# Atlanta University Center Consortium

## Financial Statements
Years Ended June 30, 2017 and 2016

# Atlanta University Center Consortium

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# Atlanta University Center Consortium

## Contents

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## Independent Auditor's Report

The Board of Trustees
Atlanta University Center Consortium

### Report on the Financial Statements

We have audited the accompanying financial statements of Atlanta University Center Consortium (the "Consortium"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Consortium as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 19, 2017

# Financial Statements

# Atlanta University Center Consortium

## Statements of Financial Position

| *June 30,* | **2017** | 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **$ 874,308** | $ 918,720 |
| Investments | **1,414,824** | 1,317,437 |
| Accounts receivable | **160,858** | 62,109 |
| Other assets | **21,416** | 21,856 |
| Property and equipment, net | **41,579** | 31,582 |
| **Total Assets** | **$2,512,985** | $ 2,351,704 |
| **Liabilities and Net Assets** | | |
| **Liabilities** | | |
| Accounts payable, accrued expenses and other liabilities | **$ 106,694** | $ 105,155 |
| Deferred revenue | **20,000** | 13,750 |
| Capital lease obligations | **13,043** | 1,800 |
| **Total Liabilities** | **139,737** | 120,705 |
| **Net Assets** | | |
| Unrestricted | **1,470,403** | 1,291,596 |
| Temporarily restricted | **652,845** | 689,403 |
| Permanently restricted | **250,000** | 250,000 |
| **Total Net Assets** | **2,373,248** | 2,230,999 |
| **Total Liabilities and Net Assets** | **$2,512,985** | $ 2,351,704 |

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Activities

| *Year ended June 30, 2017* | Unrestricted | Restricted Temporarily | Restricted Permanently | Total |
|---|---|---|---|---|
| **Revenues and Other Support** | | | | |
| Affiliated institutional support and contributions | $ 754,293 | $ - | $ - | $ 754,293 |
| Private gifts and grants | 3,830 | 114,515 | - | 118,345 |
| Sponsorship income | 10,000 | 27,850 | - | 37,850 |
| Registration fees | 250,360 | - | - | 250,360 |
| Net investment income | 83,321 | 27,128 | - | 110,449 |
| Contribution income | 111,063 | - | - | 111,063 |
| Other income | 25,492 | - | - | 25,492 |
| Total | 1,238,359 | 169,493 | - | 1,407,852 |
| **Net Assets Released from Restrictions** | 206,051 | (206,051) | - | - |
| **Total Revenues and Other Support** | 1,444,410 | (36,558) | - | 1,407,852 |
| **Expenses** | | | | |
| Program Services: | | | | |
| Dual Degree Engineering Program | 487,239 | - | - | 487,239 |
| Civic Engagement and Community Learning Program | 215,519 | - | - | 215,519 |
| Career Planning Program | 182,810 | - | - | 182,810 |
| Total program services | 885,568 | - | - | 885,568 |
| Administrative Services: | | | | |
| Operating expenses | 380,035 | - | - | 380,035 |
| **Total Expenses** | 1,265,603 | - | - | 1,265,603 |
| **Change in Net Assets** | 178,807 | (36,558) | - | 142,249 |
| **Net Assets,** beginning of year | 1,291,596 | 689,403 | 250,000 | 2,230,999 |
| **Net Assets,** end of year | $ 1,470,403 | $ 652,845 | $ 250,000 | $ 2,373,248 |

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Activities

| *Year ended June 30, 2016* | Unrestricted | Restricted Temporarily | Restricted Permanently | Total |
|---|---|---|---|---|
| **Revenues and Other Support** | | | | |
| Affiliated institutional support and contributions | $ 523,174 | $ 231,119 | $ - | $ 754,293 |
| Private gifts and grants | 6,500 | 105,800 | - | 112,300 |
| Sponsorship income | - | 15,373 | - | 15,373 |
| Registration fees | 296,200 | - | - | 296,200 |
| Net investment income | 5,139 | (2,846) | - | 2,293 |
| Contribution income | 109,292 | - | - | 109,292 |
| Other income | 61,934 | 7,200 | - | 69,134 |
| Total | 1,002,239 | 356,646 | - | 1,358,885 |
| **Net Assets Released from Restrictions** | 444,382 | (444,382) | - | - |
| **Total Revenues and Other Support** | 1,446,621 | (87,736) | - | 1,358,885 |
| **Expenses** | | | | |
| Program Services: | | | | |
| Dual Degree Engineering Program | 374,955 | - | - | 374,955 |
| Civic Engagement and Community Learning Program | 231,841 | - | - | 231,841 |
| Career Planning Program | 250,250 | - | - | 250,250 |
| Total program services | 857,046 | - | - | 857,046 |
| Administrative Services: | | | | |
| Operating expenses | 414,105 | - | - | 414,105 |
| **Total Expenses** | 1,271,151 | - | - | 1,271,151 |
| **Change in Net Assets** | 175,470 | (87,736) | - | 87,734 |
| **Net Assets,** beginning of year | 1,116,126 | 777,139 | 250,000 | 2,143,265 |
| **Net Assets,** end of year | $ 1,291,596 | $ 689,403 | $ 250,000 | $ 2,230,999 |

