

ASSOCIATION OF WRITERS AND WRITING PROGRAMS

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association of Writers & Writing Programs
Riverdale Park, Maryland

We have audited the accompanying financial statements of Association of Writers & Writing Programs, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association of Writers & Writing Programs as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Association of Writers & Writing Programs adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019. Our opinion is not modified with respect to this matter.

Restatement of Net Assets

As discussed in Note 13 to the financial statements, certain errors resulting in an overstatement of previously reported net assets without donor restrictions were discovered during the current year. Accordingly, amounts reported for beginning net assets without donor restrictions have been restated. Our opinion is not modified with respect to that matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
March 31, 2021

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 174,745	\$ 489,975
Accounts receivable	17,892	61,968
Prepaid expenses	16,736	65,937
Total current assets	209,373	617,880
PROPERTY AND EQUIPMENT		
Website development	317,721	317,721
Computer equipment	148,003	142,139
Office furniture	155,645	155,645
Leasehold improvements	18,723	18,723
Property and equipment	640,092	634,228
Accumulated depreciation and amortization	(514,652)	(464,613)
Property and equipment, net	125,440	169,615
OTHER ASSETS		
Cash held by University of Maryland	347,787	534,978
Investments	3,708,117	3,602,524
Total assets	\$ 4,390,717	\$ 4,924,997
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 97,854	\$ 212,111
Deferred revenue	531,380	304,129
Paycheck Protection Program loan	273,500	-
Total current liabilities	902,734	516,240
NET ASSETS		
Without donor restrictions		
Undesignated	1,090,997	2,116,039
Board designated	2,021,262	1,936,855
Total net assets without donor restrictions	3,112,259	4,052,894
With donor restrictions	375,724	355,863
Total net assets	3,487,983	4,408,757
Total liabilities and net assets	\$ 4,390,717	\$ 4,924,997

See accompanying notes.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Program service revenue			
Annual conference	\$ 1,204,407	\$ -	\$ 1,204,407
Membership services	733,200	-	733,200
Advertising income	113,274	-	113,274
Publications	35,972	-	35,972
Award series fees	28,495	-	28,495
Mailing list rental income	624	-	624
Other income	667	-	667
Contributions			
Individual donations	10,520	7,111	17,631
Grant revenue	70,500	-	70,500
Investment return, net	92,533	12,750	105,283
	<u>2,290,192</u>	<u>19,861</u>	<u>2,310,053</u>
EXPENSES			
Program services			
Annual conference	1,514,988	-	1,514,988
Membership services	417,547	-	417,547
Publications	414,676	-	414,676
	<u>2,347,211</u>	<u>-</u>	<u>2,347,211</u>
Supporting activities			
Management and general	698,072	-	698,072
Development	185,544	-	185,544
	<u>3,230,827</u>	<u>-</u>	<u>3,230,827</u>
Change in net assets	(940,635)	19,861	(920,774)
Net assets at beginning of year (as restated)	4,052,894	355,863	4,408,757
Net assets at end of year	<u>\$ 3,112,259</u>	<u>\$ 375,724</u>	<u>\$ 3,487,983</u>

See accompanying notes.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Program service revenue			
Annual conference	\$ 2,134,299	\$ -	\$ 2,134,299
Membership services	784,344	-	784,344
Advertising income	376,138	-	376,138
Publications	24,021	-	24,021
Award series fees	38,394	-	38,394
Mailing list rental income	5,785	-	5,785
Other income	5,912	-	5,912
Contributions			
Individual donations	19,555	2,377	21,932
Grant revenue	75,000	-	75,000
Investment return, net	123,003	16,083	139,086
	<u>3,586,451</u>	<u>18,460</u>	<u>3,604,911</u>
Total support and revenue	3,586,451	18,460	3,604,911
EXPENSES			
Program services			
Annual conference	1,466,379	-	1,466,379
Membership services	614,352	-	614,352
Publications	626,248	-	626,248
	<u>2,706,979</u>	<u>-</u>	<u>2,706,979</u>
Total program services	2,706,979	-	2,706,979
Supporting activities			
Management and general	751,175	-	751,175
Development	217,392	-	217,392
	<u>968,567</u>	<u>-</u>	<u>968,567</u>
Total expenses	3,675,546	-	3,675,546
Change in net assets	(89,095)	18,460	(70,635)
Net assets at beginning of year	4,141,989	337,403	4,479,392
Net assets at end of year (as restated)	<u>\$ 4,052,894</u>	<u>\$ 355,863</u>	<u>\$ 4,408,757</u>

