September 7, 2016

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

Members of the Board of Trustees:

We have audited the consolidated financial statements of Robert W. Woodruff Library of the Atlanta University Center, Inc. (the “Library”) for the year ended June 30, 2016 and have issued our report thereon dated as of the date of this letter.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Library is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As communicated in our engagement letter dated June 20, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Our audit of the consolidated financial statements does not relieve you or management of your respective responsibilities.

Our responsibility under auditing standards generally accepted in the United States of America require, among other things, that we obtain an understanding of the Library’s internal controls to enable us to properly plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We noted no matters involving the Library’s internal control and its operations that we consider to be a material weakness.

Suite 1600, 271 17th Street, N.W., Atlanta, GA 30363
Tel 404.874.6244 Fax 404.874.1658 www.smith-howard.com

Planned Scope and Timing of the Audit

Discussions were held with the Library's management and Board governance regarding the planned scope and timing of the audit, the intention of which was to assist those charged with governance in understanding better the consequences of our audit work on your oversight responsibilities along with assisting us in understanding better the Library and its environment. The focus of these discussions included how the risks of material misstatement, whether due to error or fraud, would be addressed and on factors, rather than specific thresholds or amounts, that would impact materiality used in our planning and execution of the audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 2 to the consolidated financial statements. There were no new accounting policies adopted during 2016.

We did not note any transactions entered into by the Library that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Significant accounting estimates reflected in the Library's consolidated financial statements include:

- Fair value of investments
- Functional allocation of expenses
- Depreciation and amortization
- Self-insurance accrual

The basis for our conclusions as to the reasonableness of these estimates when considered in the context of the consolidated financial statements taken as a whole, as expressed in our independent auditors' report, is either our development of an independent expectation of the estimates to corroborate management's estimates or our review and tests of the process used by management to develop the estimates.

Audit Adjustments

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free from material misstatements, whether by error or fraud. In addition, we are obligated by auditing standards generally accepted in the United States of America to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the Library's financial reporting process. No such adjustments were proposed during our audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted that there were no uncorrected misstatements discussed with management of the Library that would have resulted in a change in the net assets.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the independent auditors' report. We have had no such disagreements during the course of our audit.

Consultation with Other Accountants

We are not aware of any consultation that management may have had with other accountants about auditing and accounting matters during the year ended June 30, 2016.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention of the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the Library's management and their staff and had unrestricted access to the Library's management in the performance of our audit.

Management Advisory Services

The Library did not engage us to perform any management advisory services during the year ended June 30, 2016.

This report is intended solely for the information and use of the Board of Trustees of the Library, management, and others within the Library and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss this report with you further at your convenience.

Sincerely,

Smith + Howard

Smith & Howard

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

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
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, 2016 and 2015, 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, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

September 7, 2016

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
ASSETS				
Cash and Cash Equivalents	$ 156,043	$ -	$ -	$ 156,043
Accounts Receivable, Net	140,012	-	-	140,012
Investments, at Fair Value	653,698	1,878,957	5,818,485	8,351,140
Prepaid Assets	655,429	-	-	655,429
Property and Equipment, Net	28,941,853	-	-	28,941,853
	$ 30,547,035	$ 1,878,957	$ 5,818,485	$ 38,244,477
LIABILITIES AND NET ASSETS				
Accrued Expenses	$ 580,853	$ -	$ -	$ 580,853
Capital Leases Payable	-	-	-	-
Total Liabilities	580,853	-	-	580,853
Net Assets	29,966,182	1,878,957	5,818,485	37,663,624
	$ 30,547,035	$ 1,878,957	$ 5,818,485	$ 38,244,477

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

2015			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 128,260	$ -	$ -	$ 128,260
35,063	-	-	35,063
1,121,257	4,067,525	5,818,485	11,007,267
750,819	-	-	750,819
28,082,711	-	-	28,082,711
$ 30,118,110	$ 4,067,525	$ 5,818,485	$ 40,004,120
$ 861,685	$ -	$ -	$ 861,685
10,801	-	-	10,801
872,486	-	-	872,486
29,245,624	4,067,525	5,818,485	39,131,634
$ 30,118,110	$ 4,067,525	$ 5,818,485	$ 40,004,120

