

POETS & WRITERS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Poets & Writers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Poets & Writers, Inc. as of June 30, 2023, and the changes in its 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. 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 Poets & Writers, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Poets & Writers, Inc.'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 Poets & Writers, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Lotz + Carr, LLP

POETS & WRITERS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

Assets

Cash and cash equivalents (Notes 2c and 5a)	\$ 961,477
Contributions receivable (Notes 2e and 6)	
Without donor restrictions	103,250
With donor restrictions	105,000
Accounts receivable, net (Note 2d)	154,802
Prepaid expenses and other assets	37,086
Investments (Notes 2f, 2g and 7)	7,706,872
Operating lease right-of-use asset (Notes 2k and 2p)	1,748,815
Property and equipment, net of accumulated depreciation (Notes 2h and 8)	33,654
Security deposit	<u>78,988</u>

Total Assets\$10,929,944**Liabilities and Net Assets**

Liabilities	
Accounts payable and accrued expenses	\$ 453,246
Deferred revenue (Note 2i)	671,210
Operating lease liability (Note 2k, 2p and 10)	<u>2,006,561</u>
Total Liabilities	<u>3,131,017</u>

Commitment (Note 11)

Net Assets

Without Donor Restrictions	
Operating	220,109
Board designated endowment (Note 4a)	546,624
Board designated reserve fund (Note 4a)	<u>579,263</u>
Total Without Donor Restrictions (Note 4b)	1,345,996
With Donor Restrictions (Note 4)	<u>6,452,931</u>
Total Net Assets	<u>7,798,927</u>

Total Liabilities and Net Assets\$10,929,944

See notes to financial statements.

POETS & WRITERS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets			
Revenue and Public Support			
Contributions (Note 5b)	\$ 833,434	\$ 161,617	\$ 995,051
Special event income, net of direct expenses of \$193,719	875,599	-	875,599
In-kind services (Note 2j)	43,241	-	43,241
Subscriptions	618,995	-	618,995
Magazine advertising	1,447,618	-	1,447,618
Other income	124,062	-	124,062
Net investment income (Note 7)	350	581,361	581,711
	<u>3,943,299</u>	<u>742,978</u>	<u>4,686,277</u>
Net assets released from restrictions			
Appropriations from endowment	273,000	(273,000)	-
Satisfaction of time and program restrictions	174,250	(174,250)	-
	<u>4,390,549</u>	<u>295,728</u>	<u>4,686,277</u>
Expenses			
Program Services	<u>3,461,859</u>	<u>-</u>	<u>3,461,859</u>
Supporting Services			
Management and general	694,404	-	694,404
Fundraising	365,107	-	365,107
Total Supporting Services	<u>1,059,511</u>	<u>-</u>	<u>1,059,511</u>
Total Expenses	<u>4,521,370</u>	<u>-</u>	<u>4,521,370</u>
Increase (Decrease) in Net Assets Before Non-Operating Activity	(130,821)	295,728	164,907
Non-Operating Activity			
Investment income Board designated endowment and reserve fund (Notes 4a and 7)	<u>56,273</u>	<u>-</u>	<u>56,273</u>
Increase (decrease) in net assets	<u>(74,548)</u>	<u>295,728</u>	<u>221,180</u>
Net assets, beginning of year, as previously reported	1,448,151	6,117,914	7,566,065
Prior period adjustments (Note 12)	<u>(27,607)</u>	<u>39,289</u>	<u>11,682</u>
Net assets, beginning of year, as restated	<u>1,420,544</u>	<u>6,157,203</u>	<u>7,577,747</u>
Net Assets, End of Year	<u>\$ 1,345,996</u>	<u>\$ 6,452,931</u>	<u>\$7,798,927</u>

See notes to financial statements.