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Functional Expenses

| *Year ended June 30, 2017* | Program Services: Dual Degree Engineering Program | Program Services: Civic Engagement and Community Learning Program | Program Services: Career Planning Program | Program Services: Total Program Expenses | Administrative Services: Operating Expenses | Total Expenses |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Personnel costs | $ 132,261 | $ 168,139 | $ 79,876 | $ 380,276 | $ 293,213 | $ 673,489 |
| Scholarships | 248,228 | - | - | 248,228 | - | 248,228 |
| Professional fees | 40,430 | 13,600 | 5,632 | 59,662 | 54,477 | 114,139 |
| Professional dues memberships | 648 | 274 | 693 | 1,615 | 1,762 | 3,377 |
| Advertising | - | 110 | - | 110 | 400 | 510 |
| Registration fees | - | 134 | 925 | 1,059 | 10 | 1,069 |
| Postage and supplies | 8,098 | 9,083 | 428 | 17,609 | 4,602 | 22,211 |
| Occupancy | 34,825 | 20,428 | 18,216 | 73,469 | 21,727 | 95,196 |
| Licenses and permits | 443 | 428 | 2,390 | 3,261 | 268 | 3,529 |
| Reception expense | 15,190 | - | 23,228 | 38,418 | 217 | 38,635 |
| Venue rental | 1,500 | 277 | 33,420 | 35,197 | - | 35,197 |
| Equipment rental | 248 | 61 | 31 | 340 | 42 | 382 |
| Printing and publications | 719 | 51 | 2,025 | 2,795 | 297 | 3,092 |
| Travel | 1,134 | 48 | 4,489 | 5,671 | 381 | 6,052 |
| Professional meeting expense | - | - | 442 | 442 | 197 | 639 |
| Food and refreshments | 1,264 | 2,093 | 550 | 3,907 | 711 | 4,618 |
| Gifts and prizes | 37 | 104 | 28 | 169 | 57 | 226 |
| Bank, credit card, and payroll fees | 2,214 | 689 | 10,437 | 13,340 | 1,674 | 15,014 |
| **Total Expenses** | $ 487,239 | $ 215,519 | $ 182,810 | $ 885,568 | $ 380,035 | $ 1,265,603 |

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statement of Functional Expenses

| *Year ended June 30, 2016* | Program Services: Dual Degree Engineering Program | Program Services: Civic Engagement and Community Learning Program | Program Services: Career Planning Program | Program Services: Total Program Expenses | Administrative Services: Operating Expenses | Total Expenses |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Personnel costs | $ 128,772 | $ 174,054 | $ 101,119 | $ 403,945 | $ 221,901 | $ 625,846 |
| Scholarships | 136,681 | - | - | 136,681 | - | 136,681 |
| Professional fees | 41,228 | 27,255 | 6,583 | 75,066 | 141,645 | 216,711 |
| Professional dues memberships | 1,054 | 305 | 776 | 2,135 | 2,185 | 4,320 |
| Advertising | 1,243 | 1,416 | 719 | 3,378 | 915 | 4,293 |
| Event management fees | - | - | 17,780 | 17,780 | - | 17,780 |
| Registration fees | 545 | - | 540 | 1,085 | - | 1,085 |
| Postage and supplies | 4,137 | 2,889 | 6,718 | 13,744 | 3,627 | 17,371 |
| Occupancy | 31,193 | 20,807 | 17,608 | 69,608 | 23,061 | 92,669 |
| Licenses and permits | 244 | 17 | 1,505 | 1,766 | 1,032 | 2,798 |
| Reception expense | 20,367 | - | 23,625 | 43,992 | 13,061 | 57,053 |
| Venue rental | 1,750 | 150 | 7,500 | 9,400 | - | 9,400 |
| Equipment rental | 141 | 35 | 44,400 | 44,576 | 24 | 44,600 |
| Printing and publications | 493 | 66 | 33 | 592 | 263 | 855 |
| Travel | 1,788 | 242 | 4,976 | 7,006 | 2,795 | 9,801 |
| Professional meeting expense | 182 | 416 | 392 | 990 | 416 | 1,406 |
| Food and refreshments | 3,817 | 3,303 | 2,243 | 9,363 | 1,132 | 10,495 |
| Gifts and prizes | 118 | 134 | 243 | 495 | 595 | 1,090 |
| Bank, credit card, and payroll fees | 1,202 | 752 | 13,490 | 15,444 | 1,453 | 16,897 |
| **Total Expenses** | $ 374,955 | $ 231,841 | $ 250,250 | $ 857,046 | $ 414,105 | $ 1,271,151 |