See accompanying notes.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services			Supporting Activities		Total Expenses
	Annual Conference	Membership Services	Publications	Management and General	Development	
Personnel	\$ 490,614	\$ 322,026	\$ 211,218	\$ 332,869	\$ 128,632	\$ 1,485,359
Conference expenses	724,417	500	-	36,350	-	761,267
Printing and photocopying	48,567	993	109,404	1,538	15,822	176,324
Occupancy	63,073	41,399	27,154	42,793	16,537	190,956
Professional fees	-	-	-	92,144	-	92,144
Travel	69,132	-	-	16,213	3,927	89,272
Honorariums and awards	40,512	988	22,848	-	-	64,348
Bank charges	-	-	-	81,573	-	81,573
Postage	12,945	8,497	5,573	8,783	3,394	39,192
IT and network	31,555	20,712	13,585	21,409	8,273	95,534
Depreciation and amortization	16,528	10,849	7,116	11,213	4,333	50,039
Promotions	-	-	-	37,381	-	37,381
Office	1,134	745	488	770	297	3,434
Computer expenses	8,737	5,735	3,761	5,928	2,291	26,452
Awards	-	-	10,182	-	-	10,182
Telephone	3,941	2,587	1,697	2,674	1,033	11,932
Insurance	3,833	2,516	1,650	2,600	1,005	11,604
Miscellaneous	-	-	-	3,834	-	3,834
Total expenses	\$ 1,514,988	\$ 417,547	\$ 414,676	\$ 698,072	\$ 185,544	\$ 3,230,827

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services			Supporting Activities		Total Expenses
	Annual Conference	Membership Services	Publications	Management and General	Development	
Personnel	\$ 453,217	\$ 448,274	\$ 255,236	\$ 330,786	\$ 160,447	\$ 1,647,960
Conference expenses	696,196	-	-	38,160	939	735,295
Printing and photocopying	12,418	3,215	202,057	2,372	9,489	229,551
Occupancy	54,671	54,075	30,789	39,903	19,355	198,793
Professional fees	-	-	-	137,626	-	137,626
Travel	111,185	-	-	14,729	3,509	129,423
Honorariums and awards	75,300	7,245	41,644	-	-	124,189
Bank charges	-	-	-	88,869	-	88,869
Postage	11,747	11,619	51,652	8,574	4,158	87,750
IT and network	13,951	44,793	7,857	10,182	4,939	81,722
Depreciation and amortization	13,517	13,369	7,612	9,865	4,785	49,148
Promotions	-	-	-	47,354	1,234	48,588
Office	8,768	13,672	4,938	6,399	3,103	36,880
Computer expenses	7,312	7,325	4,118	5,337	2,588	26,680
Awards	59	2,814	15,819	-	-	18,692
Telephone	4,687	4,636	2,639	3,421	1,659	17,042
Insurance	3,351	3,315	1,887	2,446	1,187	12,186
Miscellaneous	-	-	-	5,152	-	5,152
Total expenses	\$ 1,466,379	\$ 614,352	\$ 626,248	\$ 751,175	\$ 217,392	\$ 3,675,546

