

Poets & Writers

Audited Financial Statements

June 30, 2022

Independent Auditors' Report

To the Board of Directors of
Poets & Writers, Inc.

Opinion

We have audited the accompanying financial statements of Poets & Writers, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Organization'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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

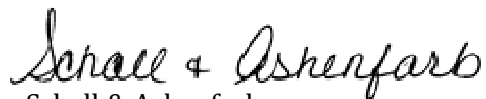
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

November 17, 2022

POETS & WRITERS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Assets		
Cash and cash equivalents	\$666,007	\$732,521
Investments (Note 3)	1,553,002	1,519,401
Government grants receivable	106,230	17,921
Contributions receivable	99,518	269,200
Accounts receivable, net	248,456	85,451
Prepaid expenses and other assets	88,457	47,903
Fixed assets, net (Note 4)	41,963	29,834
Restricted cash (Note 5)	78,006	78,006
Investments held for endowment (Note 3 and 8)	<u>6,069,914</u>	<u>7,043,639</u>
Total assets	<u><u>\$8,951,553</u></u>	<u><u>\$9,823,876</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$417,080	\$243,645
Deferred revenue	714,362	656,316
Deferred rent	254,046	233,517
Total liabilities	<u>1,385,488</u>	<u>1,133,478</u>
Net assets:		
Without donor restrictions:		
Operating	948,151	923,509
Board designated endowment	500,000	500,000
Total net assets without donor restrictions	<u>1,448,151</u>	<u>1,423,509</u>
With donor restrictions:		
Future programs and periods (Note 7)	48,000	223,250
Donor restricted endowment (Note 8)	6,069,914	7,043,639
Total net assets with donor restrictions	<u>6,117,914</u>	<u>7,266,889</u>
Total net assets	<u>7,566,065</u>	<u>8,690,398</u>
Total liabilities and net assets	<u><u>\$8,951,553</u></u>	<u><u>\$9,823,876</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

POETS & WRITERS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	With Donor Restrictions			Total 6/30/22	Total 6/30/21
	Without Donor Restrictions	Future Programs and Periods	Donor Restricted Endowment		
Public support and revenue:					
Contributions	\$718,945	\$104,000		\$104,000	\$822,945
Paycheck Protection Program forgiveness (Note 6)	0			0	408,545
Government grants	445,650			0	445,650
Special event income, net of expenses with a direct benefit to donors	819,429			0	819,429
Subscriptions	604,918			0	604,918
Mailing list rental	22,680			0	22,680
Advertising	1,539,309			0	1,539,309
Interest and dividend income	11,792		\$127,633	127,633	139,425
Book income	0			0	0
Other income	57,025			0	57,025
In-kind services (Note 2i)	25,000			0	25,000
Net assets released from restrictions	509,250	(\$279,250)	(230,000)	(509,250)	0
Total public support and revenue	<u>4,753,998</u>	<u>(175,250)</u>	<u>(102,367)</u>	<u>(277,617)</u>	<u>4,476,381</u>
Expenses:					
Program services	3,592,837			0	3,592,837
Supporting services:					
Management and general	626,292			0	626,292
Fundraising	450,372			0	450,372
Total supporting services	<u>1,076,664</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,076,664</u>
Total expenses	<u>4,669,501</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,669,501</u>
Change in net assets from operations	<u>84,497</u>	<u>(175,250)</u>	<u>(102,367)</u>	<u>(277,617)</u>	<u>(193,120)</u>
Non-operating activity:					
Net gain on investments (Note 3)	(59,855)		(871,358)	(871,358)	(931,213)
Total non-operating activity	<u>(59,855)</u>	<u>0</u>	<u>(871,358)</u>	<u>(871,358)</u>	<u>(931,213)</u>
Change in net assets	24,642	(175,250)	(973,725)	(1,148,975)	(1,124,333)
Net assets - beginning of year	<u>1,423,509</u>	<u>223,250</u>	<u>7,043,639</u>	<u>7,266,889</u>	<u>8,690,398</u>
Net assets - end of year	<u>\$1,448,151</u>	<u>\$48,000</u>	<u>\$6,069,914</u>	<u>\$6,117,914</u>	<u>\$7,566,065</u>

The attached notes and auditors' report are an integral part of these financial statements.