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
		Restricted		
	Unrestricted	Temporarily	Permanently	Total
Revenues and Other Support				
Affiliated institutional support	$ 9,477,013	$ -	$ -	$ 9,477,013
Investment income (loss)	(2,211)	31,400	-	29,189
Library income	45,719	-	-	45,719
Other revenue	116,914	-	-	116,914
Contributions	119,770	5,000	-	124,770
	9,757,205	36,400	-	9,793,605
Net assets released from restrictions	2,224,968	(2,224,968)	-	-
Total Revenues and Other Support	11,982,173	(2,188,568)	-	9,793,605
Expenses and Other Income (Loss)				
Expenses				
Program expenses	9,099,114	-	-	9,099,114
General and administrative expenses	2,021,964	-	-	2,021,964
Fundraising and development	136,461	-	-	136,461
Total expenses	11,257,539	-	-	11,257,539
Other Income (Loss)				
Change in fair value of interest rate swap	-	-	-	-
Gain (loss) on sale of property and equipment	(4,076)	-	-	(4,076)
Total other income (loss)	(4,076)	-	-	(4,076)
Total Expenses and Other Income (Loss)	11,261,615	-	-	11,261,615
Increase (Decrease) in Net Assets	720,558	(2,188,568)	-	(1,468,010)
Net Assets, Beginning of Year	29,245,624	4,067,525	5,818,485	39,131,634
Net Assets, End of Year	$ 29,966,182	$ 1,878,957	$ 5,818,485	$ 37,663,624

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

2015			
	Restricted		
Unrestricted	Temporarily	Permanently	Total
$ 9,211,984	$ -	$ -	$ 9,211,984
8,628	(32,654)	-	(24,026)
56,464	-	-	56,464
124,347	-	-	124,347
-	2,351,520	24,929	2,376,449
9,401,423	2,318,866	24,929	11,745,218
2,347,970	(2,347,970)	-	-
11,749,393	(29,104)	24,929	11,745,218
8,828,995	-	-	8,828,995
1,988,172	-	-	1,988,172
132,875	-	-	132,875
10,950,042	-	-	10,950,042
3,000	-	-	3,000
3,000	-	-	3,000
10,947,042	-	-	10,947,042
802,351	(29,104)	24,929	798,176
28,443,273	4,096,629	5,793,556	38,333,458
$ 29,245,624	$ 4,067,525	$ 5,818,485	$ 39,131,634

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Salaries	$ 3,080,178	$ 3,135,445
Fringe benefits and payroll taxes	756,232	832,054
	3,836,410	3,967,499
Library resources	1,829,511	1,626,084
Contracted IT and other professional services	1,712,232	1,616,648
Repairs and maintenance	648,643	586,753
Utilities	327,862	328,686
Software and supplies	229,015	211,978
Insurance	142,940	162,775
Leases and rentals	107,891	156,540
Printing/duplication	79,319	33,389
Staff development and training	73,072	101,777
Preservation	57,232	7,841
Auditing and accounting	57,200	46,500
Telephone and communications	57,128	69,526
Licenses and fees	52,464	53,880
Shuttle bus and auto fuel	49,299	63,010
Dues and subscriptions	45,538	51,515
Hosted events and conferences	31,881	26,027
Miscellaneous	43,475	44,877
Interest expense	22,410	21,694
Total expenses before depreciation and amortization	9,403,522	9,176,999
Depreciation and amortization	1,854,017	1,773,043
	$ 11,257,539	$ 10,950,042

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, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	$ (1,468,010)	$ 798,176
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,854,017	1,773,043
Net realized and unrealized loss on investments	155,711	507,296
(Gain) loss on sale of property and equipment	4,076	(3,000)
Increase in accounts receivable	(104,949)	(3,847)
Decrease in unconditional promises to give	-	550,551
(Increase) decrease in prepaid assets	95,390	(154,281)
Increase (decrease) in accrued expenses	48,299	(55,974)
Net Cash Provided By Operating Activities	584,534	3,411,964
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	8,938,157	8,650,719
Purchases of investments	(6,437,741)	(9,631,559)
Proceeds from sale of property and equipment	-	3,000
Purchases of property and equipment	(3,046,366)	(2,325,121)
Net Cash Required By Investing Activities	(545,950)	(3,302,961)
Cash Flows From Financing Activities:		
Principal payments on capital leases payable	(10,801)	(154,279)
Contributions, restricted for endowment	-	24,929
Net Cash Required By Financing Activities	(10,801)	(129,350)
Net Increase (Decrease) in Cash and Cash Equivalents	27,783	(20,347)
Cash and Cash Equivalents at Beginning of Year	128,260	148,607
Cash and Cash Equivalents at End of Year	$ 156,043	$ 128,260
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 4,447	$ 7,261

Supplemental Non-Cash Investing and Financing Activity:
At June 30, 2015, accrued expenses included $329,131 of payables related to an ongoing land improvement related to the Brawley Pedestrian Greenspace.

