

THE ACADEMY OF AMERICAN POETS, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

DRAFT

INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Academy of American Poets, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Academy of American Poets, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy of American Poets, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Academy of American Poets, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

New York, New York
_____, 2024

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Assets | | | | | | |
| Cash and cash equivalents (Notes 1b and 12a) | \$ 89,145 | \$ 61,615 | \$ 150,760 | \$ - | \$ 687,724 | \$ 687,724 |
| Unconditional promises to give (Notes 1c, 4 and 12b) | 333,852 | 52,000 | 385,852 | 399,825 | 144,000 | 543,825 |
| Investments, at fair value (Notes 1d, 1e, 5 and 6) | 1,003,886 | 10,537,237 | 11,541,123 | 2,864,855 | 10,373,790 | 13,238,645 |
| Property and equipment, at cost (net of accumulated depreciation and amortization) (Notes 1f and 7) | 27,656 | - | 27,656 | 54,394 | - | 54,394 |
| Interfund receivable | - | - | - | - | 555,507 | 555,507 |
| Operating lease right-of-use asset (Notes 1i and 1p) | 1,386,277 | - | 1,386,277 | - | - | - |
| Security deposit | 52,618 | - | 52,618 | 52,618 | - | 52,618 |
| Total Assets | \$ 2,893,434 | \$10,650,852 | \$13,544,286 | \$ 3,371,692 | \$11,761,021 | \$15,132,713 |
| Liabilities and Net Assets | | | | | | |
| Liabilities | | | | | | |
| Awards and grants payable | \$ 510,000 | \$ - | \$ 510,000 | \$ 1,239,800 | \$ - | \$ 1,239,800 |
| Accounts payable and accrued expenses | 268,363 | - | 268,363 | 184,268 | - | 184,268 |
| Interfund payable | - | - | - | 555,507 | - | 555,507 |
| Operating lease liability (Notes 1i, 1p and 9) | 1,530,437 | - | 1,530,437 | - | - | - |
| Deferred rent (Note 1i) | - | - | - | 134,923 | - | 134,923 |
| Total Liabilities | 2,308,800 | - | 2,308,800 | 2,114,498 | - | 2,114,498 |
| Contingency (Note 10) | | | | | | |
| Net Assets (Notes 3 and 6) | | | | | | |
| Without donor restrictions | 584,634 | - | 584,634 | 1,257,194 | - | 1,257,194 |
| With donor restrictions | - | 10,650,852 | 10,650,852 | - | 11,761,021 | 11,761,021 |
| Total Net Assets | 584,634 | 10,650,852 | 11,235,486 | 1,257,194 | 11,761,021 | 13,018,215 |
| Total Liabilities and Net Assets | \$ 2,893,434 | \$10,650,852 | \$13,544,286 | \$ 3,371,692 | \$11,761,021 | \$15,132,713 |