POETS & WRITERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$1,482,427	\$ 390,057	\$ 254,589	\$ 644,646	\$2,127,073
Professional fees	336,859	123,480	4,877	128,357	465,216
Prizes and honoraria	100,900	-	-	-	100,900
Reading and workshop writer's fees	275,253	-	-	-	275,253
Printing and production	314,222	3,616	-	3,616	317,838
Magazine distribution	252,362	-	-	-	252,362
Postage and shipping	21,854	8,286	3,229	11,515	33,369
Publicity and promotion	241,383	17,072	-	17,072	258,455
Occupancy	308,960	58,369	43,729	102,098	411,058
Office supplies and maintenance	8,734	19,019	5,374	24,393	33,127
Telephone	7,778	5,034	970	6,004	13,782
Insurance	13,491	5,350	702	6,052	19,543
Computer and IT expenses	41,715	32,151	3,798	35,949	77,664
Travel, conferences and meetings	18,072	13,895	-	13,895	31,967
Fundraising event	-	-	40,508	40,508	40,508
Credit card fees and other expenses	28,398	16,378	5,997	22,375	50,773
Depreciation	9,451	1,697	1,334	3,031	12,482
Total Expenses	<u>\$3,461,859</u>	<u>\$ 694,404</u>	<u>\$ 365,107</u>	<u>\$1,059,511</u>	<u>\$4,521,370</u>

See notes to financial statements.

POETS & WRITERS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

Cash Flows From Operating Activities	
Increase in net assets	\$ 221,180
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Non-cash operating lease expense	312,027
Depreciation expense	12,482
Realized gain on investments	(274,076)
Unrealized gain on investments	(217,323)
(Increase) decrease in:	
Accounts receivable	68,654
Contributions receivable	31,898
Prepaid expenses and other assets	92,212
Security deposit	(982)
Increase (decrease) in:	
Accounts payable and accrued expenses	36,166
Operating lease liability	(308,327)
Deferred revenue	48,698
Net Cash Used By Operating Activities	<u>22,609</u>
 Cash Flows From Investing Activities	
Purchase of property and equipment	(4,173)
Purchase of investments	2,781,926
Proceeds from sale of investments	<u>(2,374,483)</u>
Net Cash Provided By Investing Activities	<u>403,270</u>
 Net increase in cash and cash equivalents	425,879
Cash and cash equivalents, beginning of year	<u>666,007</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$1,091,886</u></u>
 Supplemental disclosure of non-cash investing activities:	
Operating lease right-of-use asset obtained in exchange for lease liability	<u><u>\$ 2,060,842</u></u>

See notes to financial statements.

POETS & WRITERS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023****Note 1 - Organization**

Poets & Writers, Inc. (the "Organization") fosters the professional development of poets and writers, promotes communication throughout the literary community, and helps create an environment in which literature can be appreciated by the widest possible public.

The Organization conducts the following program activities in furtherance of this mission:

- 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 the Organization's 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.

POETS & WRITERS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023****Note 2 - Summary of Significant Accounting Policies****a - Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

b - Financial Statement Presentation

U.S. GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

c - 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 as part of the Organization's investments as part of its long-term investment strategy.

d - Accounts Receivable

The Organization does not anticipate any losses on uncollectible accounts receivable as of June 30, 2023.

e - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional contributions receivable that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

e - Contributions and Contributions Receivable (continued)

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

f - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions for time and purpose are reclassified to net assets without donor restrictions.

g - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

h - Property and Equipment

Leasehold improvements if purchased, 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.

i - Revenue Recognition

The Organization has multiple streams of revenue that amounted for as exchange transactions, including subscriptions, mailing list rental, advertising and other income.

Subscription revenue and advertising income proceeds are recognized based on the publication of the magazine and 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.

Other revenue is recognized when the related goods or services are provided to the customer, and the Organization's performance obligation is satisfied.

j - Donated Services

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 \$43,241 during the year ended June 30, 2023. Contributed legal services were utilized in connection with exchange services and 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 criteria for recognition as revenue and have not been recorded in the financial statements.

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

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

l - Advertising

The cost of advertising is expensed as incurred. Advertising expense for the year ended June 30, 2023 was \$258,455.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

m - Estimates

The preparation of the financial statements in conformity U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n - 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:

- Salaries, payroll taxes and benefits
- Occupancy
- Telephone
- Insurance

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

o - Subsequent Events

The Organization has evaluated subsequent events through February 28, 2024, the date that the financial statements are considered available to be issued.

p - New Accounting Standards

For the year ended June 30, 2023, the Organization adopted ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 (the "ASU") change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. As such, results for 2023 are presented under Topic 842. The adoption of the ASU did not have a significant impact on the Organization's net assets as of July 1, 2022.