ASSOCIATION OF WRITERS & WRITING PROGRAMS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (920,774)	\$ (70,635)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Endowment contributions	(7,111)	(2,377)
Depreciation and amortization	50,039	49,148
Net realized and unrealized gain on investments	(18,927)	(98,219)
(Increase) decrease in assets		
Accounts receivable	44,076	(11,338)
Prepaid expenses	49,201	20,462
Cash held by University of Maryland	187,191	(534,978)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(114,257)	128,183
Deferred revenue	227,251	(178,941)
Net cash flows from operating activities	(503,311)	(698,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificate of deposit	-	34,114
Purchases of property and equipment	(5,864)	(25,664)
Purchases of and interest and dividends retained in investments	(86,666)	(248,240)
Net cash flows from investing activities	(92,530)	(239,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	7,111	2,377
Proceeds from Paycheck Protection Program loan	273,500	-
Net cash flows from financing activities	280,611	2,377
Change in cash	(315,230)	(936,108)
Cash at beginning of year	489,975	1,426,083
Cash at end of year	<u>\$ 174,745</u>	<u>\$ 489,975</u>

See accompanying notes.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Association of Writers and Writing Programs (AWP) is a nonprofit organization established in 1967 to promote literary talent and achievement, promote the art of writing, and serve the authors, teachers, and students of contemporary writing. AWP supports the Master of Fine Arts degree as the appropriate terminal degree for writers who teach in higher education. Revenue sources include contributions, sponsorships, memberships, registrations, and other program service fees.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

AWP adopted the requirements of the new guidance as of July 1, 2019, using the modified retrospective method of transition. In applying the new guidance, AWP elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019.

The majority of AWP's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of AWP's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on AWP's financial statements. The majority of AWP's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on AWP's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. AWP adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019, or entered into after that date.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist of unpaid conference sponsorships and hotel commissions. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2020 and 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Investments

AWP reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Property and Equipment

AWP capitalizes property and equipment with a cost of \$500 or more. Purchased property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years.

Revenue Recognition

Annual conference income refers to registration fees and sales of books and other publications that AWP receives through hosting an annual writers' conference. This revenue is recognized when the conference is held. Conference income includes income from sponsoring organizations, which is recognized in accordance with the contributions revenue recognition policy.

Membership services represent dues associated with annual membership and subscription fees that are generally paid in advance for one or two years of services, depending on the nature of the membership. The unearned portion is reported as deferred revenue and amortized as the related period elapses.

Award series fees are fees collected through an annual writing contest and are used to pay honorariums and awards. These fees are recognized upon completion of the work.

Grants

AWP receives grants from government agencies and others that are conditioned upon AWP incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by AWP, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Income Tax Status

AWP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to AWP's tax-exempt purpose is subject to taxation as unrelated business income. In addition, AWP qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Date of Management's Review

Management has evaluated subsequent events through March 31, 2021, the date which the financial statements were available to be issued.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, printing and photocopying, occupancy, postage, IT and network, depreciation and amortization, office, computer expenses, telephone, and insurance, which are allocated on the basis of estimates of time and effort. The following program services and supporting activities are included in the accompanying financial statements:

Annual Conference – Annual conference held each year in a different region of North America in order to celebrate the outstanding authors, teachers, writing programs, literary centers, and small press publishers of that region. The Annual Conference includes various readings, lectures, panel discussions, and forums as well as book signings, receptions, dances, and informal gatherings.

Membership Services – Includes a Writer-to-Writer Mentorship Program, the Intro Journals Project, various publications, a website, and networks of information for students, writers, and literary professionals. Membership also provides the AWP Job List, which is updated periodically on AWP's website. The AWP Job List features employment opportunities for writers in academia and also includes a growing number of job prospects in public affairs, publishing, and anywhere else a writer's skills might be needed.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Publications – AWP publishes *The Writer's Chronicle*, a literary journal that is published six times a year. Issues include: essays, interviews, extensive listings for publishing opportunities, summer conferences, and important deadlines of grants, awards, and fellowships for writers. AWP also has a catalog titled *AWP Official Guide to Writing Programs* which is edited by AWP's staff and published online to help students select their writing programs. The *Award Series* is an annual writing competition, sponsored by AWP and participating presses. The annual writing competition includes categories for poetry, short fiction, novels, and creative non-fiction. The winners of the competition receive an honorarium and publication of their work.

