

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

September 23, 2019

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------------------|---------------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 189,819 | \$ - | \$ 189,819 |
| Accounts Receivable, Net | 53,666 | - | 53,666 |
| Investments, at Fair Value | 147,898 | 8,233,769 | 8,381,667 |
| Prepaid Assets | 541,519 | - | 541,519 |
| Property and Equipment, Net | <u>26,537,012</u> | <u>-</u> | <u>26,537,012</u> |
| | <u>\$ 27,469,914</u> | <u>\$ 8,233,769</u> | <u>\$ 35,703,683</u> |
| LIABILITIES AND NET ASSETS | | | |
| Accrued Expenses | \$ 781,363 | \$ - | \$ 781,363 |
| Capital Leases Payable | <u>71,810</u> | <u>-</u> | <u>71,810</u> |
| Total Liabilities | <u>853,173</u> | <u>-</u> | <u>853,173</u> |
| Net Assets | <u>26,616,741</u> | <u>8,233,769</u> | <u>34,850,510</u> |
| | <u>\$ 27,469,914</u> | <u>\$ 8,233,769</u> | <u>\$ 35,703,683</u> |

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|---------------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 722,266 | \$ - | \$ 722,266 |
| Accounts Receivable, Net | 81,481 | - | 81,481 |
| Investments, at Fair Value | 578,757 | 9,116,102 | 9,694,859 |
| Prepaid Assets | 515,989 | - | 515,989 |
| Property and Equipment, Net | 26,960,644 | - | 26,960,644 |
| | <u>\$ 28,859,137</u> | <u>\$ 9,116,102</u> | <u>\$ 37,975,239</u> |
| LIABILITIES AND NET ASSETS | | | |
| Accrued Expenses | \$ 865,313 | \$ - | \$ 865,313 |
| Borrowings Under Line of Credit | 550,000 | - | 550,000 |
| Capital Leases Payable | 190,760 | - | 190,760 |
| Total Liabilities | <u>1,606,073</u> | <u>-</u> | <u>1,606,073</u> |
| Net Assets | <u>27,253,064</u> | <u>9,116,102</u> | <u>36,369,166</u> |
| | <u>\$ 28,859,137</u> | <u>\$ 9,116,102</u> | <u>\$ 37,975,239</u> |

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|---------------|
| Revenues and Other Support | | | |
| Affiliated institutional support | \$ 10,024,906 | \$ - | \$ 10,024,906 |
| Investment income, net | 15,851 | 367,641 | 383,492 |
| Library income | 42,450 | - | 42,450 |
| Other revenue | 104,327 | - | 104,327 |
| Contributions | 4,100 | 736,485 | 740,585 |
| | 10,191,634 | 1,104,126 | 11,295,760 |
| Net assets released from restrictions | 1,986,459 | (1,986,459) | - |
| Total Revenues and Other Support | 12,178,093 | (882,333) | 11,295,760 |
| Expenses and Other Loss | | | |
| Expenses | | | |
| Program expenses | 10,799,525 | - | 10,799,525 |
| General and administrative expenses | 1,485,811 | - | 1,485,811 |
| Fundraising and development | 528,571 | - | 528,571 |
| Total expenses | 12,813,907 | - | 12,813,907 |
| Other Loss | | | |
| Loss on sale of property and equipment | 509 | - | 509 |
| Total other loss | 509 | - | 509 |
| Total Expenses and Other Loss | 12,814,416 | - | 12,814,416 |
| Decrease in Net Assets | (636,323) | (882,333) | (1,518,656) |
| Net Assets, Beginning of Year | 27,253,064 | 9,116,102 | 36,369,166 |
| Net Assets, End of Year | \$ 26,616,741 | \$ 8,233,769 | \$ 34,850,510 |

