

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 and 2019, 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 2, 2020

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and Cash Equivalents	\$ 261,853	\$ -	\$ 261,853
Accounts Receivable, Net	124,511	-	124,511
Investments, at Fair Value	477,501	8,275,448	8,752,949
Prepaid Assets	598,167	-	598,167
Property and Equipment, Net	25,310,700	-	25,310,700
	\$ 26,772,732	\$ 8,275,448	\$ 35,048,180
LIABILITIES AND NET ASSETS			
Accrued Expenses	\$ 755,042	\$ -	\$ 755,042
Refundable Advance	872,600	-	872,600
Capital Leases Payable	82,410	-	82,410
Total Liabilities	1,710,052	-	1,710,052
Net Assets	25,062,680	8,275,448	33,338,128
	\$ 26,772,732	\$ 8,275,448	\$ 35,048,180

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, 2019

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
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 ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Affiliated institutional support	\$ 10,224,291	\$ -	\$ 10,224,291
Investment income, net	4,937	266,056	270,993
Library income	34,295	-	34,295
Other revenue	77,305	-	77,305
Contributions	19,013	689,403	708,416
	10,359,841	955,459	11,315,300
Net assets released from restrictions	913,780	(913,780)	-
	11,273,621	41,679	11,315,300
 Expenses and Other Loss			
Expenses			
Program expenses	10,730,663	-	10,730,663
General and administrative expenses	1,569,839	-	1,569,839
Fundraising and development	526,256	-	526,256
Total expenses	12,826,758	-	12,826,758
 Other Loss			
Loss on sale of property and equipment	924	-	924
Total other loss	924	-	924
	12,827,682	-	12,827,682
 Increase (Decrease) in Net Assets	(1,554,061)	41,679	(1,512,382)
 Net Assets, Beginning of Year	26,616,741	8,233,769	34,850,510
 Net Assets, End of Year	\$ 25,062,680	\$ 8,275,448	\$ 33,338,128

