

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

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007
with
INDEPENDENT AUDITORS' REPORT**

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SMITH & HOWARD

*Certified Public Accountants
and Advisers*

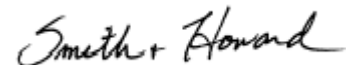
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of the Robert W. Woodruff Library of the Atlanta University Center, Inc. (the Library) (a not-for-profit organization) as of June 30, 2008 and 2007 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Library's management. 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Robert W. Woodruff Library of the Atlanta University Center, Inc. as of June 30, 2008 and 2007 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.



August 14, 2008

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008			Total
	Unrestricted	Restricted		
ASSETS		Temporarily	Permanently	
Cash and Cash Equivalents	\$ 135,122	\$ -	\$ -	\$ 135,122
Accounts Receivable, Net (Note 7)	65,428	-	-	65,428
Unconditional Promises to Give, Net (Note 8)	-	11,916,100	-	11,916,100
Investments, at Market Value (Note 4)	1,354,008	3,309,114	5,593,371	10,256,493
Prepaid Assets	451,188	-	-	451,188
Property and Equipment, Net (Note 2)	<u>17,227,755</u>	<u>-</u>	<u>-</u>	<u>17,227,755</u>
	<u>\$ 19,233,501</u>	<u>\$ 15,225,214</u>	<u>\$ 5,593,371</u>	<u>\$ 40,052,086</u>
LIABILITIES AND NET ASSETS				
Accounts Payable	\$ 60,460	\$ -	\$ -	\$ 60,460
Accrued Expenses	637,733	-	-	637,733
Capital Leases Payable (Note 5)	<u>5,912</u>	<u>-</u>	<u>-</u>	<u>5,912</u>
Total Liabilities	<u>704,105</u>	<u>-</u>	<u>-</u>	<u>704,105</u>
Commitments and Contingencies (Note 5)				
Net Assets				
Unrestricted net assets	18,529,396	-	-	18,529,396
Temporarily restricted (Note 9)	-	15,225,214	-	15,225,214
Permanently restricted (Note 9)	<u>-</u>	<u>-</u>	<u>5,593,371</u>	<u>5,593,371</u>
	<u>18,529,396</u>	<u>15,225,214</u>	<u>5,593,371</u>	<u>39,347,981</u>
	<u>\$ 19,233,501</u>	<u>\$ 15,225,214</u>	<u>\$ 5,593,371</u>	<u>\$ 40,052,086</u>

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

2007

Unrestricted	Restricted		Total
	Temporarily	Permanently	
\$ 30,693	\$ -	\$ -	\$ 30,693
120,926	-	-	120,926
-	693,775	-	693,775
2,236,444	3,040,741	5,554,301	10,831,486
413,320	-	-	413,320
<u>16,940,913</u>	<u>-</u>	<u>-</u>	<u>16,940,913</u>
\$ 19,742,296	\$ 3,734,516	\$ 5,554,301	\$ 29,031,113
\$ 95,519	\$ -	\$ -	\$ 95,519
364,612	-	-	364,612
<u>110,528</u>	<u>-</u>	<u>-</u>	<u>110,528</u>
<u>570,659</u>	<u>-</u>	<u>-</u>	<u>570,659</u>
19,171,637	-	-	19,171,637
-	3,734,516	-	3,734,516
-	-	5,554,301	5,554,301
<u>19,171,637</u>	<u>3,734,516</u>	<u>5,554,301</u>	<u>28,460,454</u>
\$ 19,742,296	\$ 3,734,516	\$ 5,554,301	\$ 29,031,113

**ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporarily</u>	<u>Permanently</u>	
Revenues and Other Support				
Affiliated institutional support	\$ 7,633,576	\$ -	\$ -	\$ 7,633,576
Investment income (loss) (Note 4)	(214,827)	-	-	(214,827)
Library income	83,378	-	-	83,378
Other revenue	131,418	-	-	131,418
Contributions	<u>5,535</u>	<u>13,732,495</u>	<u>39,070</u>	<u>13,777,100</u>
	7,639,080	13,732,495	39,070	21,410,645
Net assets released from restrictions	<u>2,241,797</u>	<u>(2,241,797)</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Support	 <u>9,880,877</u>	 <u>11,490,698</u>	 <u>39,070</u>	 <u>21,410,645</u>
 Expenses				
Program expenses	7,366,183	-	-	7,366,183
General and administrative expenses	<u>3,156,935</u>	<u>-</u>	<u>-</u>	<u>3,156,935</u>
Total expenses	<u>10,523,118</u>	<u>-</u>	<u>-</u>	<u>10,523,118</u>
 Increase (Decrease) in Net Assets	 (642,241)	 11,490,698	 39,070	 10,887,527
 Net Assets, Beginning of Year	 <u>19,171,637</u>	 <u>3,734,516</u>	 <u>5,554,301</u>	 <u>28,460,454</u>
 Net Assets, End of Year	 <u>\$ 18,529,396</u>	 <u>\$ 15,225,214</u>	 <u>\$ 5,593,371</u>	 <u>\$ 39,347,981</u>

