

THE ACADEMY OF AMERICAN POETS, INCORPORATED

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2006

THE ACADEMY OF AMERICAN POETS, INCORPORATED

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of The Academy of American Poets, Incorporated (a not-for-profit corporation) as of June 30, 2006, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated August 24, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
August 23, 2006

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR 2005

	2006			2005
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents (Notes 1b and 11)	\$ 80,405	\$ -	\$ -	\$ 80,405
Unconditional promises to give (Notes 1c and 3)	93,159	74,705	-	167,864
Receivables and other assets	12,844	-	-	12,844
Investments, at market value (Notes 1d, 4 and 11)	788,563	1,518,588	4,496,463	6,803,614
Property and equipment, at cost (net of accumulated depreciation) (Notes 1e and 5)	59,604	-	-	59,604
Interest in copyrights, net of accumulated amortization (Notes 1f and 7)	22,950	-	-	22,950
Security deposit	66,143	-	-	66,143
Total Assets	\$ 1,123,668	\$ 1,593,293	\$ 4,496,463	\$7,213,424
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 122,316	\$ -	\$ -	\$ 122,316
Deferred rent (Note 8a)	23,416	-	-	23,416
Total Liabilities	145,732	-	-	145,732
Commitments and Contingency (Notes 8 and 9)				
Net Assets (Note 2)				
Unrestricted				
Board designated reserves	349,550	-	-	349,550
Other unrestricted	628,386	-	-	628,386
	977,936	-	-	977,936
Temporarily restricted	-	1,593,293	-	1,593,293
Permanently restricted	-	-	4,496,463	4,496,463
Total Net Assets	977,936	1,593,293	4,496,463	7,067,692
Total Liabilities and Net Assets	\$ 1,123,668	\$ 1,593,293	\$ 4,496,463	\$7,213,424

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR 2005

	2006			2005	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenue, Gains (Losses) and Public Support From Operating Activities					
Contributions (Note 6)	\$ 424,951	\$ -	\$ 45,000	\$ 469,951	\$ 530,003
Membership dues (Note 1g)	548,807	-	-	548,807	441,851
Grants	113,741	28,508	-	142,249	169,500
Benefit event income, net of direct expenses of \$31,268 (2006) and \$32,536 (2005)	66,747	-	-	66,747	85,589
Ticket sales	55,261	-	-	55,261	57,066
Net investment income (Note 4)	250,817	212,641	-	463,458	484,730
Direct investment expense	-	-	-	-	(7,392)
Other income	142,092	-	-	142,092	144,884
Net assets released from restriction	68,524	(68,524)	-	-	-
Total Revenue, Gains and Public Support From Operating Activities	1,670,940	172,625	45,000	1,888,565	1,906,231
Expenses					
Programs	1,125,104	-	-	1,125,104	1,274,421
Fundraising and membership	267,060	-	-	267,060	187,751
Management and general	272,157	-	-	272,157	261,069
Total Expenses	1,664,321	-	-	1,664,321	1,723,241
Increase in net assets	6,619	172,625	45,000	224,244	182,990
Net assets, beginning of year	971,317	1,420,668	4,451,463	6,843,448	6,660,458
Net Assets, End of Year	\$ 977,936	\$ 1,593,293	\$ 4,496,463	\$7,067,692	\$6,843,448

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Net increase in net assets	\$ 224,244	\$ 182,990
Adjustments to reconcile changes in net assets to net cash flows provided (used) by operating activities:		
Depreciation and amortization expense	21,268	15,431
Donation of interest in copyrights	-	(25,500)
Net realized gains on investments	-	(34,378)
Net unrealized gains on investments	(107,340)	(245,937)
(Increase) decrease in:		
Unconditional promises to give	23,508	(21,122)
Receivables and other assets	7,874	12,607
Increase (decrease) in:		
Accounts payable and accrued expenses	17,944	(38,784)
Deferred rent	2,676	5,361
Net Cash Provided (Used) By Operating Activities	<u>190,174</u>	<u>(149,332)</u>
Cash Flows From Investing Activities		
Purchase of investments	(414,859)	(1,789,360)
Proceeds from sale of investments	285,325	1,777,010
Purchase of property and equipment	(4,796)	(41,640)
Net Cash Used By Investing Activities	<u>(134,330)</u>	<u>(53,990)</u>
Net increase (decrease) in cash and cash equivalents	55,844	(203,322)
Cash and cash equivalents, beginning of year	<u>24,561</u>	<u>227,883</u>
Cash and Cash Equivalents, End of Year	<u>\$ 80,405</u>	<u>\$ 24,561</u>

See notes to financial statements.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Academy of American Poets, Incorporated ("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 and 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. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

d - Investments

The Academy reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are included in the change in net assets. Interest, dividends, gains, and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

g - Membership Dues

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

h - Advertising Expense

Advertising costs are charged to operations when incurred. Total advertising expense was \$27,958 and \$47,855 for the years ended June 30, 2006 and 2005, respectively, of which \$25,850 (2006) and \$43,329 (2005) was donated (Note 6).

