

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Academy of American Poets, Incorporated

We have audited the accompanying financial statements of The Academy of American Poets, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

### **Auditors' 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 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 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 Academy of American Poets, Incorporated as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 13 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, The Academy of American Poets, Incorporated has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

*Lutz + Carr, LLP*

New York, New York  
August 4, 2022

## THE ACADEMY OF AMERICAN POETS, INCORPORATED

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Cash and cash equivalents (Notes 1b and 11a)	\$ -	\$ 618,921	\$ 618,921	\$ 40,764	\$ 1,951,449	\$ 1,992,213
Unconditional promises to give (Notes 1c, 4 and 11b)	415,780	120,000	535,780	127,307	2,340,000	2,467,307
Receivables and other assets	107,519	-	107,519	101,684	-	101,684
Investments, at fair value (Notes 1d, 1e, 5 and 6)	2,824,320	12,758,062	15,582,382	2,716,888	7,902,055	10,618,943
Property and equipment, at cost (net of accumulated depreciation and amortization) (Notes 1f and 7)	82,225	-	82,225	109,138	-	109,138
Interfund receivable	-	26,923	26,923	-	-	-
Security deposit	52,618	-	52,618	52,618	-	52,618
<b>Total Assets</b>	<b>\$ 3,482,462</b>	<b>\$13,523,906</b>	<b>\$17,006,368</b>	<b>\$ 3,148,399</b>	<b>\$12,193,504</b>	<b>\$15,341,903</b>
<b>Liabilities and Net Assets</b>						
Liabilities						
Awards and grants payable	\$ 1,241,372	\$ -	\$ 1,241,372	\$ 1,159,000	\$ -	\$ 1,159,000
Accounts payable and accrued expenses	183,080	-	183,080	124,610	-	124,610
Refundable advance - Paycheck Protection Program (Note 12)	-	-	-	68,537	-	68,537
Refundable advance - fundraising events	-	-	-	2,900	-	2,900
Interfund payable	26,923	-	26,923	-	-	-
Deferred rent (Note 1i)	118,362	-	118,362	59,694	-	59,694
Total Liabilities	1,569,737	-	1,569,737	1,414,741	-	1,414,741
Commitments and Contingencies (Notes 9, 10 and 13)						
Net Assets (Notes 3 and 6)						
Without donor restrictions	1,912,725	-	1,912,725	1,733,658	-	1,733,658
With donor restrictions	-	13,523,906	13,523,906	-	12,193,504	12,193,504
Total Net Assets	1,912,725	13,523,906	15,436,631	1,733,658	12,193,504	13,927,162
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,482,462</b>	<b>\$13,523,906</b>	<b>\$17,006,368</b>	<b>\$ 3,148,399</b>	<b>\$12,193,504</b>	<b>\$15,341,903</b>

See notes to financial statements.