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

2007

<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
	<u>Temporarily</u>	<u>Permanently</u>	
\$ 7,114,478	\$ -	\$ -	\$ 7,114,478
1,379,715	-	-	1,379,715
86,541	-	-	86,541
86,499	153,063	-	239,562
-	1,150,000	-	1,150,000
<u>8,667,233</u>	<u>1,303,063</u>	<u>-</u>	<u>9,970,296</u>
<u>498,260</u>	<u>(498,260)</u>	<u>-</u>	<u>-</u>
<u>9,165,493</u>	<u>804,803</u>	<u>-</u>	<u>9,970,296</u>
6,407,267	-	-	6,407,267
<u>2,745,971</u>	<u>-</u>	<u>-</u>	<u>2,745,971</u>
<u>9,153,238</u>	<u>-</u>	<u>-</u>	<u>9,153,238</u>
12,255	804,803	-	817,058
<u>19,159,382</u>	<u>2,929,713</u>	<u>5,554,301</u>	<u>27,643,396</u>
<u>\$ 19,171,637</u>	<u>\$ 3,734,516</u>	<u>\$ 5,554,301</u>	<u>\$ 28,460,454</u>

ROBERT W. WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 2,938,529	\$ 2,630,606
Fringe benefits	<u>610,240</u>	<u>606,000</u>
	3,548,769	3,236,606
Contracted IT and other professional services	1,732,369	1,358,587
Telephone and communications	88,142	77,694
Bad debt expense (recoveries)	34,215	(1,500)
Travel and training	159,594	126,798
Supplies	212,789	206,433
Taxes and insurance	186,179	162,719
Auto fuel	42,354	28,876
Dues and subscriptions	30,621	18,915
Leases and rentals	139,352	165,113
Library resources	1,657,269	1,292,047
Property taxes	4,080	1,791
Repairs and maintenance	564,927	344,060
Utilities	415,966	425,742
Uniforms	3,461	1,386
Auditing and accounting	22,700	27,500
Board support	6,455	2,526
Licenses and fees	61,259	62,408
Printing/duplication	28,747	58,570
Inter-library loans	1,278	1,737
Conferences	27,275	34,355
Miscellaneous	<u>33,194</u>	<u>17,735</u>
Total expenses before depreciation and amortization	9,000,995	7,650,098
Depreciation and amortization	<u>1,522,123</u>	<u>1,503,140</u>
	<u>\$ 10,523,118</u>	<u>\$ 9,153,238</u>

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

ROBERT WOODRUFF LIBRARY OF THE ATLANTA UNIVERSITY CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 10,887,527	\$ 817,058
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,522,123	1,503,140
Donated land	(214,000)	-
Net realized and unrealized (gain) loss on investments	470,875	(1,133,158)
(Increase) decrease in accounts receivable	55,498	(71,338)
Increase in unconditional promises to give	(11,222,325)	(693,775)
Increase in prepaid assets	(37,868)	(47,805)
Increase (decrease) in accounts payable and accrued expenses	<u>238,062</u>	<u>(129,994)</u>
 Net Cash Provided By Operating Activities	 <u>1,699,892</u>	 <u>244,128</u>
 Cash Flows From Investing Activities		
Decrease in investments, net	104,118	1,525,682
Proceeds from sale of property and equipment	-	16,000
Purchases of property and equipment	<u>(1,594,965)</u>	<u>(1,354,324)</u>
 Net Cash Provided (Required) By Investing Activities	 <u>(1,490,847)</u>	 <u>187,358</u>
 Cash Flows From Financing Activities:		
Decrease in due to AUC Consortium	-	(459,991)
Principal payments on capital lease obligation	<u>(104,616)</u>	<u>(100,214)</u>
 Net Cash Required By Financing Activities	 <u>(104,616)</u>	 <u>(560,205)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 104,429	 (128,719)
 Cash and Cash Equivalents at Beginning of Year	 <u>30,693</u>	 <u>159,412</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 135,122</u>	 <u>\$ 30,693</u>

Supplemental Non-Cash Investing Activities:

During the year ended June 30, 2008, the Library received donated land with a fair market value of \$214,000.

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, 2008 AND 2007**

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 9,000 undergraduate and 1,500 graduate students and maintains an extensive holding of volumes, serials, periodicals, microfilms, and electronic databases, including special collections and archives rich in African American materials.