Management and General – Includes accounting and production of financial reports, oversight of the annual budget, management of AWP, maintaining the databases of AWP, and any other administrative and office service necessary for AWP.

Development – Includes the solicitation of new members and solicitation of contributed support from membership and the general public.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

AWP maintains cash balances at two financial institutions located in Charleston, West Virginia and College Park, Maryland. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, AWP's uninsured cash balances totaled approximately \$254,000 and \$482,000, respectively.

NOTE 3—INVESTMENTS

Investments consist of the following:

	2020	2019
Money market funds	\$ 603,327	\$ 592,248
Mutual funds	1,680,509	1,602,441
Exchange traded funds	500,040	507,319
Fixed income annuities	924,241	900,516
Investments	<u>\$ 3,708,117</u>	<u>\$ 3,602,524</u>

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value as of June 30, 2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	\$ 1,680,509	\$ 1,680,509	\$ -
Exchange traded funds	500,040	500,040	-
Fixed income annuities	924,241	-	924,241
	<u>\$ 3,104,790</u>	<u>\$ 2,180,549</u>	<u>\$ 924,241</u>
Assets at Fair Value as of June 30, 2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	\$ 1,602,441	\$ 1,602,441	\$ -
Exchange traded funds	507,319	507,319	-
Fixed income annuities	900,516	-	900,516
	<u>\$ 3,010,276</u>	<u>\$ 2,109,760</u>	<u>\$ 900,516</u>

Fair values of mutual funds and exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for fixed income annuities are determined by reference to prices for similar assets.

NOTE 5—RETIREMENT CONTRIBUTIONS

AWP sponsors a 401(k) plan for its employees, whereby AWP deposits to each eligible employee's 401(k) account an amount equal to the employee's 401(k) contributions up to a maximum of 10% of the employee's annual salary. Full-time employees who have at least three months of service with AWP are automatically enrolled into the plan and are eligible for the 3% employer match. At each anniversary date of employment, the employer match increases by 1%, up to a maximum of 10%. Retirement expense for the years ended June 30, 2020 and 2019 was \$81,444 and \$78,256, respectively.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6—CASH HELD BY UNIVERSITY OF MARYLAND

In December 2016, AWP entered into a memorandum of understanding (MOU) with the University of Maryland (UMD), to move its national headquarters and operations to UMD. AWP had a mutually beneficial agreement with UMD whereby AWP maintained its national headquarters and operations at UMD in exchange for enhancing UMD's recruitment of the best writing students and providing internships and fellowships in publishing, website design, public administration, fundraising and conference planning, among other topics, to students in a wide variety of majors. The MOU became effective on May 14, 2017, at which time UMD began serving as AWP's fiscal agent for purposes of disbursements and purchasing. As part of the MOU, AWP became affiliated with UMD as a sub-unit of the Department of English within the College of Arts and Humanities in the Division of Academic Affairs. UMD provided administrative services, including procurement and purchasing, payroll, human resource management, and employee services, billing and payment services, administration of research contracts and grants, and other operational services. The MOU had a term of five years, which was originally scheduled to expire in May 2022.

On July 1, 2017, AWP entered into a Funds Management Agreement (the Agreement) with the USM Foundation. The Agreement stated that the USM Foundation was to provide investment management services to manage AWP's endowment funds and operating funds. The endowment funds were managed in an endowment pool with other constituent institutions and foundations that the USM Foundation manages in exchange for a proportionate share of the investment management fees.