## THE ACADEMY OF AMERICAN POETS, INCORPORATED

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains and Public Support</b>						
Contributions (Notes 6 and 11b)	\$ 772,791	\$ -	\$ 772,791	\$ 793,262	\$ 5,000	\$ 798,262
Loan forgiveness - Paycheck Protection Program (Note 12)	68,537	-	68,537	49,413	-	49,413
Donated services and materials (Note 8)	485,250	-	485,250	29,286	-	29,286
Membership dues and non-dues contributions (Note 1g)	601,916	-	601,916	484,383	-	484,383
Grants (Note 1a)	1,341,966	191,843	1,533,809	222,235	4,642,750	4,864,985
Benefit event income	216,443	-	216,443	32,635	-	32,635
Award entry fees	49,430	-	49,430	50,957	-	50,957
Net investment income (loss) (Note 5)	(1,980)	3,137,007	3,135,027	48,148	45,687	93,835
Other income	175,590	-	175,590	117,352	-	117,352
Net assets released from restrictions						
Accumulated investment earnings	281,000	(281,000)	-	281,700	(281,700)	-
Time and purpose restrictions	1,717,448	(1,717,448)	-	1,558,573	(1,558,573)	-
<b>Total Revenue, Gains and Public Support</b>	<b>5,708,391</b>	<b>1,330,402</b>	<b>7,038,793</b>	<b>3,667,944</b>	<b>2,853,164</b>	<b>6,521,108</b>
<b>Expenses</b>						
Program Services	4,766,258	-	4,766,258	2,917,833	-	2,917,833
Supporting Services						
Fundraising and membership	476,378	-	476,378	368,543	-	368,543
Management and general	254,809	-	254,809	183,215	-	183,215
<b>Total Expenses</b>	<b>5,497,445</b>	<b>-</b>	<b>5,497,445</b>	<b>3,469,591</b>	<b>-</b>	<b>3,469,591</b>
Increase in Net Assets from Operations Before Depreciation and Amortization	210,946	1,330,402	1,541,348	198,353	2,853,164	3,051,517
Depreciation and amortization expense	(31,879)	-	(31,879)	(34,661)	-	(34,661)
Increase in net assets	179,067	1,330,402	1,509,469	163,692	2,853,164	3,016,856
Net assets, beginning of year	1,733,658	12,193,504	13,927,162	1,569,966	9,340,340	10,910,306
<b>Net Assets, End of Year</b>	<b>\$ 1,912,725</b>	<b>\$13,523,906</b>	<b>\$15,436,631</b>	<b>\$ 1,733,658</b>	<b>\$12,193,504</b>	<b>\$13,927,162</b>

See notes to financial statements.

## THE ACADEMY OF AMERICAN POETS, INCORPORATED

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services	Supporting Services		2021	2020
		Fundraising and Membership	Management and General	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 772,073	\$ 116,257	\$ 80,527	\$ 968,857	\$ 782,817
Employee benefits	101,734	15,319	10,611	127,664	101,491
Fees to artists	85,730	-	-	85,730	68,486
Awards and grants	2,811,746	-	-	2,811,746	1,527,737
Advertising and printing	466,058	131,119	39,697	636,874	133,434
Dinners and receptions	9,913	193	25	10,131	8,148
Occupancy	179,423	27,017	18,714	225,154	180,618
Travel and lodging	6,000	-	136	6,136	90,099
Program fees and consultants	44,114	1,919	784	46,817	57,399
Technical production	22,321	15,088	-	37,409	45,705
Supplies and telephone	12,536	1,887	1,308	15,731	27,498
Professional fees	83,108	12,514	97,351	192,973	142,555
Postage and mailings	75,740	95,464	-	171,204	160,190
Book purchases	6,611	11,213	1,502	19,326	23,712
Photography and program supplies	26,334	41,702	348	68,384	55,736
Program development	35,912	-	-	35,912	25,568
Miscellaneous	22,373	3,368	2,333	28,074	24,819
Equipment	4,532	682	473	5,687	6,653
Member benefits	-	2,636	1,000	3,636	6,926
Total Expenses, 2021	<u>\$4,766,258</u>	<u>\$ 476,378</u>	<u>\$ 254,809</u>	<u>\$5,497,445</u>	
Total Expenses, 2020	<u>\$2,917,833</u>	<u>\$ 368,543</u>	<u>\$ 183,215</u>		<u>\$3,469,591</u>

See notes to financial statements.

## THE ACADEMY OF AMERICAN POETS, INCORPORATED

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total Expenses
		Fundraising and Membership	Management and General	
Salaries and payroll taxes	\$ 627,169	\$ 98,733	\$ 56,915	\$ 782,817
Employee benefits	81,311	12,801	7,379	101,491
Fees to artists	68,486	-	-	68,486
Awards and grants	1,527,737	-	-	1,527,737
Advertising and printing	79,304	53,923	207	133,434
Dinners and receptions	5,409	2,739	-	8,148
Occupancy	144,706	22,781	13,131	180,618
Travel and lodging	88,898	682	519	90,099
Program fees and consultants	52,992	3,765	642	57,399
Technical production	31,666	14,039	-	45,705
Supplies and telephone	22,032	3,467	1,999	27,498
Professional fees	37,591	5,916	99,048	142,555
Postage and mailings	46,485	113,705	-	160,190
Book purchases	15,668	8,044	-	23,712
Photography and program supplies	39,196	16,540	-	55,736
Program development	25,568	-	-	25,568
Miscellaneous	19,885	3,130	1,804	24,819
Equipment	3,730	1,352	1,571	6,653
Member benefits	-	6,926	-	6,926
Total Expenses	<u>\$2,917,833</u>	<u>\$ 368,543</u>	<u>\$ 183,215</u>	<u>\$3,469,591</u>

