FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
THE POETRY FOUNDATION
DECEMBER 31, 2009 AND 2008

C O N T E N T S

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Audit • Tax • Advisory

Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687

T 312.856.0200
F 312.565.4719
www.GrantThornton.com

Board of Trustees
The Poetry Foundation

We have audited the accompanying statements of financial position of The Poetry Foundation (the "Foundation") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Poetry Foundation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
April 6, 2010

The Poetry Foundation
STATEMENTS OF FINANCIAL POSITION
December 31,
(In thousands)

ASSETS	2009	2008
Cash	$ 56	$ 106
Investments	76,652	65,428
Lilly Trust receivable	56,141	-
Receivables, net	60	44
Prepaid expenses and other	117	113
Property and equipment, net	9,012	8,579
Beneficial interest in Lilly Trusts	37,239	76,947
Other assets	101	52
TOTAL ASSETS	$ 179,378	$ 151,269

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 529	$ 636
Accrued expenses	348	546
Unearned revenue	490	513
Total liabilities	1,367	1,695
Net assets		
Unrestricted	140,637	72,492
Temporarily restricted	37,243	76,951
Permanently restricted	131	131
Total net assets	178,011	149,574
TOTAL LIABILITIES AND NET ASSETS	$ 179,378	$ 151,269

The accompanying notes are an integral part of these statements.

The Poetry Foundation
STATEMENT OF ACTIVITIES
Year ended December 31, 2009
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues (loss)				
Publication and advertising	$ 620	$ -	$ -	$ 620
Contributions	8	-	-	8
Investment loss	(1,029)	-	-	(1,029)
Other income	6	-	-	6
Operating loss before net assets released from restrictions	(395)	-	-	(395)
Net assets released from restrictions	62,241	(62,241)	-	-
Total operating revenues (loss)	61,846	(62,241)	-	(395)
Operating expenses				
Salaries and benefits	1,884	-	-	1,884
Professional services	617	-	-	617
Prizes and awards to authors and students	309	-	-	309
Author, editor and reader payments	295	-	-	295
Advertising and promotion	339	-	-	339
Printing and postage	638	-	-	638
Sponsorships and grants	406	-	-	406
Office	188	-	-	188
Occupancy	401	-	-	401
Audio and web production	770	-	-	770
Other	639	-	-	639
Total operating expenses	6,486	-	-	6,486
Change in net assets from operations	55,360	(62,241)	-	(6,881)
Non-operating revenues and gains				
Unrealized gains on investments	12,785	-	-	12,785
Change in value of beneficial interest	-	22,533	-	22,533
Total non-operating revenues and gains	12,785	22,533	-	35,318
Change in net assets	68,145	(39,708)	-	28,437
Net assets at beginning of year	72,492	76,951	131	149,574
Net assets at end of year	$ 140,637	$ 37,243	$ 131	$ 178,011

The accompanying notes are an integral part of this statement.

The Poetry Foundation
STATEMENT OF ACTIVITIES
Year ended December 31, 2008
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues				
Publication and advertising	$ 656	$ -	$ -	$ 656
Contributions	53	-	-	53
Investment income	944	-	-	944
Other income	105	-	-	105
Operating revenues before net assets released from restrictions	1,758	-	-	1,758
Net assets released from restrictions	13,122	(13,122)	-	-
Total operating revenues	14,880	(13,122)	-	1,758
Operating expenses				
Salaries and benefits	1,892	-	-	1,892
Professional services	721	-	-	721
Prizes and awards to authors and students	348	-	-	348
Author, editor and reader payments	281	-	-	281
Advertising and promotion	306	-	-	306
Printing and postage	668	-	-	668
Sponsorships and grants	580	-	-	580
Office	252	-	-	252
Occupancy	419	-	-	419
Audio and web production	848	-	-	848
Awards and ceremonies travel and meals	236	-	-	236
Other	487	-	-	487
Total operating expenses	7,038	-	-	7,038
Change in net assets from operations	7,842	(13,122)	-	(5,280)
Non-operating revenues and gains				
Unrealized losses on investments	(32,358)	-	-	(32,358)
Change in value of beneficial interest	-	(36,611)	-	(36,611)
Total non-operating revenues and gains	(32,358)	(36,611)	-	(68,969)
Change in net assets	(24,516)	(49,733)	-	(74,249)
Net assets at beginning of year	97,008	126,684	131	223,823
Net assets at end of year	$ 72,492	$ 76,951	$ 131	$ 149,574

The accompanying notes are an integral part of this statement.