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

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Revenues and Other Support | | | |
| Affiliated institutional support | \$ 9,933,302 | \$ - | \$ 9,933,302 |
| Investment income, net | 29,675 | 634,284 | 663,959 |
| Library income | 49,709 | - | 49,709 |
| Other revenue | 104,802 | - | 104,802 |
| Contributions | <u>82,505</u> | <u>38,794</u> | <u>121,299</u> |
| | 10,199,993 | 673,078 | 10,873,071 |
| Net assets released from restrictions | <u>619,457</u> | <u>(619,457)</u> | <u>-</u> |
| Total Revenues and Other Support | <u>10,819,450</u> | <u>53,621</u> | <u>10,873,071</u> |
| Expenses and Other Loss | | | |
| Expenses | | | |
| Program expenses | 10,468,405 | - | 10,468,405 |
| General and administrative expenses | 1,408,834 | - | 1,408,834 |
| Fundraising and development | <u>320,415</u> | <u>-</u> | <u>320,415</u> |
| Total expenses | <u>12,197,654</u> | <u>-</u> | <u>12,197,654</u> |
| Other Loss | | | |
| Loss on sale of property and equipment | <u>21,556</u> | <u>-</u> | <u>21,556</u> |
| Total other loss | <u>21,556</u> | <u>-</u> | <u>21,556</u> |
| Total Expenses and Other Loss | <u>12,219,210</u> | <u>-</u> | <u>12,219,210</u> |
| Increase (Decrease) in Net Assets | (1,399,760) | 53,621 | (1,346,139) |
| Net Assets, Beginning of Year | <u>28,652,824</u> | <u>9,062,481</u> | <u>37,715,305</u> |
| Net Assets, End of Year | <u>\$ 27,253,064</u> | <u>\$ 9,116,102</u> | <u>\$ 36,369,166</u> |

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

| | <u>Program Expenses</u> | <u>General and Administrative Expenses</u> | <u>Fundraising Expenses</u> | <u>2019</u> | <u>2018 (for Comparative Purposes Only)</u> |
|---|-----------------------------|--|---------------------------------|----------------------|---|
| Salaries | \$ 2,863,830 | \$ 604,077 | \$ 121,081 | \$ 3,588,988 | \$ 3,509,227 |
| Fringe benefits and payroll taxes | 1,037,537 | 153,752 | 21,211 | 1,212,500 | 1,003,810 |
| | <u>3,901,367</u> | <u>757,829</u> | <u>142,292</u> | <u>4,801,488</u> | <u>4,513,037</u> |
| Contracted transportation, IT and other professional services | 1,915,733 | 313,204 | 151,761 | 2,380,698 | 1,860,661 |
| Student research resources and acquisitions | 1,724,618 | 1,138 | 621 | 1,726,377 | 1,791,385 |
| Service agreements and maintenance | 539,094 | 72,445 | 41,117 | 652,656 | 780,393 |
| Utilities | 247,374 | 33,243 | 18,867 | 299,484 | 309,306 |
| Software and supplies | 146,567 | 19,696 | 11,179 | 177,442 | 222,572 |
| Insurance | 118,163 | 15,879 | 9,012 | 143,054 | 150,924 |
| Staff development and training | 88,143 | 11,845 | 6,723 | 106,711 | 94,505 |
| Auditing and accounting | 66,163 | 8,891 | 5,046 | 80,100 | 79,175 |
| Telephone, communications and internet connections | 58,641 | 7,880 | 4,473 | 70,994 | 67,636 |
| Preservation | 66,540 | - | - | 66,540 | 66,466 |
| Transportation fuel | 59,762 | 882 | 501 | 61,145 | 58,557 |
| Hosted events and conferences | 61,079 | - | - | 61,079 | 61,965 |
| Dues and subscriptions | 48,261 | 6,485 | 3,681 | 58,427 | 56,034 |
| Leases and rentals | 39,668 | 8,991 | 4,231 | 52,890 | 78,767 |
| Interest expense | 34,929 | 4,694 | 2,664 | 42,287 | 31,394 |
| Miscellaneous | 28,271 | 3,798 | 2,156 | 34,225 | 47,767 |
| Printing/duplication | 26,133 | - | - | 26,133 | 15,674 |
| Licenses and fees | 621 | 83 | 47 | 751 | 3,518 |
| | <u>9,171,127</u> | <u>1,266,983</u> | <u>404,371</u> | <u>10,842,481</u> | <u>10,289,736</u> |
| Depreciation | <u>1,628,398</u> | <u>218,828</u> | <u>124,200</u> | <u>1,971,426</u> | <u>1,907,918</u> |
| | <u>\$ 10,799,525</u> | <u>\$ 1,485,811</u> | <u>\$ 528,571</u> | <u>\$ 12,813,907</u> | <u>\$ 12,197,654</u> |

