets	(72,467)	(477,719)	49,636	(500,550)
Net Assets, Beginning of Year	29,239,731	2,664,239	5,718,702	37,622,672
Net Assets, End of Year	$ 29,167,264	$ 2,186,520	$ 5,768,338	$ 37,122,122

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

2012			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 8,847,220	$ -	$ -	$ 8,847,220
31,505	(121,370)	-	(89,865)
63,632	-	-	63,632
42,649	-	-	42,649
-	367,683	25,452	393,135
8,985,006	246,313	25,452	9,256,771
744,129	(744,129)	-	-
9,729,135	(497,816)	25,452	9,256,771
8,469,413	-	-	8,469,413
1,943,176	-	-	1,943,176
146,789	-	-	146,789
10,559,378	-	-	10,559,378
49,014	-	-	49,014
-	-	-	-
49,014	-	-	49,014
10,510,364	-	-	10,510,364
(781,229)	(497,816)	25,452	(1,253,593)
30,020,960	3,162,055	5,693,250	38,876,265
$ 29,239,731	$ 2,664,239	$ 5,718,702	$ 37,622,672

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Salaries	$ 3,158,693	$ 3,029,713
Fringe benefits and payroll taxes	706,139	717,522
	3,864,832	3,747,235
Library resources	1,631,217	1,354,695
Contracted IT and other professional services	1,617,581	1,574,722
Repairs and maintenance	543,868	505,532
Utilities	332,533	438,218
Supplies	227,720	174,996
Leases and rentals	190,429	159,392
Insurance	138,272	107,524
Staff development and training	115,118	114,916
Miscellaneous	84,287	57,795
Telephone and communications	83,602	82,014
Auto fuel	74,507	68,147
Interest expense	58,536	98,676
Dues and subscriptions	46,249	35,050
Conferences	45,494	42,145
Auditing and accounting	43,150	48,935
Licenses and fees	35,115	33,464
Printing/duplication	30,630	26,130
Property taxes	5,742	1,168
Board support	3,376	3,016
Uniforms	1,947	2,397
Inter-library loans	968	293
Total expenses before depreciation and amortization	9,175,173	8,676,460
Depreciation and amortization	1,793,531	1,882,918
	$ 10,968,704	$ 10,559,378

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, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Decrease in Net Assets	$ (500,550)	$ (1,253,593)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,793,531	1,882,918
Net realized and unrealized (gain) loss on investments	(436,967)	265,449
Loss on sale of property and equipment	1,365	-
Change in fair value of interest rate swap	(38,155)	(49,014)
Change in present value of long-term promises to give	(133,784)	(197,267)
(Increase) decrease in accounts receivable	11,564	(6,552)
Decrease in unconditional promises to give	1,608,000	1,608,000
(Increase) decrease in prepaid assets	11,661	(199,598)
Increase (decrease) in accrued expenses	129,609	(218,073)
Net Cash Provided By Operating Activities	2,446,274	1,832,270
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	6,375,000	7,810,544
Purchases of investments	(6,352,107)	(7,695,572)
Purchases of property and equipment	(1,694,365)	(466,263)
Net Cash Required By Investing Activities	(1,671,472)	(351,291)
Cash Flows From Financing Activities:		
Repayment of note payable	(639,608)	(1,440,000)
Principal payments on capital leases payable	(139,472)	(150,360)
Net Cash Required By Financing Activities	(779,080)	(1,590,360)
Net Decrease in Cash and Cash Equivalents	(4,278)	(109,381)
Cash and Cash Equivalents at Beginning of Year	161,823	271,204
Cash and Cash Equivalents at End of Year	$ 157,545	$ 161,823
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 58,528	$ 109,854

Supplemental Non-Cash Investing and Financing Activity:
During the year ended June 30, 2013, the Library entered into a capital lease agreement for equipment in the amount of $399,086.

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.

ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 7,100 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, 2013, 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.

Reclassifications

Certain amounts in the June 30, 2012 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2013 and 2012.

- 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, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Cash contributions	-	-	49,636	49,636
Earnings used in Operations	-	(125,000)	-	(125,000)
Investment return:				
Investment Income	-	269,030	-	269,030
Net appreciation	-	406,294	-	406,294
Endowment net assets, June 30, 2013	$ -	$ 1,292,927	$ 5,768,338	$ 7,061,265

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. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Total liabilities at fair value classified within Level 3 as of June 30, 2013 and 2012 were $17,780 and $55,935, 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, 2013 and 2012. The table below represents fair value measurement hierarchy of the assets (liabilities) at fair value as of June 30:

	2013			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 1,267,520	$ 1,267,520	$ -	$ -
Equities:				
Large cap growth	1,218,711	1,218,711	-	-
Foreign large value	1,009,507	1,009,507	-	-
Mid cap growth	404,140	404,140	-	-
Diversified emerging markets	327,827	327,827	-	-
Small growth	405,098	405,098	-	-
Fixed income securities:				
Ultra-short bonds	694,785	694,785	-	-
Intermediate term bonds	1,127,727	1,127,727	-	-
World bonds	567,133	567,133	-	-
Short-term bonds	582,476	582,476	-	-
Interest rate swap liability	(17,780)	-	-	(17,780)
Total	$ 7,587,144	$ 7,604,924	$ -	$ (17,780)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