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Changes in Net Assets | | | | | | |
| Revenue, Gains and Public Support | | | | | | |
| Contributions (Notes 6 and 12b) | \$ 745,105 | \$ 5,000 | \$ 750,105 | \$ 775,850 | \$ 5,000 | \$ 780,850 |
| Donated services (Note 8) | 484,147 | - | 484,147 | 520,355 | - | 520,355 |
| Membership dues and non-dues contributions (Note 1g) | 581,776 | - | 581,776 | 601,195 | - | 601,195 |
| Grants (Note 1a) | 871,855 | 20,000 | 891,855 | 1,895,100 | 1,211,125 | 3,106,225 |
| Benefit event income | 136,726 | - | 136,726 | 179,211 | - | 179,211 |
| Award entry fees | 46,856 | - | 46,856 | 43,684 | - | 43,684 |
| Net investment income (loss) (Note 5) | 208,692 | 755,684 | 964,376 | (517,093) | (1,153,099) | (1,670,192) |
| Other income | 186,644 | - | 186,644 | 176,735 | - | 176,735 |
| Net assets released from restrictions | | | | | | |
| Accumulated investment earnings | 368,580 | (368,580) | - | 419,500 | (419,500) | - |
| Time and purpose restrictions | 1,522,273 | (1,522,273) | - | 1,406,411 | (1,406,411) | - |
| Transfers from board designated reserves | 105,000 | - | 105,000 | - | - | - |
| Total Revenue, Gains and Public Support | 5,257,654 | (1,110,169) | 4,147,485 | 5,500,948 | (1,762,885) | 3,738,063 |
| Expenses | | | | | | |
| Program Services | 4,998,040 | - | 4,998,040 | 5,450,373 | - | 5,450,373 |
| Supporting Services | | | | | | |
| Fundraising and membership | 449,144 | - | 449,144 | 388,376 | - | 388,376 |
| Management and general | 349,623 | - | 349,623 | 288,266 | - | 288,266 |
| Total Expenses | 5,796,807 | - | 5,796,807 | 6,127,015 | - | 6,127,015 |
| Decrease in Net Assets from Operations Before Depreciation and Amortization and Transfers | (539,153) | (1,110,169) | (1,649,322) | (626,067) | (1,762,885) | (2,388,952) |
| Depreciation and amortization expense | (28,407) | - | (28,407) | (29,464) | - | (29,464) |
| Transfers from board designated reserves to operations | (105,000) | - | (105,000) | - | - | - |
| Decrease in net assets | (672,560) | (1,110,169) | (1,782,729) | (655,531) | (1,762,885) | (2,418,416) |
| Net assets, beginning of year | 1,257,194 | 11,761,021 | 13,018,215 | 1,912,725 | 13,523,906 | 15,436,631 |
| Net Assets, End of Year | \$ 584,634 | \$10,650,852 | \$11,235,486 | \$ 1,257,194 | \$11,761,021 | \$13,018,215 |

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

| | 2023 | | | | 2022 |
|----------------------------------|---------------------|----------------------------------|---------------------------|--------------------|--------------------|
| | Program Services | Supporting Services | | Total Expenses | Total Expenses |
| | | Fundraising and Membership | Management and General | | |
| Salaries and payroll taxes | \$1,021,088 | \$ 93,688 | \$ 92,842 | \$1,207,618 | \$1,121,894 |
| Employee benefits | 131,526 | 12,068 | 11,959 | 155,553 | 131,897 |
| Fees to artists | 111,176 | - | - | 111,176 | 98,187 |
| Awards and grants | 2,547,500 | - | - | 2,547,500 | 3,260,638 |
| Advertising and printing | 500,603 | 109,337 | 2,002 | 611,942 | 622,071 |
| Dinners and receptions | 4,479 | 4,140 | 7,618 | 16,237 | 11,089 |
| Occupancy | 179,487 | 16,468 | 16,320 | 212,275 | 208,748 |
| Travel and lodging | 54,651 | 958 | 2,063 | 57,672 | 9,058 |
| Program fees and consultants | 35,683 | 4,575 | - | 40,258 | 29,296 |
| Technical production | 31,030 | 17,382 | - | 48,412 | 47,708 |
| Supplies and telephone | 10,413 | 955 | 947 | 12,315 | 19,603 |
| Professional fees | 74,300 | 6,817 | 204,040 | 285,157 | 165,720 |
| Postage and mailings | 78,863 | 152,933 | 435 | 232,231 | 219,511 |
| Book purchases | 9,381 | 1,160 | 2,092 | 12,633 | 17,718 |
| Photography and program supplies | 39,711 | 23,532 | 3,851 | 67,094 | 69,651 |
| Program development | 118,295 | - | - | 118,295 | 46,921 |
| Miscellaneous | 45,382 | 4,164 | 4,127 | 53,673 | 41,299 |
| Equipment | 4,223 | 387 | 384 | 4,994 | 4,606 |
| Member benefits | 249 | 580 | 943 | 1,772 | 1,400 |
| Total Expenses, 2023 | <u>\$4,998,040</u> | <u>\$ 449,144</u> | <u>\$ 349,623</u> | <u>\$5,796,807</u> | |
| Total Expenses, 2022 | <u>\$5,450,373</u> | <u>\$ 388,376</u> | <u>\$ 288,266</u> | | <u>\$6,127,015</u> |

