

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014
with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Robert W. Woodruff Library of the Atlanta University Center, Inc. (the "Library") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

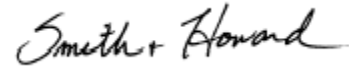
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Library as of June 30, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Smith + Howard".

September 2, 2015

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015			Total
	Unrestricted	Restricted		
ASSETS		Temporarily	Permanently	
Cash and Cash Equivalents	\$ 128,260	\$ -	\$ -	\$ 128,260
Accounts Receivable, Net	35,063	-	-	35,063
Unconditional Promises to Give, Net	-	-	-	-
Investments, at Fair Value	1,121,257	4,067,525	5,818,485	11,007,267
Prepaid Assets	750,819	-	-	750,819
Property and Equipment, Net	<u>28,082,711</u>	<u>-</u>	<u>-</u>	<u>28,082,711</u>
	<u>\$ 30,118,110</u>	<u>\$ 4,067,525</u>	<u>\$ 5,818,485</u>	<u>\$ 40,004,120</u>
LIABILITIES AND NET ASSETS				
Accrued Expenses	\$ 861,685	\$ -	\$ -	\$ 861,685
Capital Leases Payable	<u>10,801</u>	<u>-</u>	<u>-</u>	<u>10,801</u>
Total Liabilities	<u>872,486</u>	<u>-</u>	<u>-</u>	<u>872,486</u>
Net Assets	<u>29,245,624</u>	<u>4,067,525</u>	<u>5,818,485</u>	<u>39,131,634</u>
	<u>\$ 30,118,110</u>	<u>\$ 4,067,525</u>	<u>\$ 5,818,485</u>	<u>\$ 40,004,120</u>

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

2014

Unrestricted	Restricted		Total
	Temporarily	Permanently	
\$ 148,607	\$ -	\$ -	\$ 148,607
31,216	-	-	31,216
-	575,480	-	575,480
1,219,018	3,521,149	5,793,556	10,533,723
596,538	-	-	596,538
<u>27,201,502</u>	<u>-</u>	<u>-</u>	<u>27,201,502</u>
<u>\$ 29,196,881</u>	<u>\$ 4,096,629</u>	<u>\$ 5,793,556</u>	<u>\$ 39,087,066</u>
\$ 588,528	\$ -	\$ -	\$ 588,528
<u>165,080</u>	<u>-</u>	<u>-</u>	<u>165,080</u>
<u>753,608</u>	<u>-</u>	<u>-</u>	<u>753,608</u>
<u>28,443,273</u>	<u>4,096,629</u>	<u>5,793,556</u>	<u>38,333,458</u>
<u>\$ 29,196,881</u>	<u>\$ 4,096,629</u>	<u>\$ 5,793,556</u>	<u>\$ 39,087,066</u>

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			Total
	Unrestricted	Restricted		
		Temporarily	Permanently	
Revenues and Other Support				
Affiliated institutional support	\$ 9,211,984	\$ -	\$ -	\$ 9,211,984
Investment income (loss)	8,628	(32,654)	-	(24,026)
Library income	56,464	-	-	56,464
Other revenue	124,347	-	-	124,347
Contributions	-	2,351,520	24,929	2,376,449
	9,401,423	2,318,866	24,929	11,745,218
Net assets released from restrictions	2,347,970	(2,347,970)	-	-
	11,749,393	(29,104)	24,929	11,745,218
Total Revenues and Other Support	<u>11,749,393</u>	<u>(29,104)</u>	<u>24,929</u>	<u>11,745,218</u>
Expenses and Other Income				
Expenses				
Program expenses	8,828,995	-	-	8,828,995
General and administrative expenses	1,988,172	-	-	1,988,172
Fundraising and development	132,875	-	-	132,875
Total expenses	10,950,042	-	-	10,950,042
Other Income				
Change in fair value of interest rate swap	-	-	-	-
Gain on sale of property and equipment	3,000	-	-	3,000
Total other income	3,000	-	-	3,000
Total Expenses and Other Income	10,947,042	-	-	10,947,042
Increase (Decrease) in Net Assets	802,351	(29,104)	24,929	798,176
Net Assets, Beginning of Year	28,443,273	4,096,629	5,793,556	38,333,458
Net Assets, End of Year	<u>\$ 29,245,624</u>	<u>\$ 4,067,525</u>	<u>\$ 5,818,485</u>	<u>\$ 39,131,634</u>

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

2014

<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
	<u>Temporarily</u>	<u>Permanently</u>	
\$ 9,252,024	\$ -	\$ -	\$ 9,252,024
13,201	943,263	-	956,464
62,815	-	-	62,815
52,254	-	-	52,254
<u>-</u>	<u>1,785,810</u>	<u>25,218</u>	<u>1,811,028</u>
9,380,294	2,729,073	25,218	12,134,585
<u>818,964</u>	<u>(818,964)</u>	<u>-</u>	<u>-</u>
<u>10,199,258</u>	<u>1,910,109</u>	<u>25,218</u>	<u>12,134,585</u>
8,846,369	-	-	8,846,369
1,945,993	-	-	1,945,993
148,667	-	-	148,667
<u>10,941,029</u>	<u>-</u>	<u>-</u>	<u>10,941,029</u>
17,780	-	-	17,780
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>17,780</u>	<u>-</u>	<u>-</u>	<u>17,780</u>
<u>10,923,249</u>	<u>-</u>	<u>-</u>	<u>10,923,249</u>
(723,991)	1,910,109	25,218	1,211,336
<u>29,167,264</u>	<u>2,186,520</u>	<u>5,768,338</u>	<u>37,122,122</u>
<u>\$ 28,443,273</u>	<u>\$ 4,096,629</u>	<u>\$ 5,793,556</u>	<u>\$ 38,333,458</u>