The Poetry Foundation
STATEMENTS OF CASH FLOWS
Years ended December 31,
(In thousands)

	2009	2008
Cash flows from operating activities		
Change in net assets	$ 28,437	$ (74,249)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	150	185
Net unrealized (gains) losses on investments	(12,785)	32,358
Net realized losses on investments	2,254	233
Change in		
Lilly Trust receivable	(56,141)	-
Beneficial interest in Lilly Trusts	33,608	36,611
Distributions from Lilly Trusts	6,100	13,122
Changes in operating assets and liabilities		
Accounts receivable	(16)	344
Prepaid expenses and other	(4)	56
Accounts payable	(107)	82
Unearned revenue	(23)	(74)
Accrued expenses	(198)	(34)
Other assets	(49)	(52)
Net cash provided by operating activities	1,226	8,582
Cash flow from investing activities		
Proceeds from sale/maturities of investments	16,567	35,593
Purchase of investments	(17,260)	(43,157)
Purchase of property and equipment	(583)	(995)
Net cash used in investing activities	(1,276)	(8,559)
Net change in cash	(50)	23
Cash at beginning of year	106	83
Cash at end of year	$ 56	$ 106

The accompanying notes are an integral part of these statements.

The Poetry Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008
(In thousands)

NOTE A - ORGANIZATION

The Poetry Foundation (the "Foundation") was founded in 1941 as The Modern Poetry Association and adopted its current name on April 25, 2003. The Foundation, an Illinois not-for-profit corporation, is dedicated to promoting the understanding and appreciation of poetry. The Foundation publishes POETRY Magazine and other original works of literature, manages a recitation project for high school students in partnership with the National Endowment for the Arts, produces an online site for archived poetry and articles about poetry, sponsors a variety of public and educational programs, and supports creative projects in literature.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis of accounting. Significant accounting policies are described below.

Basis of Presentation

The Foundation's financial statements have been prepared to focus on the Foundation as a whole and to present balances and activities in accordance with the existence or absence of donor-imposed restrictions. Net assets and related activities are classified as unrestricted, temporarily restricted or permanently restricted based on the donor-imposed restrictions, as follows:

- Unrestricted - Net assets that are not subject to donor-imposed restrictions.

- Temporarily restricted - Net assets that are subject to donor-imposed restrictions that will be met either by the actions of the Foundation or the passage of time.

- Permanently restricted - Net assets that are subject to donor-imposed restrictions to be maintained in perpetuity by the Foundation.

Revenue and Expenses

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions not satisfied during the fiscal year of donation. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is explicitly restricted by donor stipulation or law. Expirations of temporarily restricted net assets (i.e., the donor-specified purpose has been fulfilled and/or the stipulated time period has expired) are reported as reclassifications between applicable classes of net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Expenses - Continued

Private gifts are recognized in the period in which they are received. Pledges are recognized when unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value. Subscription revenues of POETRY Magazine are recognized as earned over the life of the subscriptions.

Accounts Receivable

Accounts receivable are stated at amounts due from renters, subscription holders, advertising customers, donors and investments, net of allowances for uncollectible amounts. The Foundation determines its allowance for uncollectible amounts by considering a number of factors, including length of time accounts receivable are past due and the Foundation's previous collection history. The Foundation writes off accounts receivable that have become uncollectible. Payments subsequently received on such receivables are credited to the allowance for uncollectible amounts.

Property and Equipment

Property and equipment consists of land, construction in process, building improvements to leased space, website development costs, furniture, books, and computer hardware and software stated at cost. The long-lived assets, other than land, are capitalized and depreciated using the straight-line method over their estimated useful lives of 3 to 10 years, with a full year of depreciation taken during the year the asset is placed in service.