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

| | Program Services | Supporting Services | | Total Expenses |
|----------------------------------|---------------------|----------------------------------|---------------------------|--------------------|
| | | Fundraising and Membership | Management and General | |
| Salaries and payroll taxes | \$ 938,359 | \$ 85,859 | \$ 97,676 | \$1,121,894 |
| Employee benefits | 110,320 | 10,094 | 11,483 | 131,897 |
| Fees to artists | 98,187 | - | - | 98,187 |
| Awards and grants | 3,260,638 | - | - | 3,260,638 |
| Advertising and printing | 561,455 | 60,616 | - | 622,071 |
| Dinners and receptions | 10,850 | 28 | 211 | 11,089 |
| Occupancy | 174,598 | 15,976 | 18,174 | 208,748 |
| Travel and lodging | 8,989 | - | 69 | 9,058 |
| Program fees and consultants | 27,121 | 2,175 | - | 29,296 |
| Technical production | 31,869 | 15,839 | - | 47,708 |
| Supplies and telephone | 16,396 | 1,500 | 1,707 | 19,603 |
| Professional fees | 12,367 | - | 153,353 | 165,720 |
| Postage and mailings | 66,501 | 152,940 | 70 | 219,511 |
| Book purchases | 13,876 | 2,672 | 1,170 | 17,718 |
| Photography and program supplies | 32,360 | 37,056 | 235 | 69,651 |
| Program development | 46,921 | - | - | 46,921 |
| Miscellaneous | 34,543 | 3,161 | 3,595 | 41,299 |
| Equipment | 3,852 | 353 | 401 | 4,606 |
| Member benefits | 1,171 | 107 | 122 | 1,400 |
| Total Expenses | <u>\$5,450,373</u> | <u>\$ 388,376</u> | <u>\$ 288,266</u> | <u>\$6,127,015</u> |

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Decrease in net assets | \$(1,782,729) | \$ (2,418,416) |
| Adjustments to reconcile decrease in net assets to net cash used by operating activities: | | |
| Depreciation and amortization expense | 28,407 | 29,464 |
| Net realized gains and income on limited partnership investments | - | (120,699) |
| Net realized (gain) loss on investments | 426,983 | (3,238,429) |
| Net unrealized (gain) loss on investments | (1,142,324) | 5,278,258 |
| Non-cash operating lease expense | 151,057 | - |
| Contributions for endowment | (5,000) | (5,000) |
| (Increase) decrease in: | | |
| Unconditional promises to give | 193,135 | 121,310 |
| Receivables and other assets | (35,162) | (21,836) |
| Increase (decrease) in: | | |
| Awards and grants payable | (729,800) | (1,572) |
| Accounts payable and accrued expenses | 84,095 | 1,188 |
| Operating lease liability | (141,820) | - |
| Deferred rent | - | 16,561 |
| Net Cash Used By Operating Activities | <u>(2,953,158)</u> | <u>(359,171)</u> |
| Cash Flows From Investing Activities | | |
| Purchase of investments | (1,947,146) | (11,287,201) |
| Proceeds from sale of investments | 4,360,009 | 11,711,808 |
| Purchase of property and equipment | (1,669) | (1,633) |
| Net Cash Provided By Investing Activities | <u>2,411,194</u> | <u>422,974</u> |
| Cash Flows From Financing Activities | | |
| Contributions to net assets with donor restrictions for endowment received | <u>5,000</u> | <u>5,000</u> |
| Net increase (decrease) in cash and cash equivalents | (536,964) | 68,803 |
| Cash and cash equivalents, beginning of year | <u>687,724</u> | <u>618,921</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 150,760</u> | <u>\$ 687,724</u> |
| Supplemental Disclosure of Non-Cash Investing Activity: | | |
| Operating lease right-of-use asset obtained in exchange for lease liability | <u>\$ 1,537,334</u> | <u>\$ -</u> |

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****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. This grant was fully utilized during the year ended June 30, 2023.

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, 2023 AND 2022

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.