In June 2018, AWP and UMD decided to mutually terminate the MOU with UMD and the Agreement with the USM Foundation. AWP separated its accounts from UMD and USM Foundation effective August 1, 2018. Upon separation, UMD withheld a portion of AWP's funds to spend down the remainder of AWP's lease obligation with UMD. AWP has clear documentary evidence, including UMD's admission, that the MOU, along with its obligation to maintain a balance at UMD, was effectively terminated by agreement of the parties. UMD's claim that it had a right to withhold AWP's funds is unsupported by any documentation produced to date by UMD other than the terminated MOU. Outside legal counsel also reviewed documentation related to the MOU and the funds withheld by UMD and provided an opinion letter stating UMD does not have a legal basis for withholding the funds. At June 30, 2020 and 2019, disputed cash held by UMD totaled \$347,787 and \$534,978, respectively. AWP has not received accurate reporting of the funds prior and subsequent to June 30, 2020.

NOTE 7—COMMITMENTS AND CONTINGENCIES

AWP has contracts for hotel and conference facilities through 2024. The contracts contain a provision for cancellation fees should AWP cancel a meeting. The maximum cancellation fee that AWP could incur is approximately \$966,000. AWP has taken out insurance to cover AWP in the event of cancellation, however management does not anticipate any cancellations. The year ended June 30, 2021 conference's contracts were renegotiated to extend to the year ended June 30, 2024 to avoid cancellation penalties.

ASSOCIATION OF WRITERS & WRITING PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7—COMMITMENTS AND CONTINGENCIES (continued)

Leases

AWP has entered into various operating leases for office space and office equipment, which expire at various dates through the year ended June 30, 2023. The office space lease is a non-cancelable operating lease which contains a 3% annual escalation clause. Deferred rent on the operating lease is not recorded in the accompanying statements of financial position due to immateriality. Rent expense relating to operating leases for the years ending June 30, 2020 and 2019 was \$190,956 and \$197,127, respectively.

Future minimum payments required under the lease agreements are as follows:

2021	\$ 184,811
2022	190,276
2023	218

NOTE 8—NET ASSETS

Net assets without donor restrictions consists of the following:

	<u>2020</u>	<u>2019</u>
Donald Hall endowment	\$ 204,492	\$ 195,954
Grace Paley endowment	189,292	181,353
Sue Silverman endowment	36,944	35,540
Services endowment	910,646	874,171
AWP cash reserve	679,888	649,837
Undesignated	<u>1,090,997</u>	<u>2,116,039</u>
Net assets without donor restrictions	<u>\$ 3,112,259</u>	<u>\$ 4,052,894</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to AWP's spending policy and appropriation		
Award series	\$ 118,349	\$ 111,418
AWP core projects	247,064	234,463
General operations	<u>10,311</u>	<u>9,982</u>
Net assets with donor restrictions	<u>\$ 375,724</u>	<u>\$ 355,863</u>

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NOTE 9—LIQUIDITY AND AVAILABILITY

The following table reflects AWP's financial assets as of the date of the statements of financial position reduced by amounts not available for expenditures within one year of the date of the statements financial position because of donor-imposed restrictions or internal designations.

	2020	2019
Financial assets at year-end:		
Cash	\$ 174,745	\$ 489,975
Accounts receivable	17,892	61,968
Cash held by University of Maryland	347,787	534,978
Investments	<u>3,708,117</u>	<u>3,602,524</u>
Total financial assets	4,248,541	4,689,445
Less those unavailable for general expenditures within one year due to:		
Amounts unavailable due to contractual dispute with UMD	(347,787)	(534,978)
Designated by board of directors as quasi-endowed	(2,021,262)	(1,936,855)
Subject to AWP's spending policy and appropriation	<u>(375,724)</u>	<u>(355,863)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,503,768</u>	<u>\$ 1,861,749</u>

At June 30, 2020 and 2019, amounts currently not available for general expenditures include \$2,021,262 and \$1,936,855, respectively, set aside as quasi-endowed by the Board of Directors, however these funds could be made available if needed if approved by the Board of Directors. As part of AWP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10—PAYCHECK PROTECTION PROGRAM LOAN

On May 7, 2020, AWP received a \$273,500 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1% but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by AWP during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years.