*See accompanying notes to financial statements.*

# Atlanta University Center Consortium

## Statements of Cash Flows

| *Year ended June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Change in net assets | **$** | **142,249** | $ | 87,734 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities: | | | | |
| Net investment income | | **(110,449)** | | (2,293) |
| Depreciation expense | | **16,202** | | 15,453 |
| Change in operating assets and liabilities: | | | | |
| Accounts receivable | | **(98,749)** | | 28,670 |
| Other assets | | **440** | | (6,439) |
| Accounts payable, accrued expenses and other liabilities | | **1,539** | | (14,623) |
| Deferred revenue | | **6,250** | | 10,100 |
| **Net Cash (Used In) Provided by Operating Activities** | | **(42,518)** | | 118,602 |
| **Investing Activities** | | | | |
| Sale and maturities of investments | | **13,062** | | - |
| Purchase of property and equipment | | **(10,334)** | | - |
| Payments of capital lease obligations | | **(4,622)** | | (4,142) |
| **Net Cash Used in Investing Activities** | | **(1,894)** | | (4,142) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | | **(44,412)** | | 114,460 |
| **Cash and Cash Equivalents,** beginning of year | | **918,720** | | 804,260 |
| **Cash and Cash Equivalents,** end of year | **$** | **874,308** | $ | 918,720 |
| **Supplemental Disclosures of Cash Flow Information:** | | | | |
| Capital lease additions | **$** | **15,865** | $ | - |

*See accompanying notes to financial statements.*

## 1. Summary of Significant Accounting Policies

*Description of the Organization*

The Atlanta University Center, Inc. (the "Center") became affiliated in 1929 as the world's largest consortium of African American private institutions of higher education. Over the years, several reorganizations occurred with the most recent taking place in February 2004. At that time, the Atlanta University Center Consortium, Inc. (the "Consortium"), a Georgia nonprofit corporation, was formed to manage and coordinate collaborated efforts and administer shared programs and services for its member institutions. The members of the Consortium are Clark Atlanta University, Morehouse College, Morehouse School of Medicine and Spelman College (collectively, the "Affiliated Institutions").

The shared programs and services include:

*Dual Degree Engineering Program* – Provides scholarship support and extensive student services designed to promote successful completion of the program and prepare students for success in the workplace.

*Civic Engagement and Community Learning Program* – Seeks to promote collaboration and involvement among member institutions, residents and other stakeholders in enhancing the quality of life within the neighboring community.

*Career Planning Program* – A centralized effort providing the student body of member institutions with access to accurate and current information and resources to facilitate their education, career and job search.

*Basis of Accounting*

The financial statements of the Consortium have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

*Basis of Presentation*

The Consortium's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Trustees.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Consortium and/or the passage of time. At such time, these assets will be reclassified as unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Consortium. Generally, the donors of these assets permit the Consortium to use all, or part of, the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional which is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions and nature of fund-raising activity.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Reclassifications*

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. There was no modification to changes in net assets or any net assets balances as a result of the reclassification.

*Income Tax Status*

The Consortium is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

Management evaluates any uncertain tax positions or unrecognized tax benefits or liabilities that may exist. Management does not believe that any material uncertain tax positions or unrecognized tax benefits or liabilities exist for the years ended June 30, 2017 and 2016.

*Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less from the date of purchase. The Consortium maintains cash balances with various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation limits.