POETS & WRITERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Supporting Services			Total Supporting Services	Total Expenses 6/30/22	Total Expenses 6/30/21
	Program Services	Management and General	Fundraising			
Wages	\$1,153,682	\$283,432	\$200,671	\$484,103	\$1,637,785	\$1,684,517
Payroll taxes and benefits	295,392	72,568	51,380	123,948	419,340	390,944
Professional fees (including in-kind) (Note 2i)	455,264	73,839	40,853	114,692	569,956	546,507
Occupancy	285,105	70,044	49,591	119,635	404,740	416,297
Travel, conferences, and meetings	5,676	3,076	2,909	5,985	11,661	3,490
Publicity and promotion	438,703	4,157	3,305	7,462	446,165	391,876
Office supplies and maintenance	5,970	9,986	1,270	11,256	17,226	24,081
Postage and shipping	3,563	10,062	2,631	12,693	16,256	20,958
Telephone	9,513	2,336	1,655	3,991	13,504	9,516
Insurance	10,411	3,484	2,285	5,769	16,180	8,848
Printing and production	294,552	669		669	295,221	393,194
Magazine distribution	228,521			0	228,521	191,099
Computer and IT expenses	27,107	21,749	4,572	26,321	53,428	51,247
Reading & Workshops writers' fees	254,185			0	254,185	281,155
Prizes and honoraria	117,450			0	117,450	83,000
Annual dinner			240,093	240,093	240,093	15,314
Depreciation expense	7,743	1,902	1,347	3,249	10,992	7,172
Credit card fees and other expenses		63,968		63,968	63,968	63,490
Bad debt		5,020		5,020	5,020	43,142
Total expenses	3,592,837	626,292	602,562	1,228,854	4,821,691	4,625,847
Less: direct special event expenses netted with revenue			(152,190)	(152,190)	(152,190)	0
Total expenses for statement of activities	\$3,592,837	\$626,292	\$450,372	\$1,076,664	\$4,669,501	\$4,625,847

The attached notes and auditors' report are an integral part of these financial statements.

POETS & WRITERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

(With comparative totals for the year ended June 30, 2021)

	6/30/22	6/30/21
Cash flows from operating activities:		
Change in net assets	(\$1,124,333)	\$948,072
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Donated stock	(22,168)	0
Net realized and unrealized gain on investments	931,213	(1,247,344)
Depreciation expense	10,992	7,172
Paycheck Protection Program forgiveness	0	(408,545)
Changes in assets and liabilities:		
Government grants receivable	(88,309)	5,780
Contributions receivable	169,682	555,350
Accounts receivable	(163,005)	149,851
Prepaid expenses and other assets	(40,554)	44,864
Accounts payable and accrued expenses	173,435	(86,536)
Deferred revenue	58,046	(20,094)
Deferred rent	20,529	29,168
Total adjustments	1,049,861	(970,334)
Net cash used for operating activities	(74,472)	(22,262)
Cash flows from investing activities:		
Purchases of investments (including reinvestment of investment income)	(358,589)	(555,759)
Sales of investments	389,668	238,692
Purchase of fixed assets	(23,121)	(18,388)
Net cash provided by/(used for) investing activities	7,958	(335,455)
Net decrease in cash and cash equivalents	(66,514)	(357,717)
Cash, cash equivalents and restricted cash - beginning of year	810,527	1,168,244
Cash, cash equivalents and restricted cash - end of year	\$744,013	\$810,527
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$666,007	\$732,521
Restricted cash	78,006	78,006
Cash, cash equivalents and restricted cash - end of year	\$744,013	\$810,527
Supplemental information:		
Interest and taxes paid	\$0	\$0

The attached notes and auditors' report are an integral part of these financial statements

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization

Poets & Writers, Inc. (the "Organization") is a not-for-profit organization that has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is sustained by contributions from individuals, foundations, corporations, and public funding agencies. Its mission is to foster the professional development of poets and writers, to promote communication throughout the literary community, and to help create an environment in which literature can be appreciated by the widest possible public. The primary sources of funding are public support and advertising in and subscriptions to Poets & Writers Magazine.

The Organization fulfills its mission through the following programs and publications:

- Publications - *Poets & Writers Magazine* delivers to its readers profiles of noted authors and publishing professionals, practical how-to articles, a comprehensive listing of grants and awards for writers, and special sections ranging from self-publishing to writers' conferences. The organization also publishes a series of electronic guides on topics of interest to writers.
- Poets & Writers Online - The Poets & Writers website publishes select content from *Poets & Writers Magazine* as well as online exclusives. It offers tools and resources that help writers get published, promote their work, and connect with the literary community. These include a suite of databases with detailed information about literary magazines, small presses, MFA programs, literary agents, and more; a national calendar of literary events; the Poets & Writers Directory, which lists more than 12,000 published writers; and Poets & Writers Groups, a peer-to-peer networking platform.
- Programs & Partnerships - Readings & Workshops provides mini-grants to writers who participate in public literary events and provides technical assistance to event organizers. The program supports literary events taking place in New York and California, as well as in Atlanta, Chicago, Detroit, Houston, New Orleans, Seattle, Tucson, and Washington, D.C. Mapping the Maze offers online workshops that demystify the publishing process. Get the Word Out is a publicity incubator for debut authors. United States of Writing is an initiative to deepen Poets & Writers' service to writers throughout the U.S. through the above programs.
- Prizes -The Jackson Poetry Prize honors an American poet of exceptional talent. The Maureen Egen Writers Exchange Award introduces emerging writers to the New York City literary community and provides them with a network for professional advancement.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

b. Basis of Presentation

Information regarding financial position and activities is reported according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions. In October 2004, the Board of Directors put aside \$500,000 as a separate board designated endowment.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors for specific purposes or the passage of time and/or must remain intact, in perpetuity.

c. Revenue Recognition

The Organization follows the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-606 for recognizing revenue from contracts with customers. The Organization has subscriptions, mailing list rental, advertising and book income revenue that fall under FASB ASC 606. Each source of revenue is analyzed to determine that there is a contract with the customer that identifies both the performance obligation and the transaction price.

Subscriptions revenue, advertising, and book income proceeds are recognized based on the publication of the magazine or when the sale of an edition or book takes place, and the products are delivered to the customers, therefore the performance obligation is complete. Fees that have not been collected at year end are reflected as accounts receivable. Amounts collected in advance of publishing the magazine are recognized as deferred revenue.

Mailing list rental is recognized when the sale of the use of the Organization's list takes place, and the list is provided to the customer.

The Organization follows FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Organization's government grants are primarily conditional, non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Management has reviewed the collectability of all receivables, factoring in judgement about the creditworthiness and age of the receivable, as well as historical experience. Based on this review, a reserve has been established for potential uncollectible receivables in the amount of \$90,000 for both years ended June 30, 2022 and 2021.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes. Restricted cash and cash equivalents are included as components of total cash and cash equivalents as presented on the statement of cash flows.

e. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash, money market accounts, and investment securities, which are placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes the investment policy is prudent for the long-term welfare of the Organization. At year end and at various times throughout the year, balances were in excess of insured amounts. The Organization did not suffer any losses due to bank failure.

f. Property and Equipment

Purchases of leasehold improvements, equipment, furniture, and fixtures that exceed \$1,500 are capitalized at cost or at fair value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Computers and equipment – 5 years
Furniture and fixtures – 7 years
Leasehold improvements – life of the lease
Website – 3 years

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses are included in non-operating activity on the statement of activities.

h. Fair Value Measurement

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

i. Donated Services and Assets

Donated services are recognized if they create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind. The Organization received contributions of in-kind legal services which were valued at fair market rate for the services provided in the amount of \$25,000 and \$68,218 during the years ended June 30, 2022 and 2021, respectively. Contributed legal services included in management and general on the statement of functional expenses are valued at the estimated fair value based on current standard hourly rates for similar legal services.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the above criteria and have not been recorded in the financial statements.

j. Deferred Rent

The Organization recognizes rent expense evenly over the life of the lease using the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In latter stages of the lease, deferred rent will be reduced as the payments exceed the expense recorded.

k. Advertising

The cost of advertising is expensed as incurred.

l. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following costs are allocated by time and effort:

- Wages
- Payroll taxes and benefits
- Occupancy
- Telephone
- Insurance

All other expenses have been charged directly to the applicable program or supporting services.

n. Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

p. New Accounting Pronouncement

FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Organization is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Investments

The following summarizes the composition of investments:

	<u>June 30, 2022</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash	\$1,541,178	\$1,541,178	\$0
Certificates of deposit	121,019	0	121,019
US Treasury securities	1,169,124	0	1,169,124
US Securitized debt	565,990	0	565,990
US Bond funds	335,397	335,397	0
Foreign corporate bonds	81,436	0	81,436
US Equities	3,227,238	3,227,238	0
Foreign equities	<u>581,534</u>	<u>581,534</u>	<u>0</u>
Total	<u>\$7,622,916</u>	<u>\$5,685,347</u>	<u>\$1,937,569</u>