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Salaries	\$ 3,135,445	\$ 3,176,056
Fringe benefits and payroll taxes	<u>832,054</u>	<u>724,854</u>
	3,967,499	3,900,910
Library resources	1,626,084	1,699,847
Contracted IT and other professional services	1,616,648	1,629,212
Repairs and maintenance	586,753	571,138
Utilities	328,686	349,868
Software and supplies	211,978	242,064
Insurance	162,775	160,316
Leases and rentals	156,540	163,846
Staff development and training	101,777	77,772
Telephone and communications	69,526	77,956
Shuttle bus and auto fuel	63,010	68,559
Licenses and fees	53,880	39,047
Dues and subscriptions	51,515	35,194
Auditing and accounting	46,500	34,700
Miscellaneous	36,472	38,517
Printing/duplication	33,389	26,232
Hosted events and conferences	26,027	23,599
Interest expense	21,694	44,427
Property taxes	5,920	5,713
Uniforms	5,269	870
Board support	4,495	3,977
Inter-library loans	<u>562</u>	<u>303</u>
Total expenses before depreciation and amortization	9,176,999	9,194,067
Depreciation and amortization	<u>1,773,043</u>	<u>1,746,962</u>
	<u>\$ 10,950,042</u>	<u>\$ 10,941,029</u>

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 798,176	\$ 1,211,336
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,773,043	1,746,962
Net realized and unrealized (gain) loss on investments	507,296	(704,175)
Gain on sale of property and equipment	(3,000)	-
Change in fair value of interest rate swap	-	(17,780)
Change in present value of long-term promises to give	-	(110,330)
(Increase) decrease in accounts receivable	(3,847)	750
Decrease in unconditional promises to give	550,551	1,007,302
Increase in prepaid assets	(154,281)	(17,075)
Increase (decrease) in accrued expenses	(55,974)	40,783
Net Cash Provided By Operating Activities	<u>3,411,964</u>	<u>3,157,773</u>
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	8,650,719	5,614,354
Purchases of investments	(9,631,559)	(7,838,978)
Proceeds from sale of property and equipment	3,000	-
Purchases of property and equipment	(2,325,121)	(826,405)
Net Cash Required By Investing Activities	<u>(3,302,961)</u>	<u>(3,051,029)</u>
Cash Flows From Financing Activities:		
Principal payments on capital leases payable	(154,279)	(140,900)
Contributions, restricted for endowment	24,929	25,218
Net Cash Required By Financing Activities	<u>(129,350)</u>	<u>(115,682)</u>
Net Decrease in Cash and Cash Equivalents	(20,347)	(8,938)
Cash and Cash Equivalents at Beginning of Year	<u>148,607</u>	<u>157,545</u>
Cash and Cash Equivalents at End of Year	<u>\$ 128,260</u>	<u>\$ 148,607</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 7,261</u>	<u>\$ 29,718</u>

Supplemental Non-Cash Investing and Financing Activity:

During the year ended June 30, 2014, the Library entered into capital lease agreements for equipment in the amount of \$42,688.

At June 30, 2015 and 2014, accrued expenses included \$329,131 and \$80,385, respectively, of payables related to an ongoing land improvement related to Brawley Pedestrian Greenspace.

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, 2015 AND 2014**

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 6,800 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, 2015, 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The Library uses the allowance method to determine uncollectible, unconditional pledges and accounts receivable. The allowance is based on management's analysis of specific amounts due, pledges made and historical data. No allowance was deemed necessary at June 30, 2015 and 2014.

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, 2015 and 2014.

- 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2013	\$ -	\$ 1,292,927	\$ 5,768,338	\$ 7,061,265
Cash contributions	-	-	25,218	25,218
Earnings used in Operations	-	(349,356)	-	(349,356)
Investment return:				
Investment Income	-	249,995	-	249,995
Net appreciation	-	693,268	-	693,268
Endowment net assets, June 30, 2014	-	1,886,834	5,793,556	7,680,390
Cash contributions	-	-	24,929	24,929
Earnings used in Operations	-	(368,688)	-	(368,688)
Investment return:				
Investment Income	-	470,696	-	470,696
Net depreciation	-	(503,350)	-	(503,350)
Endowment net assets, June 30, 2015	<u>\$ -</u>	<u>\$ 1,485,492</u>	<u>\$ 5,818,485</u>	<u>\$ 7,303,977</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments

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

Fair Values Measured on Recurring Basis

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:

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

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

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

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

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

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

	<u>Fair Value</u>	<u>2015</u> <u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 171,162	\$ 171,162	\$ -	\$ -
Mutual Funds:				
World allocation	615,246	615,246	-	-
Large cap growth	1,666,172	1,666,172	-	-
Foreign large value	1,051,732	1,051,732	-	-
Mid cap growth	475,587	475,587	-	-
Diversified emerging markets	356,264	356,264	-	-
Small growth	486,137	486,137	-	-
Fixed income securities:				
Ultra-short bonds	3,665,058	3,665,058	-	-
Intermediate term bonds	1,263,259	1,263,259	-	-
World bonds	626,343	626,343	-	-
Short-term bonds	630,307	630,307	-	-
Total	<u>\$ 11,007,267</u>	<u>\$ 11,007,267</u>	<u>\$ -</u>	<u>\$ -</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Fair Value</u>	<u>2014</u> <u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 187,523	\$ 187,523	\$ -	\$ -
Mutual Funds:				
World allocation	1,206,877	1,206,877	-	-
Large cap growth	1,319,185	1,319,185	-	-
Foreign large value	1,146,189	1,146,189	-	-
Mid cap growth	448,707	448,707	-	-
Diversified emerging markets	408,048	408,048	-	-
Small growth	427,247	427,247	-	-
Fixed income securities:				
Ultra-short bonds	2,803,904	2,803,904	-	-
Intermediate term bonds	1,287,561	1,287,561	-	-
World bonds	661,870	661,870	-	-
Short-term bonds	636,612	636,612	-	-
Total	<u>\$ 10,533,723</u>	<u>\$ 10,533,723</u>	<u>\$ -</u>	<u>\$ -</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015 and 2014, the components of property and equipment were:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,643,336	\$ 1,643,336
Building and improvements	40,201,465	38,580,709
Furnishings and equipment	9,954,181	9,873,926
Books and reference materials	33,173,715	32,918,693
Artwork and artifacts	148,095	143,145
Construction in progress	<u>898,824</u>	<u>219,633</u>
	86,019,616	83,379,442
Less: accumulated depreciation and amortization	<u>(57,936,905)</u>	<u>(56,177,940)</u>
	<u>\$ 28,082,711</u>	<u>\$ 27,201,502</u>

The Library has entered into construction contracts for capital improvements. The Library's remaining commitment for construction contracts entered into was approximately \$1,600,000 as of June 30, 2015.

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, 2015 and 2014.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self-Insurance

Beginning July 1, 2014, the Library moved to a self-insurance program for its employees' health insurance. The program has an out of pocket maximum cost per the individual and per the group. The Library has re-insurance coverage for any losses in excess of program maximums. Total expenses relating to the self-insurance plan for the year ended June 30, 2015 approximated \$346,000. As of June 30, 2015, claims incurred but not yet reported were estimated to be \$46,764 which is included in accrued expenses in the accompanying consolidated statements of financial position.

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 8. 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.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012.

Use of Estimates

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

Subsequent Events

The Library evaluated subsequent events from the financial reporting date of June 30, 2015 through September 2, 2015, which is the date the Library's financial statements were available to be issued and determined that there were no significant subsequent events requiring disclosure.

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NOTE 3 – INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 549,285	\$ 302,325
Net realized and unrealized gain (loss)	(507,296)	704,175
Investment fees	<u>(66,015)</u>	<u>(50,036)</u>
	<u>\$ (24,026)</u>	<u>\$ 956,464</u>

NOTE 4 – FINANCING ARRANGEMENTS

The Library had a swap agreement with a notional amount of approximately \$1,021,202 with interest at the fixed rate of 4.98%. The swap agreement matured on March 1, 2014 and a gain of \$17,780 was recognized for the year ended June 30, 2014.

During the year ended June 30, 2014, 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 1.8%. The line of credit is secured by future accounts receivable and matures on February 28, 2016. At June 30, 2015, there were no outstanding borrowings on the line of credit.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

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NOTE 6 – 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, 2015 and 2014 approximated \$138,000 and \$134,000, respectively.

NOTE 7 – NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets for:		
Library maintenance	\$ 765,986	\$ 846,763
Library renovations	1,712,260	1,464,371
Library coordinated programs	<u>1,589,279</u>	<u>1,785,495</u>
Total temporarily restricted net assets	<u><u>\$ 4,067,525</u></u>	<u><u>\$ 4,096,629</u></u>

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

	<u>2015</u>	<u>2014</u>
Library maintenance	\$ 621,863	\$ 169,004
Library renovations	1,275,468	211,109
Library coordinated programs	<u>450,639</u>	<u>438,851</u>
	<u><u>\$ 2,347,970</u></u>	<u><u>\$ 818,964</u></u>

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NOTE 8 – 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. During the fiscal year ending June 30, 2014, the final payment of \$1,608,000 was received.

During the fiscal year ending June 30, 2014, the Library's affiliated member institutions agreed to provide contributions totaling \$580,000 to be used towards Phase II of the Library renovations. These contributions were received during the fiscal year ending June 30, 2015.