

THE ACADEMY OF AMERICAN POETS, INCORPORATED

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2011 AND 2010

THE ACADEMY OF AMERICAN POETS, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Academy of American Poets, Incorporated (a not-for-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Academy of American Poets, Incorporated as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
October 6, 2011

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents (Notes 1b and 12)	\$ 549,626	\$ -	\$ -	\$ 549,626	\$ 484,153	\$ -	\$ -	\$ 484,153
Unconditional promises to give (Notes 1c and 3)	405,667	36,480	-	442,147	349,530	72,867	-	422,397
Receivables and other assets	86,229	-	-	86,229	26,291	-	-	26,291
Investments, at market value (Notes 1d, 4, 5 and 12)	400,491	1,734,172	4,661,963	6,796,626	601,619	1,674,237	4,646,963	6,922,819
Property and equipment, at cost (net of accumulated depreciation) (Notes 1e and 6)	58,273	-	-	58,273	11,996	-	-	11,996
Interest in copyrights, net of accumulated amortization (Notes 1f and 8)	14,450	-	-	14,450	16,150	-	-	16,150
Security deposit	41,867	-	-	41,867	66,143	-	-	66,143
Total Assets	\$ 1,556,603	\$1,770,652	\$ 4,661,963	\$7,989,218	\$ 1,555,882	\$1,747,104	\$ 4,646,963	\$7,949,949
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 119,011	\$ -	\$ -	\$ 119,011	\$ 136,893	\$ -	\$ -	\$ 136,893
Deferred rent (Note 1i)	32,507	-	-	32,507	5,613	-	-	5,613
Total Liabilities	151,518	-	-	151,518	142,506	-	-	142,506
Commitment and Contingency (Notes 9 and 10)								
Net Assets, as restated (Notes 2, 5 and 13)								
Unrestricted								
Board-designated reserves	402,975	-	-	402,975	444,435	-	-	444,435
Other	1,002,110	-	-	1,002,110	968,941	-	-	968,941
Total Unrestricted	1,405,085	-	-	1,405,085	1,413,376	-	-	1,413,376
Temporarily restricted	-	1,770,652	-	1,770,652	-	1,747,104	-	1,747,104
Permanently restricted	-	-	4,661,963	4,661,963	-	-	4,646,963	4,646,963
Total Net Assets	1,405,085	1,770,652	4,661,963	7,837,700	1,413,376	1,747,104	4,646,963	7,807,443
Total Liabilities and Net Assets	\$ 1,556,603	\$1,770,652	\$ 4,661,963	\$7,989,218	\$ 1,555,882	\$1,747,104	\$ 4,646,963	\$7,949,949

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Public Support								
Contributions (Note 7)	\$ 380,214	\$ -	\$ 15,000	\$ 395,214	\$ 395,531	\$ -	\$ 57,600	\$ 453,131
Membership dues (Note 1g)	433,645	-	-	433,645	437,104	-	-	437,104
Grants	42,500	160,228	-	202,728	74,500	180,032	-	254,532
Benefit event income, net of direct expenses of \$64,644 (2011) and \$76,529 (2010)	123,785	-	-	123,785	139,027	-	-	139,027
Ticket sales	76,668	-	-	76,668	69,483	-	-	69,483
Net investment income (Note 4)	29,015	441,091	-	470,106	66,791	296,341	-	363,132
Other income	127,253	-	-	127,253	140,527	-	-	140,527
Net assets released from restrictions - accumulated investment earnings	321,635	(321,635)	-	-	290,187	(290,187)	-	-
Net assets released from restrictions - grants and contributions	297,596	(297,596)	-	-	124,581	(124,581)	-	-
Reclassification based on donor-restriction	-	-	-	-	-	(25,000)	25,000	-
Total Revenue, Gains and Public Support	1,832,311	(17,912)	15,000	1,829,399	1,737,731	36,605	82,600	1,856,936
Expenses								
Program Services	1,341,073	-	-	1,341,073	1,205,050	-	-	1,205,050
Supporting Services								
Fundraising and membership	210,644	-	-	210,644	243,995	-	-	243,995
Management and general	247,425	-	-	247,425	196,229	-	-	196,229
Total Expenses	1,799,142	-	-	1,799,142	1,645,274	-	-	1,645,274
Increase (Decrease) in Net Assets from Operations	33,169	(17,912)	15,000	30,257	92,457	36,605	82,600	211,662
Contributions to board-designated reserves	-	-	-	-	94,885	-	-	94,885
Reclassification based on change in state endowment law (Notes 2b, 2c, and, 5)	(41,460)	41,460	-	-	-	-	-	-
Increase (Decrease) in Net Assets	(8,291)	23,548	15,000	30,257	187,342	36,605	82,600	306,547
Net assets, beginning of year, as previously reported	1,463,376	1,747,104	4,596,963	7,807,443	1,226,034	1,710,499	4,564,363	7,500,896
Prior period adjustment (Note 13)	(50,000)	-	50,000	-	-	-	-	-
Net assets, beginning of year, as restated	1,413,376	1,747,104	4,646,963	7,807,443	1,226,034	1,710,499	4,564,363	7,500,896
Net Assets, End of Year	\$ 1,405,085	\$1,770,652	\$ 4,661,963	\$7,837,700	\$ 1,413,376	\$1,747,104	\$ 4,646,963	\$7,807,443