*Accounts Receivable*

Accounts receivable are recorded at the amounts due and do not bear interest. The allowance for doubtful accounts is the Consortium's best estimate of the amount of probable credit losses in the Consortium's existing accounts receivable. The Consortium determines the allowance based on the composition of the receivable balances, historical collections, and loss experience. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

*Investments and Investment Income*

Investments in marketable securities are carried at fair value as determined by quoted market prices. The Consortium's investments at June 30, 2017 and 2016 consisted of cash, marketable securities, and mutual funds. The investment income for the years ended June 30, 2017 and 2016 consisted of interest income, realized and unrealized gains and losses and dividend income earned during this period.

*Property and Equipment*

The Consortium capitalizes individual assets of $500 or greater. Contributed property and equipment is recorded at fair value at the date of restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment purchased are stated at cost less accumulated depreciation.

Depreciation is computed on a straight-line method over the estimated useful lives as follows:

| | |
|---|---|
| Furniture and fixtures | 5 years |
| Equipment | 3-5 years |
| Equipment under capital lease | lesser of lease term or 3 years |
| Vehicles | 3 years |

The carrying value of property and equipment is evaluated on an on-going basis and based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

*Functional Expenses*

The expenses of the Consortium's programs and supporting services have been grouped and reported on a functional basis as disclosed in the statements of functional expenses. Expenses are charged to each program based on direct expenses incurred.

*Revenues*

The Consortium receives contributions from the Affiliated Institutions for support of operations and program services. These funds are recorded as unrestricted and/or temporarily restricted affiliated institutional support as indicated in the accompanying 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.

*Recent Accounting Pronouncements*

In February 2016, the Financial Accountings Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which will require lessees to recognize at the commencement date a lease liability measured on a discounted basis and a right-of-use asset for the lease term. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The amendments in ASU 2016-02 are effective for an entity's annual reporting periods in fiscal years that begin after December 15, 2019, with early adoption permitted. The Consortium is evaluating the impact of the ASU on its financial statements.

The FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), in August 2016. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements to net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in ASU 2016-14 are effective for an entity's financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Consortium is evaluating the impact of the ASU on its financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provide cash flow statement classification guidance for various categories. The amendments in ASU 2016-15 are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Consortium is evaluating the impact of the ASU on its financial statements.

## 2. Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* - inputs utilize quoted prices in active markets for identical assets or liabilities.

*Level 2* - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability; and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

*Level 3* - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following table represents the Consortium's financial instruments carried at fair value at:

| *June 30,* | | **2017** | | |
|---|---|---|---|---|
| Description | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | **$ 34,650** | **$ -** | **$ -** | **$ 34,650** |
| Mutual funds | **929,524** | **-** | **-** | **929,524** |
| Marketable securities | **450,650** | **-** | **-** | **450,650** |
| **Total investments** | **$ 1,414,824** | **$ -** | **$ -** | **$ 1,414,824** |

| *June 30,* | | 2016 | | |
|---|---|---|---|---|
| Description | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | $ 21,036 | $ - | $ - | $ 21,036 |
| Mutual funds | 810,626 | - | - | 810,626 |
| Marketable securities | 485,775 | - | - | 485,775 |
| **Total investments** | $ 1,317,437 | $ - | $ - | $ 1,317,437 |

The carrying amounts of cash and cash equivalents approximate fair value due to the relative terms and short maturity of these financial instruments. For investments in mutual funds, fair value is based upon quoted prices for similar assets in markets that are not active. The marketable securities include equity investments in large and medium cap entities with sufficient trading volume to adequately access fair value.

### 3. Accounts Receivable

Accounts receivable consisted of the following at:

| *June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| Due from Affiliated Institutions | **$** | **158,358** | $ | 61,809 |
| Due from non-affiliated institutions | | **-** | | 300 |
| Pledges receivable | | **2,500** | | - |
| **Total** | **$** | **160,858** | $ | 62,109 |

Based on the historical collections on amounts due from Affiliated Institutions and the credit worthiness of the donor with outstanding pledges receivable, the Consortium's allowance for doubtful accounts at June 30, 2017 and 2016 was $0.

