

THE ACADEMY OF AMERICAN POETS, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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.

Lotz + Carr, LLP

New York, New York
February 22, 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			Total Expenses	2022
	Program Services	Fundraising and Membership	Management and General		Total Expenses
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 February 22, 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:

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
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:

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

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>		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
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>		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
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.