On May 2, 2007, the Foundation purchased land to construct a building on the site for the future home of the Foundation. At the time of the purchase, the property held buildings with rental leases for tenants. The Foundation took over these leases and the operation of the property until work commenced, on August 31, 2008, to prepare the site for the new building.

Beneficial Interest in Lilly Trusts

The Foundation's beneficial interest in the Lilly Trusts are reported at estimated fair value, which has been measured at the present value of the estimated future distributions expected to be received over the term of the related charitable lead and charitable remainder trust agreements, using discount rates commensurate with the risks involved. The change in the estimated fair value of the Foundation's beneficial interests in the Lilly Trusts is reported as an increase or decrease in temporarily restricted net assets. Distributions from the Lilly Trusts are reclassified from temporarily restricted net assets to unrestricted net assets when they are received.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Foundation has received a determination letter from the Internal Revenue Service ("IRS") indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code ("IRC"). In 2007, the Foundation met the criteria for a private operating foundation. As such, except for unrelated business income, the Foundation is exempt from Federal and state income taxes as long as it meets IRS requirements for program spending. The Foundation has met these requirements for the years ended December 31, 2009 and 2008. No provision has been made for income taxes in the accompanying financial statements as the Foundation has had no significant unrelated business income.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, such as the beneficial interest in the Lilly Trusts, in order to prepare these financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates. Note D contains additional information regarding the estimated fair value of the beneficial interest in the Lilly Trusts.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform with the current-year presentation.

NOTE C - INVESTMENTS

Investments at December 31, 2009 and 2008, consist of the following:

	2009	2008
Marketable securities		
Money market accounts	$ 1,950	$ 3,339
Mutual funds		
Domestic equities	42,554	32,634
International equities	12,059	10,081
Bonds	16,816	14,271

NOTE C - INVESTMENTS - Continued

	2009	2008
Non-marketable securities		
Private equity	$ 2,249	$ 1,692
Real estate	464	3,093
Natural resources	560	318
Total	$76,652	$65,428

Investment income for the years ended December 31, 2009 and 2008, consists of the following:

	2009	2008
Interest and dividends, net of investment expenses of $249 and $351, respectively	$ 1,225	$1,177
Realized losses	(2,254)	(233)
Total	$(1,029)	$ 944

Investment income is recorded on an accrual basis.

NOTE D - BENEFICIAL INTEREST IN LILLY TRUSTS

On January 18, 2002, the Foundation received gifts of beneficial interests in three charitable lead trusts and two charitable remainder trusts established by Ruth Lilly (the "Lilly Trusts").

The charitable lead trusts are funded solely with non-voting units in two limited liability companies. Charitable Lead Trust #1 ("CLT #1") was funded with 99,000 units in Stafford Investments II LLC ("Stafford II"). Charitable Lead Trust #2 ("CLT #2") was funded with 75,428 units in Stafford Investments III LLC ("Stafford III"). Charitable Lead Trust #3 ("CLT #3") was funded with 23,572 units in Stafford III. Stafford II and Stafford III were funded solely with Eli Lilly and Company stock. Over time, the portfolios for these funds have been gradually diversified. Lilly stock represented 12.5% of the total investments in the Stafford III portfolio at December 31, 2009. Charitable Remainder Trust #1 ("CRT #1") and Charitable Remainder Trust #2 ("CRT #2") were also funded with Eli Lilly and Company stock, which has since been diversified.

NOTE D - BENEFICIAL INTEREST IN LILLY TRUSTS - Continued

For each trust, a valuation reflects its specific characteristics, including (1) expected start and end dates for distribution to the Foundation, (2) expected market appreciation (net of fees) based on the composition of the investment portfolio and (3) appropriate discount factors to adjust estimated future cash flows to present value.