See notes to financial statements.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$1,509,469	\$3,016,856
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	31,879	34,661
Net realized gains and income on limited partnership investments	(15,303)	(18,347)
Net realized (gain) loss on investments	(431,728)	76,306
Net unrealized (gain) loss on investments	(2,511,537)	73,752
(Increase) decrease in:		
Unconditional promises to give	1,931,527	(2,277,162)
Receivables and other assets	(5,835)	(2,504)
Security deposit	-	(10,751)
Increase (decrease) in:		
Awards and grants payable	82,372	657,500
Accounts payable and accrued expenses	58,470	21,929
Refundable advance - Paycheck Protection Program	(68,537)	68,537
Refundable advance - fundraising events	(2,900)	2,900
Deferred rent	58,668	19,344
Net Cash Provided By Operating Activities	636,545	1,663,021
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(3,113,894)	(1,535,752)
Proceeds from sale of investments	1,109,023	312,277
Purchase of property and equipment	(4,966)	(4,252)
Net Cash Used By Investing Activities	(2,009,837)	(1,227,727)
Net increase (decrease) in cash and cash equivalents	(1,373,292)	435,294
Cash and cash equivalents, beginning of year	1,992,213	1,556,919
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 618,921</b>	<b>\$1,992,213</b>

See notes to financial statements.



**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Academy of American Poets, Incorporated (the "Academy") was founded in 1934 to support American poets at all stages of their careers and to foster the appreciation of contemporary American poetry. To fulfill this mission, the Academy administers a wide variety of programs, including: Poets.org and Poem-a-Day; National Poetry Month and Poetry and the Creative Mind; the Poet's Forum and other poetry readings and events; American Poet magazine; and several educational outreach programs. The Academy also administers the most important collection of poetry awards in the United States, including: the Wallace Stevens Award, the Academy Fellowship, the Lenore Marshall Poetry Prize, the James Laughlin Award, the Walt Whitman Award, the Raiziss/de Palchi Translation Award, and the Harold Morton Landon Translation Award, as well as student prizes at hundreds of colleges and universities nationwide.

In December 2019, The Andrew W. Mellon Foundation awarded a grant of \$4.5 million to the Academy for continued support of the Poets Laureate Fellowship program over a three-year period.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Academy considers all highly liquid investments purchased with an original maturity of three months or less, including money market funds, to be cash equivalents, except for those held in its investment portfolio as part of its long-term investment objectives.

**c - Grants, Contributions and Unconditional Promises to Give**

The Academy recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance-related or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Academy uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Accounting principles generally accepted in the United States of America ("U.S. GAAP") establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Academy. Unobservable inputs reflect the Academy's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1     Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Academy has the ability to access at the measurement date.
- Level 2     Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3     Inputs that are 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.

**e - Investments**

Investments are measured at fair value on a recurring basis.

The fair values of limited partnership investments not publicly traded on national security exchanges represent the Academy's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the Academy or on the basis of other information developed, obtained, and evaluated periodically by the Academy. Because of inherent uncertainties in the valuation of certain alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Investments (continued)**

Investments in limited partnerships consist of shares or units in partnerships, as opposed to direct interests in those partnerships' underlying holdings, which may be marketable. The net asset value reported by each partnership is used as a practical expedient to estimate fair value of the Academy's interest therein, which is not required to be categorized within the fair value hierarchy.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized. All other income is recorded as net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**f - Property and Equipment**

Property and equipment are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis. Leasehold improvements are being amortized over the shorter of the useful life of the improvement or the life of the lease.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, all contributions of property and equipment and assets contributed to acquire property and equipment, are recorded as restricted support and released from restriction at the time the related asset is placed in service.