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)	-
	12,178,093	(882,333)	11,295,760
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
	12,814,416	-	12,814,416
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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>2020</u>	<u>2019 (for Comparative Purposes Only)</u>
Salaries	\$ 3,064,408	\$ 649,376	\$ 140,059	\$ 3,853,843	\$ 3,588,988
Fringe benefits and payroll taxes	842,687	161,187	25,274	1,029,148	1,212,500
	<u>3,907,095</u>	<u>810,563</u>	<u>165,333</u>	<u>4,882,991</u>	<u>4,801,488</u>
Contracted transportation, IT and other professional services	1,883,946	338,342	139,642	2,361,930	2,380,698
Student research resources and acquisitions	1,771,103	2,494	1,360	1,774,957	1,726,377
Service agreements and maintenance	601,209	82,976	43,671	727,856	652,656
Utilities	250,506	34,574	18,197	303,277	299,484
Software and supplies	147,742	20,391	10,732	178,865	177,442
Insurance	127,278	17,566	9,245	154,089	143,054
Staff development and training	48,286	6,664	3,507	58,457	106,711
Auditing and accounting	68,971	9,519	5,010	83,500	80,100
Telephone, communications and internet connections	57,354	7,916	4,166	69,436	70,994
Preservation	44,347	-	-	44,347	66,540
Transportation fuel	37,249	626	330	38,205	61,145
Hosted events and conferences	43,847	-	-	43,847	61,079
Dues and subscriptions	44,763	6,178	3,252	54,193	58,427
Leases and rentals	24,377	5,526	2,600	32,503	52,890
Interest expense	37,966	5,240	2,758	45,964	42,287
Miscellaneous	30,133	4,162	2,189	36,484	34,225
Printing/duplication	31,454	-	-	31,454	26,133
Licenses and fees	2,895	400	210	3,505	751
	<u>9,160,521</u>	<u>1,353,137</u>	<u>412,202</u>	<u>10,925,860</u>	<u>10,842,481</u>
Depreciation	<u>1,570,142</u>	<u>216,702</u>	<u>114,054</u>	<u>1,900,898</u>	<u>1,971,426</u>
	<u>\$ 10,730,663</u>	<u>\$ 1,569,839</u>	<u>\$ 526,256</u>	<u>\$ 12,826,758</u>	<u>\$ 12,813,907</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>
Salaries	\$ 2,863,830	\$ 604,077	\$ 121,081	\$ 3,588,988
Fringe benefits and payroll taxes	<u>1,037,537</u>	<u>153,752</u>	<u>21,211</u>	<u>1,212,500</u>
	3,901,367	757,829	142,292	4,801,488
Contracted transportation, IT and other professional services	1,915,733	313,204	151,761	2,380,698
Student research resources and acquisitions	1,724,618	1,138	621	1,726,377
Service agreements and maintenance	539,094	72,445	41,117	652,656
Utilities	247,374	33,243	18,867	299,484
Software and supplies	146,567	19,696	11,179	177,442
Insurance	118,163	15,879	9,012	143,054
Staff development and training	88,143	11,845	6,723	106,711
Auditing and accounting	66,163	8,891	5,046	80,100
Telephone, communications and internet connections	58,641	7,880	4,473	70,994
Preservation	66,540	-	-	66,540
Transportation fuel	59,762	882	501	61,145
Hosted events and conferences	61,079	-	-	61,079
Dues and subscriptions	48,261	6,485	3,681	58,427
Leases and rentals	39,668	8,991	4,231	52,890
Interest expense	34,929	4,694	2,664	42,287
Miscellaneous	28,271	3,798	2,156	34,225
Printing/duplication	26,133	-	-	26,133
Licenses and fees	<u>621</u>	<u>83</u>	<u>47</u>	<u>751</u>
	9,171,127	1,266,983	404,371	10,842,481
Depreciation	<u>1,628,398</u>	<u>218,828</u>	<u>124,200</u>	<u>1,971,426</u>
	<u>\$ 10,799,525</u>	<u>\$ 1,485,811</u>	<u>\$ 528,571</u>	<u>\$ 12,813,907</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Decrease in Net Assets	\$ (1,512,382)	\$ (1,518,656)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	1,900,898	1,971,426
Net realized and unrealized gain on investments	(98,373)	(210,292)
Contributions, restricted for endowment	(30,403)	(25,000)
Loss on sale of property and equipment	924	509
Change in assets and liabilities:		
Accounts receivable	(70,845)	27,815
Prepaid assets	(56,648)	(25,530)
Accrued expenses	(26,321)	(83,950)
Refundable advances	<u>872,600</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>979,450</u>	<u>136,322</u>
Cash Flows From Investing Activities:		
Proceeds from the sales of investments	5,561,191	11,334,768
Purchases of investments	(5,834,100)	(9,811,284)
Purchases of property and equipment	<u>(546,089)</u>	<u>(1,548,303)</u>
Net Cash Required By Investing Activities	<u>(818,998)</u>	<u>(24,819)</u>
Cash Flows From Financing Activities:		
Repayments under line of credit, net	-	(550,000)
Principal payments on capital leases payable	(118,821)	(118,950)
Contributions, restricted for endowment	<u>30,403</u>	<u>25,000</u>
Net Cash Required By Financing Activities	<u>(88,418)</u>	<u>(643,950)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	72,034	(532,447)
Cash and Cash Equivalents at Beginning of Year	<u>189,819</u>	<u>722,266</u>
Cash and Cash Equivalents at End of Year	<u>\$ 261,853</u>	<u>\$ 189,819</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	<u>\$ 29,497</u>	<u>\$ 25,819</u>

Supplemental Non-Cash Investing and Financing Activity:

During the year ended June 30, 2020, the Library entered into a capital lease agreement for equipment in the amount of \$129,421.

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, 2020 AND 2019**

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 7,600 undergraduate and 690 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").

Accounting Pronouncement Adopted

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The Library adopted ASU 2018-08 during the year under audit. There was no material impact to the financial position, statement of activities, or net assets as of result of the implementation.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 and 2019.

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advance

The Organization obtained a Small Business Administration loan under the Paycheck Protection Program (“PPP”) in the amount of \$862,600. The PPP loan bears interest at 1% and beginning in December 2020, requires monthly payments of principal and interest through May 2022, at which time the outstanding balance is due in full. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “Cares Act”), the Organization may apply for PPP loan proceeds used within twenty-four weeks of funding receipt to be forgiven with the lending institution, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act. The Organization intends for the loan to be forgiven and has treated the loan as a conditional grant under ASU 2018-08, recording the revenue when qualifying expenses have been incurred. At June 30, 2020, the Library had not recorded any income relating to the loan and plan to utilize the funds during fiscal year 2021. At June 30, 2020, the balance of PPP funding was \$862,600 and recorded as a refundable advance on the consolidated statement of financial position.

Endowment Fund

FASB requires the following consolidated financial statement disclosures for the Library for the years ended June 30, 2020 and 2019.