The following table presents the general terms of the Lilly Trusts:

Trust	Payment start date	Length of trust	Annual payments
CLT #1	January 18, 2003	Probability weighted, terminates upon death of Ruth Lilly or exhaustion of funds in trust	Percentage of fair value of Stafford II each year, with 20% annual growth over the prior year's payout - $28 payout in 2009 and $6,600 payout in 2008; final payout made in January 2009
CLT #2	January 18, 2003	15 years	Fixed payment based on initial fair value of Stafford III - $4,900 annual distribution
CLT #3	January 18, 2003	30 years	12.5% of fair value of portion of Stafford III - $1,100 received in 2009 and $1,100 received in 2008
CRT #1	January 18, 2003	Terminates upon death of Ruth Lilly	A 35% share of the full distribution of assets paid upon the death of Ms. Lilly. Ms. Lilly died on December 30, 2009. The Foundation's share of this trust is estimated at $56,000 and is recorded as a current receivable.
CRT #2	January 18, 2003	One-time payout after five years, paid out in full in 2007	

NOTE D - BENEFICIAL INTEREST IN LILLY TRUSTS - Continued

The following table details certain significant assumptions used in estimating the fair value of the Lilly Trusts at December 31:

	Annual market appreciation		Discount rate to calculate NPV	
	2009	2008	2009	2008
CLT #1	N/A	7.35%	N/A	0.00%
CLT #2	7.36%	7.35	3.26%	3.66
CLT #3	7.36	7.35	4.08	4.28
CRT #1	N/A	7.30	N/A	3.66

The following table presents the estimated fair value of the Lilly Trusts at December 31:

	2009	2008
CLT #1	$ -	$ -
CLT #2	27,798	28,121
CLT #3	9,441	9,164
CRT #1	-	39,662
CRT #2	-	-
Total	$37,239	$76,947

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and specify disclosure requirements for fair value measurements. These principles maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but which are traded less frequently, investments recorded at net asset value ("NAV"), which may be redeemed at or near the reporting date, and investments that are fairly valued using other securities or assets, the parameters of which can be directly observed.

- Level 3 - Securities that have little to no pricing observability as of the report date and investments recorded at NAV that cannot be redeemed at or near the reporting date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. 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. However, the determination of what constitutes observable information requires significant judgment by Foundation management. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Investments with values that are based on quoted market prices in active markets and are, therefore, classified within Level 1, include active listed equities, publicly traded mutual funds with published prices per share, certain U.S. Government and sovereign obligations, and certain money market securities. The Foundation does not adjust the quoted price for such instruments. Investments that trade in markets that are not considered to be active, but which are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. The Foundation does not have any investments that would

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

be classified as having Level 2 inputs. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity, real estate and natural resources funds in which the Foundation is invested.

When observable prices are not available for these securities, the Foundation uses a market approach, which generally consists of using comparable market transactions and estimates. The valuation of the beneficial interest in the Lilly Trusts also falls under Level 3, as there are no significant observable inputs. The Lilly Trusts' valuation is based on assumptions about the present value of distributions to be received from the trusts. The inputs used by the Foundation in estimating the Level 3 beneficial interest in the Lilly Trusts are included in note D. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value of the investments and beneficial interest in the Lilly Trusts and, therefore, the Foundation's results of operations.

The inputs used by the Foundation in estimating the value of Level 3 investments are derived from the NAVs provided to the Foundation by the fund managers. For the private equity and natural resource funds, the valuations are as of September 30, 2009, rolled forward by Foundation management to reflect costs and estimated change in fair value for the fourth quarter of the year. The real estate fund investment reflects the NAVs provided by the fund manager as of December 31, 2009.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2009 and 2008, and indicate the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value.

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

Assets measured at fair value on a recurring basis as of December 31:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2009
Investments				
Bond funds	$16,816	$ -	$ -	$ 16,816
Domestic equity funds	42,554	-	-	42,554
International equity funds	12,059	-	-	12,059
Money market	1,950	-	-	1,950
Private equity funds	-	-	2,249	2,249
Real estate	-	-	464	464
Natural resources	-	-	560	560
Total investments	73,379	-	3,273	76,652
Beneficial interest in Lilly Trusts	-	-	37,239	37,239
Total	$73,379	$ -	$40,512	$113,891

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2008
Investments				
Bond funds	$14,271	$ -	$ -	$ 14,271
Domestic equity funds	32,634	-	-	32,634
International equity funds	10,081	-	-	10,081
Money market	3,339	-	-	3,339
Private equity funds	-	-	1,692	1,692
Real estate	-	-	3,093	3,093
Natural resources	-	-	318	318
Total investments	60,325	-	5,103	65,428
Beneficial interest in Lilly Trusts	-	-	76,947	76,947
Total	$60,325	$ -	$82,050	$142,375