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 7,000 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 that included eight separate properties located on James P. Brawley Drive in Atlanta, Georgia. As of June 30, 2016, these individual properties were consolidated into one parcel now know as 118 James P. Brawley. Acquisitions continues to hold the title to the consolidated parcel.

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 reclassifications have been made to the 2015 consolidated financial statement presentation to correspond to the current year presentation. Total assets, liabilities, net assets and increase in net assets are unchanged due to these reclassifications.

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.

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, 2016 and 2015.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2016 and 2015.

- Classification of net assets

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

- Interpretation of Relevant Law

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Return Objectives and Risk Parameters

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

- Strategies Employed for Achieving Objectives

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

- Spending Policy

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	-	1,485,492	5,818,485	7,303,977
Earnings used in Operations	-	(389,574)	-	(389,574)
Investment return:				
Investment Income	-	174,896	-	174,896
Net depreciation	-	(143,496)	-	(143,496)
Endowment net assets, June 30, 2016	$ -	$ 1,127,318	$ 5,818,485	$ 6,945,803

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

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

Investments

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

Fair Values Measured on Recurring Basis

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.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	Fair Value	Level 1	Level 2	Level 3
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	$ 11,007,267	$ 11,007,267	$ -	$ -

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, 2016 and 2015, the components of property and equipment were:

	2016	2015
Land and improvements	$ 4,501,438	$ 1,643,336
Building and improvements	40,395,968	40,201,465
Furnishings and equipment	10,271,397	9,954,181
Books and reference materials	33,337,283	33,173,715
Artwork and artifacts	159,523	148,095
Construction in progress	21,624	898,824
	88,687,233	86,019,616
Less: accumulated depreciation and amortization	(59,745,380)	(57,936,905)
	$ 28,941,853	$ 28,082,711

Donated Collections, Artifacts, and Artwork

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Library evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2016 and 2015.

Self-Insurance

The Library provides a self-insurance program for its employees' health insurance. The program has an out of pocket maximum cost per the individual and per the group. The Library has re-insurance coverage for any losses in excess of program maximums. Total expenses relating to the self-insurance plan for the year ended June 30, 2016 and 2015 approximated $319,000 and $346,000, respectively. As of June 30, 2016 and 2015, claims incurred but not yet reported were estimated to be $45,632 and $46,764, respectively, which is included in accrued expenses in the accompanying consolidated statements of financial position.

Revenues

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

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

Income Taxes

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

The Library annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Library takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the 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, 2013.

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, 2016 through September 8, 2016, 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.

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:

	2016	2015
Dividends and interest	$ 236,317	$ 549,285
Net realized and unrealized loss	(155,711)	(507,296)
Investment fees	(51,417)	(66,015)
	$ 29,189	$ (24,026)

NOTE 4 – FINANCING ARRANGEMENTS

The Library has a line of credit with a financial institution providing for maximum borrowings of $1,100,000, bearing interest at one month LIBOR. The line of credit is unsecured and matures on November 4, 2017. At June 30, 2016, there were no outstanding borrowings on this line of credit.

The Library has a second line of credit with a different financial institution providing for maximum borrowings of $1,100,000, bearing interest at one month LIBOR plus 1.8%. The line of credit is unsecured and matures on February 28, 2017. At June 30, 2016, 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.

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, 2016 and 2015 approximated $130,000 and $138,000, respectively.

NOTE 7 – NET ASSETS

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

	2016	2015
Temporarily restricted net assets for:		
Library maintenance	$ 726,486	$ 765,986
Library renovations	-	1,712,260
Library coordinated programs	1,152,471	1,589,279
Total temporarily restricted net assets	$ 1,878,957	$ 4,067,525

	2016	2015
Permanently restricted net assets for:		
Endowments	$ 2,085,876	$ 2,085,876
Institutional member contributions	3,732,609	3,732,609
Total permanently restricted net assets	$ 5,818,485	$ 5,818,485

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

	2016	2015
Library maintenance	$ 39,500	$ 621,863
Library renovations	1,712,260	1,275,468
Library coordinated programs	473,208	450,639
	$ 2,224,968	$ 2,347,970

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.