**g - Revenue Recognition**

The Academy has multiple revenue streams that are accounted for as exchange transactions including award entry fees, and other income, which is primarily comprised of website sales, advertising revenue and royalty income. Revenue from award entry fees is recognized upon receipt of payment and entry form. Revenue from website sales is recognized when the customer takes possession of the merchandise or the merchandise is shipped to the customer. Advertising revenue is recognized when the advertising takes place. Royalty income is recognized when payments are received by the Academy for use of intellectual property.

Membership dues are collected at the commencement of the membership period. Membership dues and non-dues contributions are accounted for as contribution revenue since the value related to the exchange portion of membership benefits is de minimus.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Advertising Costs**

Advertising costs are charged to operations when the advertising first takes place. Total advertising expense for the year ended June 30, 2021 was \$505,268, which included donated advertising of \$476,870. Total advertising expense for the year ended June 30, 2020 was \$30,181, which included donated advertising of \$16,471.

**i - Deferred Rent**

The aggregate of the total minimum lease payments is amortized on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of the Academy's leases is recorded as deferred rent in the statements of financial position.

**j - Financial Statement Presentation**

The Academy reports information regarding its financial position and activities according to the following net asset classifications:

**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 Academy. These net assets may be used at the discretion of the Academy's management and Board of Directors.

**Net Assets With Donor Restrictions**

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

**k - Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**l - Tax Status**

The Academy of American Poets, Incorporated is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Academy may be subject to income tax on unrelated business income derived from certain advertising income, and a portion of the investment income generated by its limited partnership investments.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****m - Functional Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial amount of the Academy's expenses are directly related to program activities. Expenses that are allocated include salaries and payroll taxes, employee benefits, advertising and printing, professional fees, insurance, occupancy and other administrative costs, which are allocated based upon estimates of employee time and effort.

**n - Subsequent Events**

The Academy has evaluated subsequent events through August 4, 2022, the date that the financial statements are considered available to be issued.

**o - New Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, "*Leases (Topic 842)*." The core principles of this ASU change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Academy is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Information Regarding Liquidity and Availability**

The Academy operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. The Academy has a balanced stream of annual revenue, including a diverse range of both earned and contributed sources. The Academy considers general expenditures to consist of all expenses related to ongoing program activities, and the expenses related to fundraising and membership and management and general activities undertaken to support those services.

The Academy regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Academy's financial assets of as of June 30, 2021 and 2020 available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 618,921	\$ 1,992,213
Unconditional promises to give	535,780	2,467,307
Investments	15,582,382	10,618,943
Accounts receivable	<u>74,298</u>	<u>70,703</u>
Total Financial Assets	16,811,381	15,149,166
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for future programs or periods	(2,765,844)	(4,291,449)
Plus: Net assets with restrictions expected to be met in less than one year	2,086,002	1,240,348
Net asset with donor restrictions for endowment subject to spending policy and appropriation	(10,758,062)	(7,902,055)
Plus: Amount appropriated for use within one year	281,000	281,700
Board designated reserves	<u>(204,784)</u>	<u>(204,784)</u>
Financial Assets Available to meet General Expenditures within One Year	<u>\$ 5,449,693</u>	<u>\$ 4,272,926</u>

In addition to these financial assets available within one year, the Academy's board designated reserves could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

## THE ACADEMY OF AMERICAN POETS, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

**Note 3 - Restrictions on Assets**a - Net Assets

Net assets at June 30 are summarized as follows:

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating	\$1,707,941	\$ -	\$ 1,707,941	\$ 1,528,874
Board designated reserves	<u>204,784</u>	<u>-</u>	<u>204,784</u>	<u>204,784</u>
Endowed Programs - Subject to spending policy and appropriation, including investment in perpetuity of \$4,746,963 (2021 and 2020):				
Wallace Stevens Award	-	4,304,164	4,304,164	3,191,414
Lenore Marshall Poetry Prize	-	1,838,663	1,838,663	1,344,555
James Laughlin Award	-	1,126,383	1,126,383	816,885
University and College Poetry Prizes	-	1,303,136	1,303,136	951,966
American Poets Grants	-	303,724	303,724	225,963
Harold Taylor Fund - High School Poetry Workshops and College Prizes	-	56,082	56,082	41,212
Landon Translation Award	-	56,077	56,077	41,208
Donald Everett Axinn Fellowship	-	106,721	106,721	76,380
Ford Foundation operating endowment	-	787,166	787,166	576,255
Merrill endowment	-	751,828	751,828	546,670
College Prize Anthology Fund	-	79,445	79,445	56,859
Poetry Forum Fund	-	44,673	44,673	32,688
	<u>-</u>	<u>10,758,062</u>	<u>10,758,062</u>	<u>7,902,055</u>
Subject to expenditure for future programs and periods:				
Operating - future periods	-	15,000	15,000	20,000
National Poetry Month & Poem-A Day	-	25,000	25,000	75,000
Poets Laureate Fellowship program	-	1,981,701	1,981,701	3,312,701
Capacity Building and Poetry Coalition	-	567,300	567,300	825,750
Scholarships	-	50,000	50,000	-
Chancellor's Fund	-	19,450	19,450	26,750
Amazon Literary grant	-	30,000	30,000	-
Ambroggio Prize	-	-	-	5,500
Purchase of equipment	-	-	-	5,748
Poets Emergency Fund	-	12,393	12,393	-
Tree House Poetry Prize	-	65,000	65,000	20,000
	<u>-</u>	<u>2,765,844</u>	<u>2,765,844</u>	<u>4,291,449</u>
Total, June 30, 2021	<u>\$1,912,725</u>	<u>\$13,523,906</u>	<u>\$15,436,631</u>	
Total, June 30, 2020	<u>\$1,733,658</u>	<u>\$12,193,504</u>		<u>\$13,927,162</u>

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 3 - Restrictions on Assets (continued)**

b - Net Assets Without Donor Restrictions - Board Designated Reserves

The Academy maintains board designated reserves established from various sources, including the proceeds of the sale of the library collection originally donated by Marie Bullock, as well as specific other bequests, grants and other contributions. Amounts are added to or appropriated from the reserves at the discretion of the Board of Directors.

c - Net Assets With Donor Restrictions

Net assets with donor restrictions for future programs and periods represent grants and contributions, as well as accumulated investment income, restricted in accordance with donor designations.

Net assets with donor restrictions for endowed programs are restricted by donors to specific programs of the Academy, or for its operations as indicated by each donor. The income earned on the principal is subject to the Academy's investment and spending policies (Note 6).

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are as follows:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	<u>\$415,780</u>	<u>\$120,000</u>	<u>\$535,780</u>
	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$127,307	\$2,330,000	\$2,457,307
One to five years	-	10,000	10,000
	<u>\$127,307</u>	<u>\$2,340,000</u>	<u>\$2,467,307</u>

Uncollectible promises to give are expected to be insignificant.



**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 5 - Investments**

Investments consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds - fixed income	\$ 6,557,479	\$ 6,611,546	\$3,578,394	\$ 3,646,649
Mutual funds - equities	5,171,271	8,223,040	5,723,758	6,551,714
Federal money market fund	10,001	10,001	-	-
Alternative Investments:				
Limited Partnerships				
Long international equity	<u>622,544</u>	<u>737,795</u>	<u>607,241</u>	<u>420,580</u>
	<u>\$12,361,295</u>	<u>\$15,582,382</u>	<u>\$9,909,393</u>	<u>\$10,618,943</u>

As of June 30, 2021, concentrations of the Academy's investments in excess of 10% of the fair value of its portfolio consisted of two mutual funds representing approximately 91% of the total portfolio.

As of June 30, 2020, concentrations of the Academy's investments in excess of 10% of the fair value of its portfolio consisted of two mutual funds representing approximately 82% of the total portfolio.