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NOTE 11—ENDOWMENT

AWP's endowment consists of a board designated quasi-endowment, established to support the Award Series writing contest, AWP's services, and the overall operations of AWP, and a donor established restricted endowment, established to support the programming of AWP. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of AWP has enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, AWP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the discretion of the applicable donor gift instrument. AWP has interpreted UPMIFA to not permit spending from underwater funds.

In accordance with UPMIFA, AWP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of AWP and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of AWP, and (7) AWP's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies. AWP has adopted a formal investment policy for endowment assets, consistent with its general investments, that attempts to provide a predictable stream of funding for the payment of obligations and mission-related expenses, administrative expenses, and the growth of financial surplus while seeking to maintain the purchasing power of the endowment assets.

Under this formal policy, the endowment assets are invested in a manner that is intended to produce results that exceed major investment benchmarks while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, AWP relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). AWP targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy. AWP has a spending policy to provide a steady and sustainable distribution of funds, with large fluctuations in endowment market value over short time periods highly undesirable. The spending policy considers inter-generational equity, whereby the current needs of the institution are not sacrificed to those of the present. AWP's current spending policy does not allow for the spending of underwater endowment funds.

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NOTE 11—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 288,287	\$ 288,287
Accumulated investment gains	-	87,437	87,437
Quasi-endowment funds	2,021,262	-	2,021,262
Total endowment funds	<u>\$ 2,021,262</u>	<u>\$ 375,724</u>	<u>\$ 2,396,986</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$ 281,176	\$ 281,176
Accumulated investment gains	-	74,687	74,687
Quasi-endowment funds	1,936,855	-	1,936,855
Total endowment funds	<u>\$ 1,936,855</u>	<u>\$ 355,863</u>	<u>\$ 2,292,718</u>

Changes in endowment net assets are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 1,936,855	\$ 355,863	\$ 2,292,718
Contributions	-	7,111	7,111
Investment return, net	84,407	12,750	97,157
Endowment net assets at end of year	<u>\$ 2,021,262</u>	<u>\$ 375,724</u>	<u>\$ 2,396,986</u>
	2019		
Endowment net assets at beginning of year	\$ 1,822,321	\$ 337,403	\$ 2,159,724
Contributions	-	2,377	2,377
Investment return, net	114,534	16,083	130,617
Endowment net assets at end of year	<u>\$ 1,936,855</u>	<u>\$ 355,863</u>	<u>\$ 2,292,718</u>

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NOTE 12—RISKS AND UNCERTAINTIES

In March 2020, the United States economy began suffering adverse effects from the COVID-19 virus global crisis. As such, AWP's operations were adversely impacted by the COVID-19 pandemic, contributing to a significant operating loss for the year ended June 30, 2020. In response to the crisis, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. As noted in footnote 12, AWP was approved for a loan under the Paycheck Protection Program (PPP), established by the CARES Act and anticipates full forgiveness of the \$273,500 loan. Management is continuously monitoring the situation to appropriately address the impact on the business. Subsequent to year end, AWP was approved for second PPP loan, totaling \$201,515. In addition, AWP filed an insurance claim for lost revenues from the Annual Conference in San Antonio, Texas for the year ended June 30, 2020, though the total claim to be received is unknown as of March 31, 2021. AWP was also able to rebook the year ended June 30, 2021 conference in Kansas City, Missouri to the year ended June 30, 2024, avoiding \$700,000 in cancellation fees.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

NOTE 13—RESTATEMENT OF NET ASSETS

In previously issued financial statements, AWP over reported accounts receivable related to sponsorships by \$22,500 and under reported deferred revenue related to affiliate memberships by \$13,750. Accordingly, the amounts reported for net assets without donor restrictions have been restated in the opening balances for the year ended June 30, 2019 now presented. These changes decreased net assets without donor restrictions by \$36,210 in the statement of financial position at June 30, 2019 and decreased change in net assets by \$36,210 for the year ended June 30, 2019.