### 4. Investments

Investments consisted of the following at:

| *June 30,* | | **2017** | | |
|---|---|---|---|---|
| **Description** | | **Cost** | | **Fair Value** |
| Cash and cash equivalents | **$** | **34,650** | **$** | **34,650** |
| Mutual funds | | **918,767** | | **929,524** |
| Marketable securities | | **416,041** | | **450,650** |
| **Total investments** | **$** | **1,369,458** | **$** | **1,414,824** |

| *June 30,* | | 2016 | | |
|---|---|---|---|---|
| **Description** | | **Cost** | | **Fair Value** |
| Cash and cash equivalents | $ | 21,036 | $ | 21,036 |
| Mutual funds | | 835,672 | | 810,626 |
| Marketable securities | | 507,066 | | 485,775 |
| **Total investments** | $ | 1,363,774 | $ | 1,317,437 |

| *Years ended June 30,* | **2017** | 2016 |
|---|---|---|
| **Beginning of year** | **$ 1,317,437** | $ 1,315,144 |
| Net realized and unrealized loss | **83,810** | (33,600) |
| Dividends and interest | **36,687** | 45,514 |
| Fees | **(10,048)** | (9,621) |
| Sale and maturities of investments | **(13,062)** | - |
| **End of year** | **$ 1,414,824** | $ 1,317,437 |

Net investment income during the years ended June 30, 2017 and 2016 was $110,449 and $2,293, respectively, net of investment fees.

## 5. Property and Equipment, Net

Property and equipment, net is comprised of the following at:

| *June 30,* | **2017** | 2016 |
|---|---|---|
| Furniture and fixtures | **$ 21,823** | $ 21,823 |
| Equipment | **58,641** | 48,307 |
| Equipment under capital lease | **64,755** | 48,890 |
| Vehicles | **5,500** | 5,500 |
| Total property and equipment | **150,719** | 124,520 |
| Less accumulated depreciation | **(109,140)** | (92,938) |
| **Property and equipment, net** | **$ 41,579** | $ 31,582 |

Depreciation expense recognized during the years ended June 30, 2017 and 2016 was $16,202 and $15,453, respectively.

### 6. Capital Lease Obligations

The Consortium leases office equipment under several agreements, which are classified as capital leases. The Consortium's future capital lease obligations are as follows:

| *June 30,* | **2017** | 2016 |
|---|---|---|
| Capital lease obligation for telephone equipment, due in annual installments, expired in October 2016, with an implicit interest rate of 11.84% | **$ -** | $ 891 |
| Capital lease obligation for printer equipment, due in annual installments, expired in December 2016, with an implicit interest rate of 9.83% | **-** | 957 |
| Capital lease obligation for telephone equipment, due in monthly installments, expiring in January 2020, with an implicit interest rate of 7.25% | **15,242** | - |
| Total capital lease obligations | **15,242** | 1,848 |
| Less amount representing interest | **(2,199)** | (48) |
| Present value of future minimum payments | **$ 13,043** | $ 1,800 |

The minimum future lease payments at June 30, 2017, for the above capital leases are as follows:

| *Year ending June 30,* | **Amount** |
|---|---|
| 2018 | **$ 5,900** |
| 2019 | **5,900** |
| 2020 | **3,442** |
| Total minimum lease payments | **15,242** |
| Less amount representing interest | **(2,199)** |
| Present value of minimum lease payments | **$ 13,043** |

### 7. Operating Leases

In November 2008, the Consortium entered into a 3 year lease agreement with Clark Atlanta University, a related party, to rent office space for $3,100 per month. This agreement expired and was renewed during 2016, extending the lease through June 30, 2019. Lease payments under this agreement for the years ended June 30, 2017 and 2016 totaled $37,200 and $37,200, respectfully.

In July 2011, the Consortium entered into a 3 year lease agreement which expired on June 30, 2015, with Spelman College, a related party, to rent office space for $7,163 per year. This agreement expired and was renewed during July 2015, extending the lease through June 30, 2017. During the year, both parties agreed that the Consortium would vacate the premises by June 1, 2017, effectively ending the lease on May 31, 2017. Lease payments under this agreement for the years ended June 30, 2017 and 2016 totaled $6,566 and $7,163, respectfully.

The minimum operating lease payments at June 30, 2017 for the above leases are as follows:

| *Year ending June 30,* | | Amount |
|---|---|---|
| 2018 | **$** | **37,200** |
| 2019 | | **37,200** |
| Total | **$** | **74,400** |

## 8. Net Assets

Temporarily restricted net assets are available for the following purpose:

| *June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| Contributions and other unexpended revenues available for: | | | | |
| Private sponsored programs | **$** | **602,845** | $ | 639,403 |
| Consortium relocation | | **50,000** | | 50,000 |
| **Temporarily restricted net assets** | **$** | **652,845** | $ | 689,403 |

Permanently restricted net assets consist of the following:

| *June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| Endowment funds | **$** | **250,000** | $ | 250,000 |

Earnings on permanently restricted net assets are available for the Consortium's private sponsored programs.