Net investment income for the years ended June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 176,459	\$225,546
Net realized gains and income on limited partnerships	15,303	18,347
Realized gain (loss) on sale of investments	431,728	(76,306)
Unrealized gain (loss) on investments	<u>2,511,537</u>	<u>(73,752)</u>
	3,135,027	93,835
Less: Investment income with donor restrictions	<u>(3,137,007)</u>	<u>(45,687)</u>
Net Investment Income Without Donor Restrictions	<u>\$ (1,980)</u>	<u>\$ 48,148</u>

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 5 - Investments (continued)**

The following summarizes the Academy's investments by Level within the fair value hierarchy used to measure their fair values at June 30, 2021 and 2020 as follows:

	<b>2021</b>				<b>Measured at Net Asset Value</b>
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Mutual funds - fixed income	\$ 6,611,546	\$ 6,611,546	\$ -	\$ -	\$ -
Mutual funds - equities	8,223,040	8,223,040	-	-	-
Federal money market fund	10,001	10,001	-	-	-
Alternative Investments:					
Limited Partnerships					
Long international equity	<u>737,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,795</u>
	<u>\$15,582,382</u>	<u>\$14,844,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$737,795</u>
	<b>2020</b>				<b>Measured at Net Asset Value</b>
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Mutual funds - fixed income	\$ 3,646,649	\$ 3,646,649	\$ -	\$ -	\$ -
Mutual funds - equities	6,551,714	6,551,714	-	-	-
Alternative Investments:					
Limited Partnerships					
Long international equity	<u>420,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,580</u>
	<u>\$10,618,943</u>	<u>\$10,198,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$420,580</u>

The investments included in the Academy's investment portfolio, valued using the net asset value, are redeemable based on the following terms and conditions as of June 30, 2021:

Limited Partnership:	
Quarterly redemption with 15 days' notice	\$737,795

The limited partnership investment is a hedge fund which invests primarily in equity securities using strategies responsive to changing market opportunities.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 6 - Endowment Funds**

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), the Academy classifies as net assets with donor restrictions for investment in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as for investment in perpetuity is classified as investment income above original gift amount until these amounts are appropriated for expenditure by the Academy.

In accordance with NYPMIFA, the Academy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Academy and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Academy;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Academy; and
- (viii) the investment policy of the Academy

The Academy’s endowment funds are included in net assets with donor restrictions and are summarized at June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Investment income above original gift amount	\$ 6,011,099	\$3,155,092
Investment in perpetuity	<u>4,746,963</u>	<u>4,746,963</u>
	<u>\$10,758,062</u>	<u>\$7,902,055</u>

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 6 - Endowment Funds (continued)**

Changes in the Academy's endowment funds for the years ended June 30, 2021 and 2020 are summarized as follows:

	<b>2021</b>		
	<b><u>With Donor Restrictions</u></b>		
	<b><u>Investment Income Above Original Gift Amount</u></b>	<b><u>Investment in Perpetuity</u></b>	<b><u>Total</u></b>
Endowment funds, beginning year	\$3,155,092	\$4,746,963	\$ 7,902,055
Net investment gain	3,137,007	-	3,137,007
Appropriations based on satisfaction of donor restrictions	<u>(281,000)</u>	<u>-</u>	<u>(281,000)</u>
Endowment Funds, End of Year	<u>\$6,011,099</u>	<u>\$4,746,963</u>	<u>\$10,758,062</u>
	<b>2020</b>		
	<b><u>With Donor Restrictions</u></b>		
	<b><u>Investment Income Above Original Gift Amount</u></b>	<b><u>Investment in Perpetuity</u></b>	<b><u>Total</u></b>
Endowment funds, beginning year	\$3,391,105	\$4,741,963	\$8,133,068
Net investment gain	45,687	-	45,687
Contributions received	-	5,000	5,000
Appropriations based on satisfaction of donor restrictions	<u>(281,700)</u>	<u>-</u>	<u>(281,700)</u>
Endowment Funds, End of Year	<u>\$3,155,092</u>	<u>\$4,746,963</u>	<u>\$7,902,055</u>

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or 2020.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 6 - Endowment Funds (continued)**

The Academy has adopted investment and spending policies for long-term endowment assets that attempt to maintain purchasing power by achieving a rate of return that equals the rate of inflation added to the rate of annual distributions. Long-term endowment assets are defined as funds that will not be needed for at least three years. Funds that will be needed within three years are defined as short-term endowment assets and will be liquid and their objective will be to preserve principal, and as such, short-term investments will be limited to institutional money market funds and investment-grade bond funds. To satisfy its long-term rate-of-return objectives, the Academy relies on setting a target rate of total return to be achieved with the least possible risk. Investments will not be undertaken unless their risk, or the combined risk of the entire portfolio, is commensurate with the least risk implied by achieving the target return. Investments will be allocated across asset classes so as to achieve the target return with the least possible risk.