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 30,257	\$ 306,547
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation and amortization expense	12,791	13,043
Donated securities	-	(21,928)
Net realized gains on investments and limited partnership income	(127,696)	(108,151)
Net unrealized gains on investments	(253,743)	(168,630)
(Increase) decrease in:		
Unconditional promises to give	(19,750)	(221,234)
Receivables and other assets	(59,938)	1,693
Security deposit	24,276	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,882)	15,284
Deferred rent	26,894	(8,897)
Net Cash Used By Operating Activities	<u>(384,791)</u>	<u>(192,273)</u>
Cash Flows From Investing Activities		
Purchase of investments	(1,556,951)	(86,248)
Proceeds from sale of investments	2,064,583	496,993
Purchase of property and equipment	(57,368)	-
Net Cash Provided By Investing Activities	<u>450,264</u>	<u>410,745</u>
Net increase in cash and cash equivalents	65,473	218,472
Cash and cash equivalents, beginning of year	<u>484,153</u>	<u>265,681</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 549,626</u></u>	<u><u>\$ 484,153</u></u>

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****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 poetry. To fulfill this mission, the Academy administers a wide variety of programs, including: National Poetry Month, Online Poetry Classroom, poetry readings and events, Poetry Audio Archive, High School Poetry Workshops, American Poet magazine, and Poets.org, an award-winning website. 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.

The Academy's main sources of support and revenue are from grants, contributions and investment income.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Academy considers all highly liquid debt instruments purchased with a 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

Grants and contributions are recognized when the donor makes a promise to give to the Academy that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Academy uses the allowance method to determine uncollectible promises to give. The allowance 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, 2011 AND 2010****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments**

The Academy reflects investments at fair value in the statement of financial position. Interest, dividends, realized and unrealized gains and losses on investments that are restricted by a donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Academy. Unobservable inputs reflect the assumptions developed by the Academy based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The Academy's investments in cash, money market and mutual funds are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

The Academy's investments in limited partnerships and investment companies are classified within Levels 2 and 3 of the fair value hierarchy. The value of these investments are determined by the general partners and management of the companies, based on quoted prices for similar assets and on the underlying net assets. Redemption of these investments are subject to certain withdrawal restrictions, which permit withdrawal only on specified dates during each calendar year.

Certain limited partnership investments are classified under Level 3 because they are traded infrequently (or not at all) and therefore have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized, and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

e - 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. Immaterial expenditures for furniture and equipment are expensed as incurred.

f - Interest in Copyrights

Copyrights were recorded at fair value at the time they were received by bequest and are being amortized over 15 years on a straight line basis.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**g - Membership Dues

Membership dues are received in support of the Academy's programs and operations, and accordingly, are recorded as contribution revenue (Note 1c).

h - Advertising Expense

Advertising costs are charged to operations when incurred. Total advertising expense was \$30,394 and \$18,013 for the years ended June 30, 2011 and 2010, of which \$28,420 (2011) and \$17,360 (2010) was donated (Note 6).

i - Deferred Rent

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

j - Financial Statement Presentation

The Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

k - Use of Estimates

The preparation of financial statements in conformity 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.