## 9. Endowment

The State of Georgia has enacted the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Council of Presidents of the Consortium has interpreted SPMIFA 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.

In accordance with SPMIFA, the Consortium considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Consortium and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Consortium.
- The investment policies of the Consortium.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Consortium to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no such deficiencies at June 30, 2017 and 2016.

The Consortium has adopted investment and spending policies for endowment assets that attempt to maximize return within reasonable and prudent levels of risk. The Consortium seeks preservation of capital with a consistent, positive return on assets overtime. The overall investment strategy is to maintain a diversified, liquid portfolio as to quality, issuers and maturity. Flexibility must be maintained so those funds are available to meet anticipated cash needs, as determined by the cash flow forecast. Average maturity of the portfolio will be kept short to provide liquidity.

Individual investments will be selected to achieve the following objectives in priority order:

- Safety of principal
- Liquidity for operating needs
- Maximization of yield
- Diversification of risk

To satisfy its rate-of-return objectives, the Consortium relies on the following:

- Investment objectives that will use a total return approach while exercising the degree of prudence and fiduciary care required for endowment funds.
- An asset allocation based on the funds anticipated cash flow needs for the next year and the anticipated additions to and withdrawals from the fund for the current year.

The Consortium's policy is to appropriate all investment income earned on its investments. This policy is reviewed by the Council of Presidents quarterly or whenever significant change is anticipated in the Consortium's cash requirements. During the years ended June 30, 2017 and 2016, the Consortium withdrew $13,000 and $0, respectively, for spending.

## 10. Employee Benefit Plan

The Consortium offers its employees a deferred compensation plan qualified under Internal Revenue Code 403(b). The plan, available to all full-time Consortium 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 Consortium contributes to the plan by matching 100% of each employee’s contribution, up to 7% of each employee’s total annual salary. Matching contributions for the years ended June 30, 2017 and 2016 totaled $6,793 and $8,042, respectfully.

## 11. Related Party Transactions

The Affiliated Institutions receive multiple services and benefits. Each member contributes funds based upon an agreed budget amount for support of the Consortium.

The following table summarizes related party revenues recognized by the Consortium:

| *Year ended June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| Clark Atlanta University | **$** | **197,971** | $ | 214,920 |
| Morehouse College | | **255,145** | | 247,234 |
| Morehouse School of Medicine | | **98,544** | | 91,509 |
| Spelman College | | **202,633** | | 200,630 |
| Total related party revenue | **$** | **754,293** | $ | 754,293 |

The following table summarizes amounts due from Affiliated Institutions at:

| *June 30,* | | **2017** | | 2016 |
|---|---|---|---|---|
| Morehouse College | **$** | **127,573** | $ | 61,809 |
| Morehouse School of Medicine | | **30,785** | | - |
| Total Due from Affiliated Institutions | **$** | **158,358** | $ | 61,809 |

Additionally, as discussed in the operating leases note to the financial statements above, Clark Atlanta University and Spelman College rented office space to the Consortium during the years ended June 30, 2017 and 2016.

Further, in a prior year the Consortium entered into an agreement with Spelman College to receive contributed services from an employee of the College. The term of the agreement runs from April 20, 2015 through June 30, 2017; however, the agreement can be immediately terminated by either party upon 30 days written notice. Under the agreement the employee will act as the Director of Communications. The Director will create and implement a strategic, multi-faceted communications program designed to build and strengthen AUCC, Inc.'s role and reputation as a leader and authoritative voice in its fields. Additionally the Director will devise program guidelines and policies, oversees implementation process, and provides quality control for communications programs, media activities and special events. During the year ended June 30, 2017 and 2016, revenue of $111,063 and $109,292 was recognized as contribution income while expenses of $111,063 and $109,292 were recognized in personnel costs under operational expenses.

## 12. Commitments and Contingencies

The Consortium has received grants for special purposes, which are subject to review and audit by the grantor agencies. Such audits could result in claims against the resources of the Consortium. Since the Consortium does not expect claims to arise as a result of such audits, no provision for liabilities has been provided in the financial statements.

## 13. Subsequent Events

The Consortium has evaluated subsequent events from June 30, 2017 (the date of the most current statement of financial position presented) through December 19, 2017, (the date of the audit report and the date the financial statements were available to be issued). During this period, no material recognizable events were identified.