The Academy's endowment comprises restricted funds that are used to support particular programs or functions in accordance with the designation of the funds' donors. Management will endeavor to keep the annual spending rate of the funds below 4.5% of the average of the previous five year's market value of endowment assets in accordance with the Academy's investment policy.

**Note 7 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	Life of lease	\$ 45,298	\$ 45,298
Equipment, furniture and fixtures	5-10 years	63,795	58,829
Website	5 years	<u>122,291</u>	<u>122,291</u>
		231,384	226,418
Less: Accumulated depreciation and amortization		<u>(149,159)</u>	<u>(117,280)</u>
		<u>\$ 82,225</u>	<u>\$109,138</u>

**THE ACADEMY OF AMERICAN POETS, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 8 - Donated Services and Materials**

The Academy received the following donated services and materials during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Advertising	\$476,870	\$16,471
Legal	-	3,000
Paper	<u>8,380</u>	<u>9,815</u>
	<u>\$485,250</u>	<u>\$29,286</u>

**Note 9 - Commitment and Contingency**

a - The Academy occupies office space under a lease with an original expiration date of May 31, 2021. In December 2019, the Academy's lease was renewed with a new maturity date of June 30, 2031. Approximate minimum annual obligations under this lease agreement are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 183,000
2023	188,000
2024	194,000
2025	200,000
2026	206,000
Thereafter, through June 30, 2031	1,124,000

Rent expense totaled \$200,589 and \$157,468 for the years ended June 30, 2021 and 2020, respectively.

b - Government supported programs are subject to audit by the applicable granting agency.

**Note 10 - Defined Contribution Plan**

The Academy has a 403(b) tax deferred annuity plan. The Academy contributes 6% of an eligible employee's salary to the plan. Total expenses under the plan was \$21,896 and \$18,083 for the years ended June 30, 2021 and 2020, respectively.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 11 - Concentrations**

- a - The Academy maintains cash accounts in financial institutions in New York City. Certain balances are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.
- b - During 2021, the Academy received 58% of its contributions from one foundation and one corporation. During 2020 the Academy received 74% of its contributions from one foundation. Amounts due from one government agency, one individual and one corporation represented approximately 69% of unconditional promises to give at June 30, 2021. Amounts due from one foundation represented approximately 91% of unconditional promises to give at June 30, 2020.

**Note 12 - Paycheck Protection Program**

During 2020, The Academy was granted a \$117,950 loan under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The loan bore interest at 1% per annum and could be forgiven if the Academy met certain employee retention requirements and the funds were used for eligible expenses. Because management believed it would meet the requirements for forgiveness of the entire loan amount, the loan was recorded as a conditional grant. During 2020, loan forgiveness income of \$49,413 was recognized related to eligible expenses paid with the proceeds of the loan. The remaining \$68,537 of eligible expenses were paid and the corresponding forgiveness income was recognized during 2021. In August 2021, the full amount of the loan was forgiven by the lender.

**Note 13 - Risks and Uncertainties**

In March 2020, the United States declared a national emergency due to the global pandemic novel coronavirus COVID-19 outbreak. As a result, the Academy suspended its in-person programmatic and fundraising activities in accordance with city, state, and federal governmental guidelines and recommendations. Management began to assess the potential financial impact to the Academy and implemented expense reductions, ranging from canceling travel to limiting office deliveries, to cancelling its annual in-person gala and seeking support from major donors and securing funding under the Federal Cares Act.

**THE ACADEMY OF AMERICAN POETS, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 13 - Risks and Uncertainties (continued)**

Given that the Academy's operations are heavily dependent on membership dues, private and public donations from individuals, foundations and corporations, federal, state and local government grants, revenue may decrease as a result of the economic impact of the pandemic.

Although the Academy cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Academy's results of future operations, financial position, and liquidity.