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

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

| | <u>Program Expenses</u> | <u>General and Administrative Expenses</u> | <u>Fundraising Expenses</u> | <u>2018</u> |
|---|-----------------------------|--|---------------------------------|----------------------|
| Salaries | \$ 2,808,294 | \$ 568,633 | \$ 132,300 | \$ 3,509,227 |
| Fringe benefits and payroll taxes | 852,126 | 126,244 | 25,440 | 1,003,810 |
| | <u>3,660,420</u> | <u>694,877</u> | <u>157,740</u> | <u>4,513,037</u> |
| Contracted transportation, IT and other professional services | 1,567,098 | 242,647 | 50,916 | 1,860,661 |
| Student research resources and acquisitions | 1,790,345 | 846 | 194 | 1,791,385 |
| Service agreements and maintenance | 663,334 | 95,208 | 21,851 | 780,393 |
| Utilities | 262,910 | 37,735 | 8,661 | 309,306 |
| Software and supplies | 189,186 | 27,154 | 6,232 | 222,572 |
| Insurance | 128,285 | 18,413 | 4,226 | 150,924 |
| Staff development and training | 80,329 | 11,530 | 2,646 | 94,505 |
| Auditing and accounting | 67,299 | 9,659 | 2,217 | 79,175 |
| Leases and rentals | 60,651 | 11,815 | 6,301 | 78,767 |
| Telephone, communications and internet connections | 57,490 | 8,252 | 1,894 | 67,636 |
| Preservation | 66,466 | - | - | 66,466 |
| Hosted events and conferences | 61,965 | - | - | 61,965 |
| Transportation fuel | 57,321 | 1,005 | 231 | 58,557 |
| Dues and subscriptions | 47,629 | 6,836 | 1,569 | 56,034 |
| Miscellaneous | 40,598 | 5,832 | 1,337 | 47,767 |
| Interest expense | 26,685 | 3,830 | 879 | 31,394 |
| Printing/duplication | 15,674 | - | - | 15,674 |
| Licenses and fees | 2,990 | 429 | 99 | 3,518 |
| | <u>8,846,675</u> | <u>1,176,068</u> | <u>266,993</u> | <u>10,289,736</u> |
| Depreciation | <u>1,621,730</u> | <u>232,766</u> | <u>53,422</u> | <u>1,907,918</u> |
| | <u>\$ 10,468,405</u> | <u>\$ 1,408,834</u> | <u>\$ 320,415</u> | <u>\$ 12,197,654</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, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Decrease in Net Assets | \$ (1,518,656) | \$ (1,346,139) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,971,426 | 1,907,918 |
| Net realized and unrealized gain on investments | (210,292) | (490,258) |
| Contributions, restricted for endowment | (25,000) | - |
| Loss on sale of property and equipment | 509 | 21,556 |
| Decrease in accounts receivable | 27,815 | 16,094 |
| (Increase) decrease in prepaid assets | (25,530) | 8,147 |
| Increase (decrease) in accrued expenses | <u>(83,950)</u> | <u>14,437</u> |
| Net Cash Provided By Operating Activities | <u>136,322</u> | <u>131,755</u> |
| Cash Flows From Investing Activities: | | |
| Proceeds from the sales of investments | 11,334,768 | 8,168,374 |
| Purchases of investments | (9,811,284) | (7,311,650) |
| Purchases of property and equipment | <u>(1,548,303)</u> | <u>(886,853)</u> |
| Net Cash Required By Investing Activities | <u>(24,819)</u> | <u>(30,129)</u> |
| Cash Flows From Financing Activities: | | |
| Borrowings (repayments) under line of credit, net | (550,000) | 550,000 |
| Principal payments on capital leases payable | (118,950) | (113,894) |
| Contributions, restricted for endowment | <u>25,000</u> | <u>-</u> |
| Net Cash Provided (Required) By Financing Activities | <u>(643,950)</u> | <u>436,106</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (532,447) | 537,732 |
| Cash and Cash Equivalents at Beginning of Year | <u>722,266</u> | <u>184,534</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 189,819</u> | <u>\$ 722,266</u> |
| <u>Supplemental Disclosure of Cash Flow Information:</u> | | |
| Cash paid during the year for interest | <u>\$ 25,819</u> | <u>\$ 14,928</u> |