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

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

p - New Accounting Standards (continued)

For the year ended June 30, 2023, the Organization also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Note 3 - Information Regarding Liquidity and Availability

The Organization establishes a budget for each year based on the revenues expected to be available to fund anticipated expenses. The majority of annual revenue is comprised of contributions. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain all of its financial assets in cash so they are available to cover expenditures as they arise.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 3 - Information Regarding Liquidity and Availability (continued)

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

Financial Assets at Year End:	
Cash and cash equivalents	\$ 961,477
Accounts receivable	154,802
Contributions receivable	208,250
Investments	<u>7,706,872</u>
Total Financial Assets	9,031,401
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(161,617)
Plus: Net assets with restrictions to be met in less than one year	161,617
Less: Net assets with donor restrictions, endowment, subject to spending policy and appropriation	(6,291,314)
Plus: Amounts appropriated for use in operations	293,750
Less: Board designated endowment	<u>(546,624)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,487,213</u>

The Organization's endowment funds are held for long term purposes and consist of a donor-restricted endowment and a board designated endowment (Note 4). While these assets are not considered available for general expenditures by management, the board designated endowment can be made available if the need arises.

Note 4 - Net Assets

a - Net Assets Without Donor Restrictions - Board Designated

Reserve Fund

The Organization established a board designated reserve fund. The Reserve Fund was designated as an operating reserve and a source of funds for capital projects and unexpected financial need. In accordance with the Investment Policy, management may transfer assets from the Reserve Fund to operating accounts as needed to meet short-term operational needs; the Reserve Fund should be replenished before the close of the fiscal year, or as soon thereafter as feasible. Any permanent spending from the Reserve Fund must be approved in advance by the Board of Directors.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 4 - Net Assets (continued)

a - Net Assets Without Donor Restrictions - Board Designated (continued)

Board Designated Endowment

Certain contributions without donor restrictions raised in a prior year fundraising campaign were designated by the Board of Directors to function as endowment. These funds are pooled with the Organization's donor restricted Poets & Writers endowment, and totaled \$546,624 as of June 30, 2023.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are summarized as follows:

Subject to expenditure for specified purposes:	
Readings & Workshop	\$ 71,867
Magazine and website	45,000
United States of Writing	<u>20,000</u>
	136,867
Subject to the passage of time	<u>24,750</u>
	<u>161,617</u>
Endowments subject to spending policy and appropriation:	
Investment in perpetuity:	
General endowment	1,136,991
Frances Abbey endowment	265,000
Galen Williams endowment	266,750
Jackson Prize endowment	<u>2,277,014</u>
Total Corpus	<u>3,945,755</u>
Investment income above original gift amount:	
General endowment	302,780
Frances Abbey endowment	122,393
Galen Williams endowment	76,312
Jackson Prize endowment	<u>1,844,074</u>
	<u>2,345,559</u>
Total Endowments	<u>6,291,314</u>
Total Net Assets With Donor Restrictions	<u>\$6,452,931</u>

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 4 - Net Assets (continued)

b - Net Assets With Donor Restrictions (continued)

The Organization has two endowment portfolios, both of which are held for long-term purposes: The Poets & Writers (“P&W”) Endowment, which consists of a general endowment, the Frances Abbey endowment, and the Galen Williams endowment, and the Jackson Poetry Prize Endowment. The P&W Endowment portfolio is made up of several endowment funds that share the same purpose: providing operating support for the organization’s programs, in perpetuity. It includes both donor-restricted and board-designated assets (Note 4a). The Jackson Poetry Prize Endowment is a donor-restricted endowment created to fund the Jackson Poetry Prize. These assets are not considered available for general expenditures by management; appropriations are made by the Board and guided by the Organization’s Investment Policy.

Note 5 - Concentrations

- a - 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. At times, balances may be in excess of insured amounts.
- b - The Organization received approximately 35% of its total public support from two government agencies for the year ended June 30, 2023.