i - 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.

j - 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.

k - 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.

l - Prior Year Information

The financial information shown for 2005 in the accompanying financial statements is included to provide a basis of comparison with 2006 and presents summarized totals only. The 2005 amounts are not intended to include all the information necessary for a fair presentation in accordance with generally accepted accounting principles. Certain amounts have been reclassified for purposes of comparison.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 2 - Restrictions on Assetsa - Net Assets

Net assets at June 30 are summarized as follows:

	2006				2005	
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Total
	Board Designated Reserves	Other Unrestricted				
Operating	\$ -	\$628,386	\$ -	\$ -	\$ 628,386	\$ 621,767
Organizational stabilization/ future operations	141,590	-	-	-	141,590	141,590
Development Capacity Reserve Fund	115,000	-	-	-	115,000	115,000
Marie Bullock reserves	51,500	-	-	-	51,500	51,500
Endowed Programs/Endowment						
Wallace Stevens Award	-	-	792,371	2,000,000	2,792,371	2,700,963
Lenore Marshall Poetry Prize	4,455	-	333,122	600,000	937,577	894,561
James Laughlin Award	14,105	-	62,366	500,000	576,471	558,420
University and College Poetry Prizes	4,650	-	123,852	529,903	658,405	582,733
American Poets Grants	4,099	-	72,396	75,560	152,055	139,814
Harold Taylor Fund - High School Poetry Workshops and College Prizes	1,246	-	-	30,000	31,246	31,246
Landon Translation Award	905	-	-	30,000	30,905	30,905
Ford Foundation operating endowment	-	-	-	500,000	500,000	500,000
Merrill endowment	12,000	-	104,643	231,000	347,643	330,690
Future Programs						
Online Poetry Classroom	-	-	40,696	-	40,696	61,421
Italian Translation Award	-	-	9,347	-	9,347	5,338
Website	-	-	7,500	-	7,500	37,500
Future Periods						
Operating	-	-	47,000	-	47,000	40,000
Total, June 30, 2006	<u>\$349,550</u>	<u>\$628,386</u>	<u>\$1,593,293</u>	<u>\$4,496,463</u>	<u>\$7,067,692</u>	
Total, June 30, 2005	<u>\$349,550</u>	<u>\$621,767</u>	<u>\$1,420,668</u>	<u>\$4,451,463</u>		<u>\$6,843,448</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 2 - Restrictions on Assets (continued)

b - Board Designated Reserves

Board designated reserves consist of the following:

	2006	2005
Marie Bullock reserves	\$ 51,500	\$ 51,500
Organizational stabilization reserves/ future operations	141,590	141,590
Endowed program reserves	41,460	41,460
Development Capacity Reserve Fund	115,000	115,000
	\$349,550	\$349,550

- 1 - In 2003, the Academy established a reserve from the proceeds from the sale of the library collection originally donated by Marie Bullock.
- 2 - During the year ended June 30, 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 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. During the year ended June 30, 2004, reserves were established in the amount of \$41,460, representing excess accumulated investment income available for these endowed award programs over the amount appropriated to operations.
- 4 - During the year ended June 30, 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.

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.

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, 2006

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

Note 4 - Investments

Investments consist of the following:

	<u>2006</u>		<u>2005</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Money market funds and invested cash	\$ 501,499	\$ 501,499	\$1,211,331	\$1,211,331
Limited partnership investments	4,045,632	3,411,996	3,077,201	2,679,592
Mutual funds - fixed income	<u>2,256,483</u>	<u>2,388,356</u>	<u>2,278,208</u>	<u>2,281,394</u>
	<u>\$6,803,614</u>	<u>\$6,301,851</u>	<u>\$6,566,740</u>	<u>\$6,172,317</u>

Equity and fixed income securities are reported on the basis of quoted market values. Limited partnership investments are stated at the Academy's equity interest in the underlying net assets of the partnership, which are stated at fair value as reported by the partnerships. Redemption of the Academy's limited partnership investments are subject to certain withdrawal restrictions, which permit withdrawal only on specified dates during each calendar year.

Investment income for the years ended June 30, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$123,714	\$124,818
Limited partnership income	232,404	79,597
Realized gain on investments	-	34,378
Unrealized gain on investments	<u>107,340</u>	<u>245,937</u>
Total	463,458	484,730
Less: Temporarily restricted investment income	<u>(212,641)</u>	<u>(129,375)</u>
Unrestricted Investment Income	<u>\$250,817</u>	<u>\$355,355</u>

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2006</u>	<u>2005</u>
Leasehold improvements	Life of lease	\$ 36,631	\$ 32,550
Equipment, furniture and fixtures	5-10 years	36,531	40,628
Website	3 years	<u>27,615</u>	<u>27,615</u>
		100,777	100,793
Less: Accumulated depreciation		<u>41,173</u>	<u>26,417</u>
		<u>\$ 59,604</u>	<u>\$ 74,376</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$19,568 and \$14,581, respectively.