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, 2019 AND 2018**

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 7,500 undergraduate and 780 graduate students and faculty and maintains an extensive holding of hard back volumes, serial publications, periodicals, microfilms, and electronic databases, including special collections and archives rich in historical African American research 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 known as 118 James P. Brawley. The aforementioned consolidated parcel was transferred to the Library via quitclaim deed in August 2017, which resulted in the address change to 111 James P. Brawley Drive.

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, 2019 AND 2018**

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, 2019 and 2018.

Presentation

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:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Library.
- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2019 and 2018.

- Classification of net assets

Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Interpretation of Relevant Law

The Library has interpreted the Georgia Prudent Management of Institutional Funds Act (GA-PMIFA), an enacted version of 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 net assets with donor restriction as the original value of gifts donated to the donor restricted endowment, and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Library in a manner consistent with the donor stipulated purpose within the standard of produce 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.

- 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- 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.

- Underwater Endowment Funds

The Library considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Library complied with the GA-PMIFA, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater endowment funds at June 30, 2019 and 2018. The Library did not have any underwater endowments at June 30, 2019.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2019 and 2018 are as follows:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|-------------------------------------|--------------------------------------|-----------------------------------|---------------------|
| Endowment net assets, June 30, 2017 | \$ - | \$ 7,469,242 | \$ 7,469,242 |
| Earnings used in Operations | - | (343,374) | (343,374) |
| Investment return, net | - | <u>634,284</u> | <u>634,284</u> |
| Endowment net assets, June 30, 2018 | - | 7,760,152 | 7,760,152 |
| Cash contributions | - | 25,000 | 25,000 |
| Earnings used in Operations | - | (342,165) | (342,165) |
| Investment return, net | - | <u>367,641</u> | <u>367,641</u> |
| Endowment net assets, June 30, 2019 | <u>\$ -</u> | <u>\$ 7,810,628</u> | <u>\$ 7,810,628</u> |

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 donor restricted endowment funds, which income is accounted for as with donor restrictions.

Fair Values Measured on Recurring Basis

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, 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis

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>2019</u> | | | |
|-------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Money market funds | \$ 523,204 | \$ 523,204 | \$ - | \$ - |
| Equities | 5,274,349 | 5,274,349 | - | - |
| Mutual Funds | 881,570 | 881,570 | - | - |
| Fixed income securities | 1,702,544 | 1,702,544 | - | - |
| Total | <u>\$ 8,381,667</u> | <u>\$ 8,381,667</u> | <u>\$ -</u> | <u>\$ -</u> |

| | <u>2018</u> | | | |
|-------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Money market funds | \$ 407,427 | \$ 407,427 | \$ - | \$ - |
| Equities | 5,423,779 | 5,423,779 | - | - |
| Mutual Funds | 2,399,595 | 2,399,595 | - | - |
| Fixed income securities | 1,464,058 | 1,464,058 | - | - |
| Total | <u>\$ 9,694,859</u> | <u>\$ 9,694,859</u> | <u>\$ -</u> | <u>\$ -</u> |

**ROBERT W. WOODRUFF LIBRARY
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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, 2019 and 2018, the components of property and equipment were:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|----------------------|----------------------|
| Land and improvements | \$ 4,555,088 | \$ 4,555,088 |
| Building and improvements | 41,622,253 | 40,672,873 |
| Furnishings and equipment | 11,975,971 | 11,193,848 |
| Books and reference materials | 33,336,118 | 33,298,165 |
| Artwork and artifacts | 170,673 | 170,023 |
| Construction in progress | 41,550 | 334,228 |
| | <u>91,701,653</u> | <u>90,224,225</u> |
| Less: accumulated depreciation | <u>(65,164,641)</u> | <u>(63,263,581)</u> |
| | <u>\$ 26,537,012</u> | <u>\$ 26,960,644</u> |

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.