June 30, 2021

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash	\$1,446,990	\$1,446,990	\$0
Certificates of deposit	210,055	0	210,055
US Treasury securities	1,607,449	0	1,607,449
US Bond funds	408,682	408,682	0
Foreign corporate bonds	81,674	0	81,674
US Equities	3,942,755	3,942,755	0
Foreign equities	<u>865,435</u>	<u>865,435</u>	<u>0</u>
Total	<u>\$8,563,040</u>	<u>\$6,663,862</u>	<u>\$1,899,178</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Net gain on investments consists of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Unrealized gain	(\$1,333,389)	\$796,896
Realized gain	471,894	450,448
Investment fees	<u>(69,718)</u>	<u>(66,680)</u>
Net gain on investments	<u>(\$931,213)</u>	<u>\$1,180,664</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Computers and equipment	\$118,701	\$95,580
Furniture and fixtures	42,784	42,784
Leasehold improvements	93,995	93,995
Website	<u>155,190</u>	<u>155,190</u>
	410,670	387,549
Less: accumulated depreciation	<u>(368,707)</u>	<u>(357,715)</u>
Total fixed assets, net	<u>\$41,963</u>	<u>\$29,834</u>

Note 5 - Restricted Cash

The Organization has a certificate of deposit with a bank which it pledges as collateral for its leased property.

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Organization obtained a loan from the SBA in the amount of \$408,545 through the Paycheck Protection Program. Terms of the loan indicated that if certain conditions were met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are not less than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven.

The Organization accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional grant. The conditions for forgiveness on this loan were met during the year ended June 30, 2021 and the full amount was recognized as revenue in during the year then ended.

Note 7 - Net Assets With Donor Restrictions

The following summarizes the nature of net assets with donor restrictions:

	<u>6/30/22</u>	<u>6/30/21</u>
Programs:		
United States of Writing	<u>\$48,000</u>	<u>\$20,000</u>
Total programs	48,000	20,000
Time restricted	<u>0</u>	<u>203,250</u>
Total for future programs and periods	<u>48,000</u>	<u>223,250</u>
Endowment:		
Corpus:		
General endowment	1,136,991	1,136,991
Frances Abbey endowment	265,000	265,000
Galen Williams endowment	266,750	266,750
Jackson Prize endowment	<u>2,277,014</u>	<u>2,277,014</u>
Total corpus	<u>3,945,755</u>	<u>3,945,755</u>
Endowment earnings:		
General endowment	406,199	674,245
Frances Abbey endowment	89,351	150,900
Galen Williams endowment	47,051	101,556
Jackson Prize endowment	<u>1,581,558</u>	<u>2,171,183</u>
Total endowment earnings	<u>2,124,159</u>	<u>3,097,884</u>
Total endowment	<u>6,069,914</u>	<u>7,043,639</u>
Total net assets with donor restrictions	<u>\$6,117,914</u>	<u>\$7,266,889</u>

Net assets were released from donor restrictions by satisfying the following purposes:

	<u>6/30/22</u>	<u>6/30/21</u>
Programs and time periods:		
United States of Writing	\$76,000	\$62,500
Literary Network	0	26,706
Office Equipment	0	10,000
Writers Exchange Award	0	15,000
Reading/Workshops Program	<u>0</u>	<u>1,094</u>
Total programs	76,000	115,300
Time restricted	<u>203,250</u>	<u>325,762</u>
Total future programs and time periods	<u>279,250</u>	<u>441,062</u>
Endowment:		
General endowment income	83,742	85,138
Frances Abbey endowment income	19,229	19,550
Galen Williams endowment income	17,029	17,312
Jackson Prize endowment income	<u>110,000</u>	<u>110,000</u>
Total endowment	<u>230,000</u>	<u>232,000</u>
Total	<u>\$509,250</u>	<u>\$673,062</u>

Note 8 - Investments Held for Endowment

The Organization’s endowment includes one general fund, three individual funds to be held indefinitely and board designated funds for the growth of the endowment. The income from these investments can be used to support specific activities and provide fellowships.

Interpretation of Relevant Law

The Organization follows New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which the Board of Directors has interpreted as requiring certain amounts to be retained in perpetuity. Absent explicit donor stipulations to the contrary, the Organization will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Organization has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Organization classifies as endowment corpus (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 the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure; therefore, they have been classified in the class of net assets with donor restrictions.

Spending Policies

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization;
- (7) The investment policies of the Organization;
- (8) 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 Organization.

The Organization has a policy of appropriating for distribution each year, 5% of its endowment funds, calculated on the basis of market values determined at least quarterly, and averaged over a period of five years, immediately preceding the year in which the appropriation for expenditure is made.