Note 6 - Donated Services

During the years ended June 30, 2006 and 2005, the Academy received the following donated services which have been reflected in the accompanying financial statements as contribution revenue and expenses:

	<u>2006</u>	<u>2005</u>
Advertising	\$25,850	\$43,329
Professional fees	9,303	8,400
Website design	-	40,000
Miscellaneous	<u>-</u>	<u>1,850</u>
	<u>\$35,153</u>	<u>\$93,579</u>

Note 7 - Interest in Copyrights

Through a bequest during the year ended June 30, 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 and \$850 for the years ended June 30, 2006 and 2005, respectively. At June 30, 2006 and 2005, the unamortized balance is \$22,950 and \$24,650, respectively. During the years ended June 30, 2006 and 2005, the Academy received royalties amounting to \$7,520 and \$12,818, respectively, pursuant to its interest in these copyrights.

THE ACADEMY OF AMERICAN POETS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

Note 8 - Commitment and Contingency

a - The Academy occupies office space under an operating lease which provides a minimum annual rental commitment as follows:

<u>Year Ending June 30,</u>	
2007	\$ 94,972
2008	97,821
2009	100,755
2010	103,778
Thereafter, through December 31, 2010	53,054

Rent expense for the years ended June 30, 2006 and 2005 was \$125,500 and \$126,843, respectively.

In accordance with the provisions of Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, the aggregate of the total minimum lease payments is amortized on the straight-line method over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of the lease has been included in "Deferred rent" in the accompanying statements of financial position.

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

Note 9 - Defined Contribution Plan

During 2006, the Academy established in a 403(b) tax deferred annuity plan. The Academy contributes 6% of an eligible employee's salary to the plan. Total expense under the plan was \$17,000 for the year ended June 30, 2006.

Note 10 - Functional Allocation of Expenses

The cost of providing the various programs and the 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.

THE ACADEMY OF AMERICAN POETS, INCORPORATED**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006****Note 11 - 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.

ADDITIONAL INFORMATION



LUTZ AND CARR

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**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

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

Our report on our audit of the basic financial statements of The Academy of American Poets, Incorporated for 2006 appears on page 1. We conducted our audit 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, 2006 with comparative totals for 2005 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
August 23, 2006

THE ACADEMY OF AMERICAN POETS, INCORPORATED

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR 2005

	<u>Programs</u>	<u>Fundraising and Membership</u>	<u>Management and General</u>	<u>2006 Total Expenses</u>	<u>2005 Total Expenses</u>
Salaries and payroll taxes	\$ 354,792	\$ 48,697	\$ 153,540	\$ 557,029	\$ 572,493
Employee benefits	44,389	6,093	19,149	69,631	76,663
Fees to artists	20,202	-	-	20,202	22,248
Awards and grants	188,500	-	-	188,500	205,800
Advertising and printing	85,587	98,507	-	184,094	186,493
Dinners and receptions	9,900	-	-	9,900	12,792
Occupancy	80,007	10,981	34,512	125,500	126,843
Travel and lodging	19,691	1,627	2,673	23,991	21,668
Professional fees	15,355	18,078	33,000	66,433	28,348
Lecture hall rental	14,693	-	-	14,693	12,026
Technical production	64,228	9,000	-	73,228	158,348
Supplies and telephone	21,305	2,924	9,191	33,420	32,462
Legal and audit	20,475	2,810	8,832	32,117	30,805
Postage and mailings	79,084	60,921	-	140,005	115,458
Book purchases	30,357	1,170	-	31,527	37,666
Photography and program supplies	41,502	1,830	-	43,332	33,168
Miscellaneous	6,022	827	2,598	9,447	10,598
Equipment	6,523	895	2,813	10,231	11,380
Program development	630	839	-	1,469	3,091
Member benefits	8,304	-	-	8,304	9,460
Total expenses before depreciation and amortization	<u>1,111,546</u>	<u>265,199</u>	<u>266,308</u>	<u>1,643,053</u>	<u>1,707,810</u>
Depreciation and amortization	<u>13,558</u>	<u>1,861</u>	<u>5,849</u>	<u>21,268</u>	<u>15,431</u>
Total Expenses, 2006	<u><u>\$1,125,104</u></u>	<u><u>\$ 267,060</u></u>	<u><u>\$ 272,157</u></u>	<u><u>\$1,664,321</u></u>	
Total Expenses, 2005	<u><u>\$1,274,421</u></u>	<u><u>\$ 187,751</u></u>	<u><u>\$ 261,069</u></u>		<u><u>\$1,723,241</u></u>

See independent auditor's report on additional information.