W. L. Acquisitions, LLC ("Acquisitions") organized in November 2004 and wholly owned by the Library, has a primary purpose to acquire land on behalf of the Library. In July 2005, the Library transferred title of certain tracts of land to Acquisitions. At June 30, 2008, Acquisitions holds title to eight separate properties located on James P. Brawley Drive in Atlanta, Georgia.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting, Presentation and Principles of Consolidation

The financial statements of the Library have been prepared on the accrual basis of accounting. 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.

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 - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - 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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Permanently restricted net assets - 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.

Cash and Cash Equivalents

Cash and cash equivalents include investments with an original maturity of three months or less. Cash and cash equivalents do not include investments that the Library has both the ability and intent to hold long-term. At times throughout the year, cash and cash equivalents may exceed amounts insured by the FDIC.

Investments

The Library's investments are stated at market value. The amount assigned to investments acquired by donation is the 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 Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the short maturity of these financial instruments.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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 (25-50 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, 2008 and 2007, the components of property and equipment were:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,810,761	\$ 1,596,761
Building and improvements	22,911,977	21,850,897
Furnishings and equipment	12,136,016	11,900,544
Books and reference materials	<u>32,470,174</u>	<u>32,175,790</u>
	69,328,928	67,523,992
Less: accumulated depreciation and amortization	<u>(52,101,173)</u>	<u>(50,583,079)</u>
	<u>\$ 17,227,755</u>	<u>\$ 16,940,913</u>

Revenues

The Library receives contributions from its member institutions for support of operations and program services, as discussed in Note 6. These funds are recorded as unrestricted affiliated institutional support in the accompanying Consolidated Statements of Activities.

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.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Library is a not-for-profit organization exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no provisions for income taxes are recorded in the accompanying consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amount of revenue and expenses during the reporting period. Actual results may differ from these estimates.

NOTE 3 - 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, 2008 and 2007 approximated \$99,000 and \$98,000, respectively.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4 – INVESTMENTS

The following schedule summarizes the investment income (loss) and its classification in the Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 758,721	\$ 617,059
Net realized and unrealized income (loss), net of investment fees of \$72,414 and \$129,674, respectively	<u>(973,548)</u>	<u>762,656</u>
	<u>\$ (214,827)</u>	<u>\$ 1,379,715</u>

The following schedule summarizes investments by category at June 30:

	<u>2008</u>	<u>2007</u>
Money Market Funds	\$ 1,036,532	\$ 112,237
Mutual Funds and Government Bonds	2,363,612	2,977,023
Mutual Funds/ Fixed Income Instrument	4,930,996	5,504,744
Equities	1,334,645	1,743,035
Fixed Income Securities	<u>590,708</u>	<u>494,447</u>
	<u>\$ 10,256,493</u>	<u>\$ 10,831,486</u>

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.

During the year ended June 30, 2006, the Library entered into a capital lease agreement for certain computer equipment valued at \$317,632, which is included as a part of Property and Equipment in the accompanying Consolidated Statements of Financial Position. The present value of the minimum lease payments was \$5,912 and \$110,528 at June 30, 2008 and 2007, respectively. The Library is obligated to pay all outstanding balances under the capital lease during the year ending June 30, 2009.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 6 - RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

During the year ended June 30, 2008, the Library's affiliated member institutions agreed to provide contributions totaling \$8,000,000 restricted as to use for future Library renovations and a maintenance reserve fund. The contributions are expected to be received during the years ending June 30, 2009 through June 30, 2013 and are included in unconditional promises to give (see Note 8).

NOTE 7 – ACCOUNTS RECEIVABLE

Accounts receivable are reported net of any allowances for doubtful accounts. As of June 30, 2008 and 2007, accounts receivable consisted of:

	<u>2008</u>	<u>2007</u>
Accounts Receivable, gross	\$ 2,469,709	\$ 2,525,207
Less: Allowance for doubtful accounts	<u>(2,404,281)</u>	<u>(2,404,281)</u>
	<u>\$ 65,428</u>	<u>\$ 120,926</u>

NOTE 8 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2008 consist of several pledges, including related parties (see Note 6) to be received over five years as follows:

2009	\$ 4,208,000
2010	3,858,000
2011	1,608,000
2012	1,608,000
2013	<u>1,568,000</u>
	12,850,000
Discount to present value at 4%	<u>(933,900)</u>
	<u>\$ 11,916,100</u>

The Library uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made and historical data. Management believes all pledges are collectible and accordingly, no allowance was deemed necessary at June 30, 2008 and 2007.

**ROBERT W. WOODRUFF LIBRARY
OF THE ATLANTA UNIVERSITY CENTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 9 - NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Temporarily restricted net assets for Library coordinated programs	<u>\$ 15,225,214</u>	<u>\$ 3,734,516</u>
Permanently restricted net assets for permanently endowed funds for the library programs and scholarships	<u>\$ 5,593,371</u>	<u>\$ 5,554,301</u>