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 is subject to income tax on unrelated business income derived from certain income generated by its limited partnership investments. Management believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions that are material to the financial statements.

m - Subsequent Events

The Academy' has evaluated subsequent events through October 6, 2011, the date that the financial statements are considered available to be issued.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 2 - Restrictions on Assets

a - Net Assets

Net assets at June 30 are summarized as follows:

	<u>2011</u>				<u>2010</u>	
	<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		<u>Total</u>
	<u>Board Designated Reserves</u>	<u>Other Unrestricted</u>				
Operating	\$ -	\$1,002,110	\$ -	\$ -	\$1,002,110	\$ 968,941
Organizational stabilization/ future operations	141,590	-	-	-	141,590	141,590
Development Capacity Reserve Fund	115,000	-	-	-	115,000	115,000
Marie Bullock reserves	146,385	-	-	-	146,385	146,385
Endowed Programs						
Wallace Stevens Award	-	-	814,939	2,000,000	2,814,939	2,757,126
Lenore Marshall Poetry Prize	-	-	409,220	600,000	1,009,220	972,824
James Laughlin Award	-	-	106,270	500,000	606,270	589,961
University and College Poetry Prizes	-	-	121,017	590,303	711,320	696,540
American Poets Grants	-	-	101,995	75,560	177,555	168,459
Harold Taylor Fund - High School Poetry Workshops and College Prizes	-	-	3,674	30,000	33,674	31,246
Landon Translation Award	-	-	3,307	30,000	33,307	30,905
Other award - established by bequest	-	-	-	50,000	50,000	50,000
Ford Foundation operating endowment	-	-	-	500,000	500,000	500,000
Merrill endowment	-	-	158,106	231,000	389,106	372,175
College Prize Anthology Fund	-	-	2,340	30,100	32,440	30,100
Poetry Forum Fund	-	-	-	25,000	25,000	25,000
Future Programs and Periods						
Italian Translation Award	-	-	13,304	-	13,304	22,054
American Poets magazine	-	-	20,000	-	20,000	17,500
Operating	-	-	16,480	-	16,480	171,637
Total, June 30, 2011	<u>\$402,975</u>	<u>\$1,002,110</u>	<u>\$1,770,652</u>	<u>\$4,661,963</u>	<u>\$7,837,700</u>	
Total, June 30, 2010	<u>\$444,435</u>	<u>\$ 968,941</u>	<u>\$1,747,104</u>	<u>\$4,646,963</u>		<u>\$7,807,443</u>

b - Board-Designated Reserves

Board-designated reserves consist of the following:

	<u>2011</u>	<u>2010</u>
Marie Bullock reserves	\$146,385	\$146,385
Organizational stabilization reserves/ future operations	141,590	141,590
Development Capacity Reserve Fund	115,000	115,000
Endowed program reserves	-	41,460
	<u>\$402,975</u>	<u>\$444,435</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****Note 2 - Restrictions on Assets (continued)****b - Board-Designated Reserves (continued)**

- 1 - In 2003, the Academy established a reserve from the proceeds from the sale of the library collection originally donated by Marie Bullock. For the year ended June 30, 2010, specific contributions and bequests totaling \$94,885 were added to these reserves
- 2 - In 2004, the Academy set aside specific contributions totaling \$141,590 as a reserve for organizational stabilization and as a fund for future programs.
- 3 - In 2005, the Academy set aside funds totaling \$115,000 as a reserve for membership and fundraising development. Each fiscal year, the Board will use its discretion in appropriating certain amounts for the Academy's operations or for specific programs.
- 4 - In order to preserve the spending power of its investments related to its endowed award programs, the Academy exercises its discretion over amounts of accumulated restricted investment income to be allocated to operations after satisfying donor restrictions. In 2004, reserves were established in the amount of \$41,460, representing investment income designated by the Board for these endowed award programs. During the year ended June 30, 2011, these accumulated earnings were reclassified to temporarily restricted net assets as a result of a change in state law related to endowment funds (Note 5).

c - Temporarily Restricted Net Assets

Temporarily restricted net assets represent grants and contributions, as well as accumulated investment income, restricted to future programs and periods in accordance with donor designations.

During the year ended June 30, 2011, as a result of a change in state law related to endowment funds (Note 5), \$41,460 of board-designated funds (Note 2b) were required to be reclassified to temporarily restricted net assets.

d - Permanently Restricted Net Assets

Permanently restricted net assets are restricted by donors for use as endowment funds. The income earned on the principal is restricted to specific programs of the Academy, or for its general operations, as indicated by each donor.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$445,245	\$402,780
One to five years	-	22,000
	<u>445,245</u>	<u>424,780</u>
Less: Discount to present value	-	(2,383)
	<u>\$445,245</u>	<u>\$422,397</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give at June 30, 2010 are discounted to net present value using a discount rate of 5%.