Changes in endowment net assets consisted of:

	June 30, 2022		
	Endowment <u>Earnings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment assets, beginning of year	\$3,097,884	\$3,945,755	\$7,043,639
Interest and dividend income	127,633	0	127,633
Net gain on investments	(871,358)	0	(871,358)
Appropriation of endowment assets for expenditure	<u>(230,000)</u>	<u>0</u>	<u>(230,000)</u>
Endowment net assets, end of year	<u>\$2,124,159</u>	<u>\$3,945,755</u>	<u>\$6,069,914</u>
	June 30, 2021		
	Endowment <u>Earnings</u>	Endowment <u>Corpus</u>	<u>Total</u>
Endowment assets, beginning of year	\$2,092,849	\$3,945,755	\$6,038,604
Interest and dividend income	122,972	0	122,972
Net gain on investments	1,114,063	0	1,114,063
Appropriation of endowment assets for expenditure	<u>(232,000)</u>	<u>0</u>	<u>(232,000)</u>
Endowment net assets, end of year	<u>\$3,097,884</u>	<u>\$3,945,755</u>	<u>\$7,043,639</u>

Endowment net asset composition by type of fund consisted of:

	<u>June 30, 2022</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment assets:			
General endowment	\$406,199	\$1,136,991	\$1,543,190
Frances Abbey	89,350	265,000	354,350
Galen Williams	47,050	266,750	313,800
Jackson Prize	<u>1,581,560</u>	<u>2,277,014</u>	<u>3,858,574</u>
	<u>\$2,124,259</u>	<u>\$3,945,755</u>	<u>\$6,069,914</u>
	<u>June 30, 2021</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment assets:			
General endowment	\$674,245	\$1,136,991	\$1,811,236
Frances Abbey	150,900	265,000	415,900
Galen Williams	101,556	266,750	368,306
Jackson Prize	<u>2,171,183</u>	<u>2,277,014</u>	<u>4,448,197</u>
	<u>\$3,097,884</u>	<u>\$3,945,755</u>	<u>\$7,043,639</u>

Endowment Investment Policies

The Organization has adopted an investment policy for endowment assets that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

At various times throughout the year, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

Note 9 - Program Services Expenses

The costs of providing the Organization's services have been summarized on a functional basis and have been allocated among the programs and supporting services. Program services expenses consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Publications	\$2,327,209	\$2,349,176
Poets & Writers Online	491,417	415,016
Programs & Partnerships and Prizes	<u>774,211</u>	<u>723,541</u>
Total program services expenses	<u>\$3,592,837</u>	<u>\$3,487,733</u>

Note 10 - Commitments

Office space in New York is occupied under a non-cancelable lease for specified base rents plus certain escalations including real estate taxes. The initial lease period covered the period through March 2018 but was extended through July 31, 2028.

Minimum future obligations are as follows:

	<u>Amount</u>
Year ending: June 30, 2023	\$371,057
June 30, 2024	404,252
June 30, 2025	414,359
June 30, 2026	424,718
June 30, 2027	435,336
Thereafter	<u>484,097</u>
Total	<u>\$2,533,819</u>

Rent expense was approximately \$376,000 and \$375,000 for the years ended June 30, 2022 and 2021, respectively.

Note 11 - Pension Plan

The Organization offers a 403(b) thrift-savings plan covering full-time employees who have completed at least one year of service. Employees who participate in the plan may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. The Organization can make a discretionary annual employer contribution for each participating employee equal to 2% of their annual salary. There were no discretionary employer contributions for the years ended June 30, 2022 and 2021.

Note 12 - Availability and Liquidity

Financial assets that are available for general expenditure within one year of the date of the statement of financial position can be summarized as follows:

Cash and cash equivalents	\$666,007	
Investments	1,553,002	
Government grants receivable	106,230	
Contributions receivable	99,518	
Accounts receivable	<u>248,456</u>	
Total financial assets		\$2,673,213
Less amounts not available for general expenditures:		
Board designated reserve	(500,000)	
Donor restrictions for future programs	<u>(48,000)</u>	
Total amounts not available for general expenditures		(548,000)
Amounts appropriated by the Board of of Directors for fiscal year 2023 operations		<u>270,000</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,395,213</u>

The Organization's endowment funds are held for long term purposes and consist of a donor-restricted endowment and a board designated endowment. While these assets are not considered available for general expenditures by management, the board restricted endowment can be made available if the need arises.

Note 13 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of the financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.

Note 14 - Subsequent Events

Subsequent events have been evaluated through November 17, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.