Note 6 - Contributions Receivable

- a - Contributions receivable are due within one year. Uncollectible promises to give are expected to be insignificant.
- b - During the year ended June 30, 2023, the Organization received \$299,000 in conditional grants that are expected to be recognized in fiscal years 2024 and 2025.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7 - Investments

Investments consist of the following at June 30:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$1,134,075	\$1,134,075
Government securities	2,318,393	2,099,498
Corporate bonds	327,519	298,485
Foreign corporate bonds	92,777	79,837
U.S. equities	3,049,620	4,080,894
Foreign equities	<u>7,129</u>	<u>14,083</u>
	<u>\$6,929,513</u>	<u>\$7,706,872</u>

The following summarizes investments by the Levels within the fair value hierarchy used to measure their respective fair values at June 30:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash	\$1,134,075	\$1,134,075	\$ -	\$ -
Government securities	2,099,498	-	2,099,498	-
Corporate bonds	298,485	-	298,485	-
Foreign corporate bonds	79,837	-	79,837	-
U.S. equities	4,080,894	4,080,894	-	-
Foreign equities	<u>14,083</u>	<u>14,083</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$7,706,872</u>	<u>\$5,229,052</u>	<u>\$2,477,820</u>	<u>\$ -</u>

Net investment income consists of the following for the year ended June 30, 2023:

Interest	\$206,398
Realized gain on sale of investments	217,323
Unrealized gain on investments	274,076
Investment fees	<u>(59,813)</u>
	<u>\$637,984</u>

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7 - Investments (continued)

Net investment income has been allocated as follows:

Operating	\$ 350
Board designated reserve fund	9,649
Board designated endowment	46,624
Donor-restricted endowments	<u>581,361</u>
	<u>\$637,984</u>

Note 8 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>Amount</u>
Computer and equipment	5 years	\$122,873
Leasehold improvements	10 years	93,995
Website	3 years	155,190
Furniture and fixtures	7 years	<u>42,784</u>
		414,842
Less: Accumulated depreciation		<u>(381,188)</u>
		<u>\$ 33,654</u>

Note 9 - Endowment Funds

The Organization's endowment consists of the board designated endowment donor-restricted endowment funds described in Notes 4a and 4b. Consistent with New York State Not for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Endowment Funds (continued)

In accordance with NYPMIFA, the Organization 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 Organization 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 Organization;
- (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 Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment funds by net assets are donor-restricted and are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Amount	Investment in Perpetuity	
General endowment	\$546,624	\$ 302,780	\$1,136,991	\$1,986,395
Frances Abbey	-	122,393	265,000	387,393
Galen Williams	-	76,312	266,750	343,062
Jackson Prize	-	1,844,074	2,277,014	4,121,088
	<u>\$546,624</u>	<u>\$2,345,559</u>	<u>\$3,945,755</u>	<u>\$6,837,938</u>

Changes in endowment funds are summarized as follows for the year ended June 30:

	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Amount	Investment in Perpetuity	
Endowment funds, beginning of year, as restated	\$500,000	\$2,037,198	\$3,945,755	\$6,482,953
Net investment income	46,624	581,361	-	627,985
Appropriations for use in operations	-	(273,000)	-	(273,000)
Endowment Funds, End of Year	<u>\$546,624</u>	<u>\$2,345,559</u>	<u>\$3,945,755</u>	<u>\$6,837,938</u>

POETS & WRITERS, INC.
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Note 9 - Endowment Funds (continued)

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.

The Organization has a spending policy which provides for 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.

Note 10 - Operating Lease Liability

The Organization occupies space under an operating lease agreement expiring July 31, 2028.

Operating lease expense for the year ended June 30, 2023 was \$374,757. There were no variable lease costs incurred. As of June 30, 2023 the remaining term of the Organization's operating lease is 5 years and one month and the discount rate is 2.88%.

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

<u>Year Ending June 30</u>	
2024	\$ 404,251
2025	414,359
2026	424,718
2027	435,336
2028	446,219
Thereafter, through July 31, 2028	<u>37,878</u>
	2,162,761
Less: Amount attributable to interest	<u>(156,200)</u>
	<u>\$2,006,561</u>

POETS & WRITERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 - Retirement 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 year ended June 30, 2023.

Note 12 - Prior Period Adjustments

Net assets as of July 1, 2022, have been restated for the following prior period adjustments:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
To correct overstatement of accounts receivable	\$(155,409)	\$ -	\$(155,409)
To reclassify as net assets with donor restrictions, amounts recorded as previously deferred revenue	-	83,600	83,600
To reclassify net assets without donor restrictions previously classified as endowment net assets with donor restrictions	86,961	(86,961)	-
To correct understatement of prepaid expenses	40,841	-	40,841
To reflect contributions previously not recorded	<u>-</u>	<u>42,650</u>	<u>42,650</u>
	<u>\$ (27,607)</u>	<u>\$39,289</u>	<u>\$ 11,682</u>