Note 4 - Investments

Investments consist of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Money market funds and invested cash	\$ 180,954	\$ 180,954	\$1,521,590	\$1,521,590
Mutual funds - fixed income	2,541,671	2,447,264	2,359,343	2,258,900
Mutual funds - equities	451,680	460,149	-	-
Limited partnerships and investment companies	<u>3,622,321</u>	<u>3,504,887</u>	<u>3,041,886</u>	<u>3,192,700</u>
	<u>\$6,796,626</u>	<u>\$6,593,254</u>	<u>\$6,922,819</u>	<u>\$6,973,190</u>

Investment income for the years ended June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 88,667	\$ 86,351
Limited partnership income	116,786	108,151
Realized gain on investments	10,910	-
Unrealized gain on investments	<u>253,743</u>	<u>168,630</u>
Total	470,106	363,132
Less: Temporarily restricted investment income	<u>(441,091)</u>	<u>(296,341)</u>
Unrestricted Investment Income	<u>\$ 29,015</u>	<u>\$ 66,791</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 4 - Investments (continued)

The following summarizes the Academy's investments by Levels within the fair value hierarchy used to measure their fair values at June 30, 2011 and 2010 as follows:

	2011			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and invested cash	\$ 180,954	\$ 180,954	\$ -	\$ -
Mutual funds - fixed income	2,541,671	2,541,671	-	-
Mutual funds - equities	451,680	451,680	-	-
Limited partnerships and investment companies	<u>3,622,321</u>	<u>-</u>	<u>1,767,129</u>	<u>1,855,192</u>
	<u>\$6,796,626</u>	<u>\$3,174,305</u>	<u>\$1,767,129</u>	<u>\$1,855,192</u>
	2010			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and invested cash	\$1,521,590	\$1,521,590	\$ -	\$ -
Mutual funds - fixed income	2,359,343	2,359,343	-	-
Limited partnerships and investment companies	<u>3,041,886</u>	<u>-</u>	<u>1,375,288</u>	<u>1,666,598</u>
	<u>\$6,922,819</u>	<u>\$3,880,933</u>	<u>\$1,375,288</u>	<u>\$1,666,598</u>

The following summarizes changes in fair value of the Academy's Level 3 assets for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$1,666,598	\$2,534,105
Realized gains (losses)	80,720	(13,269)
Unrealized gains	107,874	145,762
Proceeds from sale of assets	<u>-</u>	<u>(1,000,000)</u>
Balance, End of Year	<u>\$1,855,192</u>	<u>\$1,666,598</u>

Note 5 - Endowment Funds

The Academy's endowment consists of several different funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 5 - Endowment Funds (continued)

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Academy. Prior to the enactment of NYPMIFA, a portion of the donor-restricted endowments not yet appropriated for expenditure was classified as part of unrestricted net assets, as board-designated funds (Note 2b-4). During the year June 30, 2011, these accumulated earnings were reclassified to temporarily restricted net assets.

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 donor-restricted and are summarized by net asset classification at June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ -	\$ 41,460
Temporarily restricted	1,720,868	1,535,913
Permanently restricted	<u>4,661,963</u>	<u>4,646,963</u>
	<u>\$6,382,831</u>	<u>\$6,224,336</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 5 - Endowment Funds (continued)

Changes in the Academy's endowment funds for the years ended June 30, 2011 and 2010 are summarized as follows:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning year	\$41,460	\$1,535,913	\$4,646,963	\$6,224,336
Net investment income	-	441,091	-	441,091
Contributions received	-	-	15,000	15,000
Redesignation by donor to endowment	-	-	-	-
Reclassification based on change in state law	(41,460)	41,460	-	-
Appropriations based on satisfaction of donor restrictions	-	(297,596)	-	(297,596)
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$1,720,868</u>	<u>\$4,661,963</u>	<u>\$6,382,831</u>

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning year	\$41,460	\$1,529,759	\$4,564,363	\$6,135,582
Net investment income	-	296,341	-	296,341
Contributions received	-	-	57,600	57,600
Reclass of net assets	-	-	25,000	25,000
Reclassification based on donor restriction	-	(290,187)	-	(290,187)
Endowment Funds, End of Year	<u>\$41,460</u>	<u>\$1,535,913</u>	<u>\$4,646,963</u>	<u>\$6,224,336</u>

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 a 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 OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 5 - Endowment Funds (continued)

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 five per cent of the value of the funds' assets, using a 12-quarter moving average. However, if the amount necessary to satisfy a donor's intent is greater than five per cent of the value of a fund's assets, then that amount will be spent. If a fund is reduced to its corpus then the Academy may suspend the related program or function until such time as the value of the fund's assets rises above the corpus, or alternatively, when appropriate and consistent with the donor's intent, the fund may be temporarily or permanently amended, or the expenses may be covered by current operations.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Leasehold improvements	Life of lease	\$49,379	\$ 36,631
Equipment, furniture and fixtures	5-10 years	66,880	54,809
Website	3 years	<u>27,615</u>	<u>27,615</u>
		143,874	119,055
Less: Accumulated depreciation		<u>(85,601)</u>	<u>(107,059)</u>
		<u>\$58,273</u>	<u>\$ 11,996</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$11,091 and \$11,343, respectively.