2012

	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 1,334,144	$ 1,334,144	$ -	$ -
Equities:				
Large cap growth	1,741,673	1,741,673	-	-
Foreign large value	710,897	710,897	-	-
Mid cap growth	274,897	274,897	-	-
Diversified emerging markets	172,242	172,242	-	-
Small growth	272,496	272,496	-	-
Fixed income securities:				
Intermediate term bond	993,855	993,855	-	-
Ultra-short bond	714,009	714,009	-	-
World bond	486,576	486,576	-	-
Short-term bond	490,061	490,061	-	-
Interest rate swap liability	(55,935)	-	-	(55,935)
Total	$ 7,134,915	$ 7,190,850	$ -	$ (55,935)

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, 2011	$ (104,949)
Change in the fair value of the interest rate swap	49,014
Balance, June 30, 2012	$ (55,935)
Change in the fair value of the interest rate swap	38,155
Balance, June 30, 2013	$ (17,780)

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, 2013 and 2012, the components of property and equipment were:

	2013	2012
Land	$ 1,643,336	$ 1,643,336
Building and improvements	38,295,021	37,037,540
Furnishings and equipment	9,819,532	9,237,929
Books and reference materials	32,621,677	32,415,173
Artwork and artifacts	135,945	123,245
Construction in progress	17,576	212,555
	82,533,087	80,669,778
Less: accumulated depreciation and amortization	(54,534,101)	(52,751,068)
	$ 27,998,986	$ 27,918,710

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, 2013 and 2012.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued)

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. 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, 2010.

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 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, 2013 and 2012, accounts receivable consisted of:

	2013	2012
Accounts Receivable, gross	$ 2,436,247	$ 2,447,811
Less: Allowance for doubtful accounts	(2,404,281)	(2,404,281)
	$ 31,966	$ 43,530

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2013 consist of several pledges from related parties (see Note 12) to be received as follows:

2014	$ 1,608,000
Discount to present value	(110,330)
	$ 1,497,670

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, 2013 and 2012.

At June 30, 2013 and 2012, 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:

	2013	2012
Dividends and interest	$ 311,087	$ 218,276
Net realized and unrealized gain (loss)	436,967	(265,449)
Investment fees	(44,337)	(42,692)
	$ 703,717	$ (89,865)

NOTE 6 – FINANCING ARRANGEMENTS

The Library had a term loan with a financial institution for $3,523,608. Outstanding borrowings on the loan agreement were $639,608 at June 30, 2012 and the loan was paid in full on September 30, 2012. The note had a variable interest rate based on LIBOR plus 2.5% and the Library utilized an interest rate swap agreement to reduce its exposure to market risks from changes in interest rates over the term of the loan. At the time the note was paid in full, management decided to keep the swap agreement in place rather than pay off the existing swap liability. Accordingly, the change in fair value of this swap instrument is recorded as a component of other income in the accompanying consolidated statements of activities and changes in net assets.

The swap agreement had a notional amount of approximately $1,021,202 and $1,993,386 at June 30, 2013 and 2012, respectively, with interest at the fixed rate of 4.98%. The Library recognized a gain of $38,155 and $49,014 equal to the market value change of the swap agreement for the years ended June 30, 2013 and 2012, respectively. The swap agreement has a maturity date of March 1, 2014.

During the year ended June 30, 2013, the Library entered into a line of credit with a financial institution providing for maximum borrowings of $1,100,000, bearing interest at one month LIBOR plus 1.9%. The line of credit is secured by future accounts receivable and matures on November 2, 2013. At June 30, 2013, there were no outstanding borrowings on the line of credit.

NOTE 7 – CAPITAL LEASE PAYABLE

During the year ended June 30, 2013, the Library entered into a capital lease agreement for certain computer equipment valued at $399,086. 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:

2014	$ 135,794
2015	135,794
	271,588
Less: Amounts representing interest	(8,296)
	$ 263,292

NOTE 8 – DEFERRED REVENUE

The Library had leased a portion of their roof to a cellular company. During 2013, another company purchased the lease from the Library in the amount of $186,252, which is included in the consolidated statements of financial position as a portion of accrued expenses. The lease was to expire on September 30, 2035 and the Library is recognizing the revenue at approximately $8,000 per year.

NOTE 9 – 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 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, 2013 and 2012 approximated $131,000 and $135,000, respectively.

NOTE 11 – NET ASSETS

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

	2013	2012
Temporarily restricted net assets for:		
Library maintenance	$ 740,217	$ 1,543,244
Library coordinated programs	1,446,303	1,120,995
Total temporarily restricted net assets	$ 2,186,520	$ 2,664,239

	2013	2012
Permanently restricted net assets for:		
Endowments	$ 2,035,729	$ 1,986,093
Institutional member contributions	3,732,609	3,732,609
Total permanently restricted net assets	$ 5,768,338	$ 5,718,702

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

	2013	2012
Library maintenance	$ 927,445	$ 200,690
Library coordinated programs	566,172	543,439
	$ 1,493,617	$ 744,129

NOTE 12 – RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

NOTE 12 – RELATED PARTY TRANSACTIONS AND ARRANGEMENTS (Continued)

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, 2013, 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, 2013 and 2012 represents 100% of the Library's total unconditional promises to give in the accompanying consolidated statement of financial position.

NOTE 13 – SUBSEQUENT EVENT

The Library entered into an agreement to lease a portion of their roof to a cellular company for the next five years beginning August 2013. The Library agreed to lease the space for approximately $19,000 per year.