- Classification of net assets

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

- 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Interpretation of Relevant Law (Continued)

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, 2020 AND 2019**

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, 2020 and 2019. The Library did not have any underwater endowments at June 30, 2020.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

Changes in endowment net assets for years ending June 30, 2020 and 2019 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</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	-	367,641	367,641
Endowment net assets, June 30, 2019	-	7,810,628	7,810,628
Cash contributions	-	30,403	30,403
Earnings used in operations	-	(346,594)	(346,594)
Investment return, net	-	266,056	266,056
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 7,760,493</u>	<u>\$ 7,760,493</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.

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2020</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 1,243,811	\$ 1,243,811	\$ -	\$ -
Equities	5,179,516	5,179,516	-	-
Mutual Funds	477,275	477,275	-	-
Fixed income securities	<u>1,852,347</u>	<u>1,852,347</u>	-	-
Total	<u>\$ 8,752,949</u>	<u>\$ 8,752,949</u>	<u>\$ -</u>	<u>\$ -</u>

	<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	<u>1,702,544</u>	<u>1,702,544</u>	-	-
Total	<u>\$ 8,381,667</u>	<u>\$ 8,381,667</u>	<u>\$ -</u>	<u>\$ -</u>

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019, the components of property and equipment were:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 4,555,088	\$ 4,555,088
Building and improvements	41,968,527	41,622,253
Furnishings and equipment	12,190,478	11,975,971
Books and reference materials	33,437,455	33,336,118
Artwork and artifacts	174,173	170,673
Construction in progress	<u>35,073</u>	<u>41,550</u>
	92,360,794	91,701,653
Less: accumulated depreciation	<u>(67,050,094)</u>	<u>(65,164,641)</u>
	<u>\$ 25,310,700</u>	<u>\$ 26,537,012</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
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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, 2020 and 2019.

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, 2020 and 2019 approximated \$524,000 and \$713,000, respectively. As of June 30, 2020 and 2019, claims incurred were \$8,827 and \$26,064, 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 9. 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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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, 2017.

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, 2020 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.

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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>2020</u>	<u>2019</u>
Dividends and interest	\$ 172,620	\$ 173,200
Net realized and unrealized gain	<u>98,373</u>	<u>210,292</u>
	<u>\$ 270,993</u>	<u>\$ 383,492</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 2.08% at June 30, 2020). The line of credit is unsecured and matures on November 4, 2021. At June 30, 2020 and 2019, there were no outstanding borrowings on the 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% (an effective rate of 2.09% at June 30, 2020). The line of credit is unsecured and matures on March 21, 2021. At June 30, 2020 and 2019, there were no outstanding borrowings on the line of credit.

NOTE 5 – CAPITAL LEASES PAYABLE

Capital lease equipment is included as part of property and equipment in the accompanying consolidated statements of financial position. During the year ended June 30, 2020, the Library entered into a new capital lease agreement for certain computer equipment valued at \$129,421. Accumulated depreciation at June 30, 2020 was \$21,570. The prior capital lease was paid off during the year under audit. Future annual minimum lease payments for years ending June 30 are as follows:

2021	\$ 47,011
2022	47,011
Less: Amounts representing interest	<u>(11,612)</u>
	<u>\$ 82,410</u>

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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, 2020 and 2019 approximated \$147,000 and \$146,000, respectively.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Library maintenance	\$ 485,993	\$ 154,330
Library coordinated programs	<u>28,962</u>	<u>268,811</u>
	<u>514,955</u>	<u>423,141</u>
 Subject to spending policy and appropriation:		
Investment in perpetuity (including accumulated above amounts original gift amount of \$5,923,888 and \$5,893,458 for 2020 and 2019), which, once appropriated, is expendable to support:		
Scholarships	456,960	412,763
Library coordinated programs	<u>7,303,533</u>	<u>7,397,865</u>
	<u>7,760,493</u>	<u>7,810,628</u>
 Total net assets with donor restrictions	 <u>\$ 8,275,448</u>	 <u>\$ 8,233,769</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>2020</u>	<u>2019</u>
Library renovations	\$ -	\$ 72,905
Library maintenance	327,337	1,245,476
Library coordinated programs	<u>586,443</u>	<u>668,078</u>
	<u>\$ 913,780</u>	<u>\$ 1,986,459</u>

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NOTE 11 – LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 261,853	\$ 189,819
Accounts receivable	124,511	53,666
Investments, not subject to donor restrictions	477,501	147,898
Investments, endowment funds, appropriated for the following year	<u>354,676</u>	<u>346,594</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,218,541</u>	 <u>\$ 737,977</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 \$10,380,000.

NOTE 12 – SIGNIFICANT EVENTS

Since June 30, 2020, the Library experienced a disruption of normal business operations caused from COVID-19. The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the consolidated financial statements.