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019 and 2018.

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, 2019 and 2018 approximated \$713,000 and \$508,000, respectively. As of June 30, 2019 and 2018, claims incurred but not yet reported were estimated to be \$26,064 and \$30,392, 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 without donor restricted 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 general 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 with donor restrictions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The consolidated statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Library are reported as expenses of those functional areas. A portion of the general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and the supporting services based on the proportion of full-time employee equivalents of the programs and the supporting services versus the total organizational full-time employee equivalents.

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 Library 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, 2016.

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.

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Library evaluated subsequent events from the financial reporting date of June 30, 2019 through the date of the report, which is the date the Library's consolidated 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 and its classification in the consolidated statements of activities and changes in net assets for the years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-------------------|
| Dividends and interest | \$ 173,200 | \$ 173,701 |
| Net realized and unrealized gain | <u>210,292</u> | <u>490,258</u> |
| | <u>\$ 383,492</u> | <u>\$ 663,959</u> |

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 plus 1.9% (an effective rate of 4.34% at June 30, 2019). The line of credit is unsecured and matures on November 4, 2019. At June 30, 2019, there were no outstanding borrowings on the line of credit. At June 30, 2018, there were \$550,000 in outstanding borrowings on the line.

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% (an effective rate of 4.24% at June 30, 2019). The line of credit is unsecured and matures on March 3, 2020. At June 30, 2019 and 2018, there were no outstanding borrowings on the line of credit.

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NOTE 5 – CAPITAL LEASES PAYABLE

During the year ended June 30, 2017, the Library entered into a capital lease agreement for certain computer equipment valued at \$350,672. Accumulated depreciation at June 30, 2019 was \$292,226. 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:

| | |
|-------------------------------------|------------------|
| 2020 | \$ 72,855 |
| Less: Amounts representing interest | <u>(1,045)</u> |
| | <u>\$ 71,810</u> |

NOTE 6 – 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.

NOTE 7 – 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. The Library contributes to the plan by matching up to 7% of each employee's contribution. Contributions for the years ended June 30, 2019 and 2018 approximated \$146,000.

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.

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Library renovations | \$ - | \$ 36,294 |
| Library maintenance | 154,330 | 740,806 |
| Library coordinated programs | 268,811 | 578,850 |
| | <u>423,141</u> | <u>1,355,950</u> |
| Subject to spending policy and appropriation: | | |
| Investment in perpetuity (including accumulated above amounts original gift amount of \$5,893,485), which, once appropriated, is expendable to support: | | |
| Scholarships | 412,763 | 373,622 |
| Library coordinated programs | 7,397,865 | 7,386,530 |
| | <u>7,810,628</u> | <u>7,760,152</u> |
| Total net assets with donor restrictions | <u>\$ 8,233,769</u> | <u>\$ 9,116,102</u> |

NOTE 10 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions for the following purposes during the years ended June 30:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|---------------------|-------------------|
| Library renovations | \$ 72,905 | \$ 150,393 |
| Library maintenance | 1,245,476 | - |
| Library coordinated programs | 668,078 | 469,064 |
| | <u>\$ 1,986,459</u> | <u>\$ 619,457</u> |

**ROBERT W. WOODRUFF LIBRARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 – LIQUIDITY AND AVAILABILITY

The Library’s financial assets available within one year of June 30 for general expenditures are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|---------------------|
| Cash and cash equivalents | \$ 189,819 | \$ 722,266 |
| Accounts receivable | 53,666 | 81,481 |
| Investments, not subject to donor restrictions | 147,898 | 578,757 |
| Investments, endowment funds, appropriated for the following year | <u>346,594</u> | <u>338,166</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 737,977</u> | <u>\$ 1,720,670</u> |

To help manage unanticipated liquidity needs, the Library has two committed lines of credit totaling \$2,200,000, which it could draw upon. Furthermore, as described in Note 8, the Library receives support from affiliated member institutions. This amount is calculated at the beginning of the fiscal year based on enrollment and the amount expected to be contributed to the Library for general expenditures is approximately \$10,140,000.