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.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

h - Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Total advertising expense for the years ended June 30, 2023 and 2022 were \$481,052 and \$532,551, respectively, which included donated advertising of \$469,147 and \$520,355, respectively.

i - Operating Lease Right-of-Use Asset and Operating Lease Liability

For leases with an initial term greater than twelve months, the Academy's operating lease liability is initially recorded at the present value of the unpaid lease payments as of July 1, 2022. The Academy's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Operating Lease Right-of-Use Asset and Operating Lease Liability (continued)**

For 2022, rent expense is recorded on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an expense in the accompanying financial statements.

j - Financial Statement Presentation

The financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), which require the Academy to report 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, 2023 AND 2022

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 _____, 2024, the date that the financial statements are considered available to be issued.

o - Prior Year Information

For comparability, certain 2022 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2023.

p - New Accounting Standard

For 2023, the Academy adopted ASU 2016-02, *Leases* ("Topic 842"). The core principles of ASU 2016-02 (the "ASU") change the way organizations 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. As such, results for 2023 are presented under *Topic 842*, while results for 2022 continue to be reported in accordance with historical accounting practices.

As part of the adoption of the ASU, the Academy elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements, to use a risk-free rate, equal to the ten-year Treasury Bill rate for the discount of the operating lease and to apply the practical expedients which allows the Academy to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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's financial assets of as of June 30, 2023 and 2022 available within one year to meet cash needs for general expenditures are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|---------------------|
| Financial Assets at Year End: | | |
| Cash and cash equivalents | \$ 150,760 | \$ 687,724 |
| Unconditional promises to give | 221,335 | 414,470 |
| Investments | 11,541,123 | 13,238,645 |
| Accounts receivable | <u>113,324</u> | <u>96,267</u> |
| Total Financial Assets | 12,026,542 | 14,437,106 |
| Less: Amounts not Available to be Used within One Year: | | |
| Net assets with donor restrictions, subject to expenditure for future programs or periods | (1,154,485) | (2,570,558) |
| Plus: Net assets with restrictions expected to be met in less than one year | 821,865 | 2,377,429 |
| Net asset with donor restrictions for endowment subject to spending policy and appropriation | (9,496,367) | (9,190,463) |
| Plus: Amount appropriated for use within one year | 368,580 | 368,580 |
| Board designated reserves | <u>(99,784)</u> | <u>(204,784)</u> |
| Financial Assets Available to meet General Expenditures within One Year | <u>\$2,466,351</u> | <u>\$ 5,217,310</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, 2023 AND 2022

Note 3 - Restrictions on Assets

a - Net Assets

Net assets at June 30 are summarized as follows:

| | <u>2023</u> | | | <u>2022</u> |
|---|-----------------------------------|--------------------------------|---------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Total</u> |
| Operating | \$ 484,850 | \$ - | \$ 484,850 | \$ 1,052,410 |
| Board designated reserves | 99,784 | - | 99,784 | 204,784 |
| Endowed Programs - Subject to spending policy and appropriation, including investment in perpetuity of \$4,756,963 (2023) \$4,751,963 (2022): | | | | |
| Wallace Stevens Award | - | 3,795,310 | 3,795,310 | 3,674,988 |
| Lenore Marshall Poetry Prize | - | 1,621,290 | 1,621,290 | 1,569,890 |
| James Laughlin Award | - | 993,218 | 993,218 | 961,730 |
| University and College Poetry Prizes | - | 1,159,238 | 1,159,238 | 1,117,645 |
| American Poets Grants | - | 267,816 | 267,816 | 259,326 |
| Harold Taylor Fund - High School Poetry Workshops and College Prizes | - | 49,452 | 49,452 | 47,884 |
| Landon Translation Award | - | 49,448 | 49,448 | 47,880 |
| Donald Everett Axinn Fellowship | - | 94,104 | 94,104 | 91,121 |
| Ford Foundation operating endowment | - | 694,104 | 694,104 | 672,099 |
| Merrill endowment | - | 662,943 | 662,943 | 641,926 |
| College Prize Anthology Fund | - | 70,053 | 70,053 | 67,832 |
| Poetry Forum Fund | - | 39,391 | 39,391 | 38,142 |
| | - | 9,496,367 | 9,496,367 | 9,190,463 |
| Subject to expenditure for future programs and periods: | | | | |
| Operating - future periods | - | 15,000 | 15,000 | 85,000 |
| National Poetry Month & Poem-A Day | - | 20,000 | 20,000 | 25,000 |
| Hawthornden Literary Retreat | - | 540,900 | 540,900 | 1,100,000 |
| Poets Laureate Fellowship program | - | - | - | 714,825 |
| Capacity Building and Poetry Coalition | - | 166,910 | 166,910 | 356,028 |
| Scholarships | - | 39,980 | 39,980 | 50,000 |
| Chancellor's Fund | - | 11,950 | 11,950 | 19,450 |
| Grants | - | 310,620 | 310,620 | 160,130 |
| Italian Translation | - | 16,125 | 16,125 | 16,125 |
| Tree House Poetry Prize | - | 33,000 | 33,000 | 44,000 |
| | - | 1,154,485 | 1,154,485 | 2,570,558 |
| Total, June 30, 2023 | <u>\$ 584,634</u> | <u>\$10,650,852</u> | <u>\$11,235,486</u> | |
| Total, June 30, 2022 | <u>\$1,257,194</u> | <u>\$11,761,021</u> | | <u>\$13,018,215</u> |

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 at June 30, 2023 and 2022 are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 5 - Investments

Investments consist of the following:

| | <u>2023</u> | | <u>2022</u> | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Mutual funds - fixed income | \$ 5,433,478 | \$ 4,891,110 | \$ 7,858,510 | \$ 7,328,307 |
| Mutual funds - equities | <u>7,022,492</u> | <u>6,650,013</u> | <u>7,437,306</u> | <u>5,910,338</u> |
| | <u>\$12,455,970</u> | <u>\$11,541,123</u> | <u>\$15,295,816</u> | <u>\$13,238,645</u> |

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 5 - Investments (continued)

As of June 30, 2023 and 2022, concentrations of the Academy's investments in excess of 10% of the fair value of its portfolio consisted of one mutual fund representing approximately 16% and 31%, respectively, of the total portfolio.

Net investment income for the years ended June 30, 2023 and 2022 is summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|---------------------|
| Interest and dividends | \$ 249,035 | \$ 248,938 |
| Net realized gains and income on limited partnerships | - | 120,699 |
| Realized gain (loss) on sale of investments | (426,983) | 3,238,429 |
| Unrealized gain (loss) on investments | <u>1,142,324</u> | <u>(5,278,258)</u> |
| | 964,376 | (1,670,192) |
| Less: Investment (gain) loss with donor restrictions | <u>(755,684)</u> | <u>1,153,099</u> |
| Net Investment Gain (Loss) Without Donor Restrictions | <u>\$ 208,692</u> | <u>\$ (517,093)</u> |

The following summarizes the Academy's investments by Level within the fair value hierarchy used to measure their fair values at June 30, 2023 and 2022 as follows:

| | <u>2023</u> | | | |
|-----------------------------|---------------------|---------------------|----------------|----------------|
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds - fixed income | \$ 4,891,110 | \$ 4,891,110 | \$ - | \$ - |
| Mutual funds - equities | <u>6,650,013</u> | <u>6,650,013</u> | <u>-</u> | <u>-</u> |
| | <u>\$11,541,123</u> | <u>\$11,541,123</u> | <u>\$ -</u> | <u>\$ -</u> |
| | <u>2022</u> | | | |
| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds - fixed income | \$ 7,328,307 | \$ 7,328,307 | \$ - | \$ - |
| Mutual funds - equities | <u>5,910,338</u> | <u>5,910,338</u> | <u>-</u> | <u>-</u> |
| | <u>\$13,238,645</u> | <u>\$13,238,645</u> | <u>\$ -</u> | <u>\$ -</u> |