Note 7 - Donated Services and Materials

During the years ended June 30, 2011 and 2010, the Academy received the following donated services which have been reflected in the accompanying financial statements as contribution revenue and expenses:

	<u>2011</u>	<u>2010</u>
Advertising	\$28,420	\$17,360
Paper	7,040	-
Professional fees	-	<u>11,500</u>
	<u>\$35,460</u>	<u>\$28,860</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Note 8 - Interest in Copyrights

Through a bequest received in 2005, the Academy received a partial interest in future royalties generated by a collection of songwriting copyrights. The Academy's interest in these copyrights was valued at \$25,500, which is being amortized over its estimated useful life. Amortization expense was \$1,700 for each of the years ended June 30, 2011 and 2010. At June 30, 2011 and 2010, the unamortized balance is \$14,450 and \$16,150, respectively. During the years ended June 30, 2011 and 2010, the Academy received royalties amounting to \$6,643 and \$7,506, respectively, pursuant to its interest in these copyrights.

Note 9 - Commitment and Contingency

a - The Academy occupied office space under a lease which expired December 31, 2010. During the year ended June 30, 2011, the Academy relocated its office and entered into a lease agreement which expires May 31, 2021. Approximate minimum annual obligations under this lease agreement are as follows:

<u>Year Ending June 30,</u>	
2012	\$102,000
2013	105,000
2014	108,000
2015	121,000
2016	124,000
Thereafter, through May 31, 2021	672,000

Rent expense for the years ended June 30, 2011 and 2010 was \$131,650 and \$139,449, respectively.

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

Note 10 - Defined Contribution Plan

The Academy has a 403(b) tax deferred annuity plan. The Academy contributes 6% of an eligible employee's salary to the plan. Total expenses under the plan were \$24,193 and \$21,080 for the years ended June 30, 2011 and 2010, respectively.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****Note 11 - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 12 - Concentration of Credit Risk

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.

Note 13 - Prior Period Adjustment

Net assets as of July 1, 2010 were restated to reclassify a \$50,000 bequest towards a permanently restricted endowment which had been incorrectly recorded as unrestricted net assets.

ADDITIONAL INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

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

Our report on our audits of the basic financial statements of The Academy of American Poets, Incorporated for 2011 and 2010 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2011 with comparative totals for 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
October 6, 2011

THE ACADEMY OF AMERICAN POETS, INCORPORATED

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Programs	Supporting Services		2011	2010
		Fundraising and Membership	Management and General	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 455,120	\$ 32,278	\$ 158,162	\$ 645,560	\$ 592,676
Employee benefits	60,775	4,310	21,120	86,205	74,815
Fees to artists	33,260	-	-	33,260	31,795
Awards and grants	208,925	-	-	208,925	187,550
Advertising and printing	103,200	78,413	-	181,613	173,269
Dinners and receptions	5,831	-	-	5,831	16,497
Occupancy	92,814	6,583	32,255	131,652	139,449
Travel and lodging	32,989	1,336	5,454	39,779	33,352
Professional fees	34,259	34,853	-	69,112	55,683
Lecture hall rental	14,720	-	-	14,720	11,560
Technical production	59,241	-	-	59,241	64,791
Supplies and telephone	34,934	2,478	12,140	49,552	43,571
Legal and audit	16,308	1,157	5,667	23,132	14,171
Postage and mailings	90,437	38,820	-	129,257	115,280
Book purchases	30,625	416	-	31,041	10,983
Photography and program supplies	33,166	7,797	-	40,963	36,448
Miscellaneous	9,003	638	6,852	16,493	12,404
Equipment	7,598	539	2,641	10,778	11,698
Program development	154	387	-	541	469
Member benefits	8,696	-	-	8,696	5,770
Total expenses before depreciation and amortization	1,332,055	210,005	244,291	1,786,351	1,632,231
Depreciation and amortization	9,018	639	3,134	12,791	13,043
Total Expenses, 2011	<u>\$1,341,073</u>	<u>\$ 210,644</u>	<u>\$ 247,425</u>	<u>\$1,799,142</u>	
Total Expenses, 2010	<u>\$1,205,050</u>	<u>\$ 243,995</u>	<u>\$ 196,229</u>		<u>\$1,645,274</u>

See independent auditors' report on additional information.