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023 and 2022 as follows:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Investment income above original gift amount | \$4,739,404 | \$4,438,500 |
| Investment in perpetuity | 4,756,963 | 4,751,963 |
| | \$9,496,367 | \$9,190,463 |

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6 - Endowment Funds (continued)

Changes in the Academy's endowment funds for the years ended June 30, 2023 and 2022 are summarized as follows:

| | 2023 | | |
|---|--|--|---------------------|
| | <u>With Donor Restrictions</u> | | |
| | <u>Investment Income Above Original Gift Amount</u> | <u>Investment in Perpetuity</u> | <u>Total</u> |
| Endowment funds, beginning year | \$4,438,500 | \$4,751,963 | \$9,190,463 |
| Net investment gain | 669,484 | - | 669,484 |
| Contribution received | - | 5,000 | 5,000 |
| Appropriations based on satisfaction of donor restrictions | <u>(368,580)</u> | <u>-</u> | <u>(368,580)</u> |
| Endowment Funds, End of Year | <u>\$4,739,404</u> | <u>\$4,756,963</u> | <u>\$9,496,367</u> |
| | 2022 | | |
| | <u>With Donor Restrictions</u> | | |
| | <u>Investment Income Above Original Gift Amount</u> | <u>Investment in Perpetuity</u> | <u>Total</u> |
| Endowment funds, beginning year | \$6,011,099 | \$4,746,963 | \$10,758,062 |
| Net investment loss | (1,153,099) | - | (1,153,099) |
| Contribution received | - | 5,000 | 5,000 |
| Appropriations based on satisfaction of donor restrictions | <u>(419,500)</u> | <u>-</u> | <u>(419,500)</u> |
| Endowment Funds, End of Year | <u>\$4,438,500</u> | <u>\$4,751,963</u> | <u>\$9,190,463</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, 2023 or 2022.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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>2023</u> | <u>2022</u> |
|--|---------------|------------------|------------------|
| Leasehold improvements | Life of lease | \$ 45,298 | \$ 45,298 |
| Equipment, furniture and fixtures | 5-10 years | 67,097 | 65,428 |
| Website | 5 years | <u>122,291</u> | <u>122,291</u> |
| | | 234,686 | 233,017 |
| Less: Accumulated depreciation and amortization | | <u>(207,030)</u> | <u>(178,623)</u> |
| | | <u>\$ 27,656</u> | <u>\$ 54,394</u> |

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 8 - Donated Services

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

| | 2023 | 2022 |
|-------------|------------------|------------------|
| Advertising | \$469,147 | \$520,355 |
| Consulting | 15,000 | - |
| | \$484,147 | \$520,355 |

The donated services were utilized for the Academy's programs and supporting services, and the values were provided by the donors based on current market rates for similar services or materials.

Note 9 - Operating Lease Liability

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.

Operating lease expense for the years ended June 30, 2023 and 2022 was \$197,356 and \$199,201, respectively. There were no variable lease costs incurred. As of June 30, 2023, the remaining term of the Foundation's operating lease is ninety-six months, and the discount rate is 2.88%.

Maturities of the Organization's operating lease liability as of June 30, 2023 are as follows:

| <u>Year Ending June 30,</u> | |
|---------------------------------------|--------------------|
| 2024 | \$ 193,763 |
| 2025 | 199,576 |
| 2026 | 205,563 |
| 2027 | 211,730 |
| 2028 | 218,082 |
| Thereafter, through June 30, 2031 | 694,291 |
| | 1,723,005 |
| Less: Amount attributable to interest | (192,568) |
| | \$1,530,437 |

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 10 - Contingency**

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

Note 11 - 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 were \$39,678 and \$40,035 for the years ended June 30, 2023 and 2022, respectively.

Note 12 - 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 2023, the Academy received 35% of its contributions from one foundation and one corporation. During 2022, the Academy received 54% of its contributions from three foundations and one corporation. Amounts due from one government agency, two corporations and one individual represented approximately 74% of unconditional promises to give at June 30, 2023. Amounts due from one government agency and one corporation represented approximately 79% of unconditional promises to give at June 30, 2022.