The following table summarizes the changes in fair values associated with Level 3 assets:

	Private equity funds	Real estate	Natural resources	Lilly Trusts	Total
Balance as of December 31, 2007	$1,731	$ 5,218	$162	$126,680	$133,791
Purchases and sales, net	838	-	210	-	1,048
Distributions from trust	-	-	-	(13,122)	(13,122)
Investment expense	(110)	(203)	(11)	-	(324)
Realized gains	-	48	1	-	49
Unrealized losses	(680)	(1,894)	(44)	(36,611)	(39,229)
Transfers out	(87)	(76)	-	-	(163)
Balance as of December 31, 2008	1,692	3,093	318	76,947	82,050

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

	Private equity funds	Real estate	Natural resources	Lilly Trusts	Total
Balance as of December 31, 2008	$1,692	$ 3,093	$318	$ 76,947	$ 82,050
Purchases and sales, net	801	-	277	-	1,078
Distributions from trust	-	-	-	(6,099)	(6,099)
Investment income	42	-	-	-	42
Investment expense	(147)	(29)	(59)	-	(235)
Realized (losses) gains	(23)	(315)	3	-	(335)
Unrealized gains (losses)	99	(2,285)	21	22,532	20,367
Transfers out	(215)	-	-	(56,141)	(56,356)
Balance as of December 31, 2009	$2,249	$ 464	$560	$ 37,239	$ 40,512

The following table provides additional information related to investments recorded at NAV as of December 31, 2009:

	Fair value	Unfunded commitments	Redemption frequency	Term of investment
Private equity fund (a)	$1,494	$2,764	Illiquid during term of commitment	10 years
Private equity fund (b)	755	4,058	Illiquid during term of commitment	12 years plus three-year extension option
Real estate fund (c)	464	-	Illiquid until five-year anniversary	10 years
Natural resource (d)	560	842	Illiquid during term of commitment	12 years plus three-year extension option
	$3,273	$7,664		

NOTE E - DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS - Continued

(a) The fund comprises primarily restricted securities from private equity investments that have limited liquidity and that are subject to certain restrictions on transfer. The fund may also invest in partnerships, joint ventures and other private investments. Valuations of such investments, to the extent they have not traded during the most recent quarter, are based on the applicable investment sponsor's valuation or the estimate determined by the fund management. The earliest redemption date for this fund is February 7, 2018.

(b) The fund comprises primarily investments in other private partnerships formed for the purpose of making investments in equity securities, warrants or other options that are generally not actively traded at the time of investments. Generally, the fund management may not transfer, or withdraw its investments in limited partnerships prior to their termination. The fair values of the underlying investments are estimated by the general partner based upon the best available information provided by the limited partnerships and may incorporate general partner assumptions and best estimates after considering a variety of internal and external factors. The Foundation's share of the fair value of this fund is reflected in these statements. The earliest redemption date for this fund is January 24, 2019.

(c) The fund comprises primarily domestic commercial real estate investments. Real estate investments in the fund are presented at fair value. The fund values these investments on a quarterly basis and engages independent appraisers. The Foundation's share of the fair value of this fund is reflected in these statements. Redemptions from the fund are permitted at the five-year anniversary, but only up to 20% of the units owned and only if fund management determines that there sufficient net capital is available. The Foundation entered into the real estate investment in 2006. The Foundation is eligible to request redemption of capital in 2012, subject to the constraints noted above. The Foundation is eligible for full redemption in 2017.

(d) The fund comprises primarily other limited partnerships formed for the purpose of making oil, gas and other natural resource related investments. Generally, the fund management may not transfer, or withdraw, its investments in limited partnerships prior to their termination The fair values of the underlying investments are estimated by the general partner based upon the best available information provided by the limited partnerships and may incorporate general partner assumptions and best estimates after considering a variety of internal and external factors. The Foundation's share of the fair value of this fund is reflected in these statements. The earliest redemption date for this fund is October 20, 2018.

NOTE F - PROPERTY AND EQUIPMENT

Components of property and equipment at December 31, 2009 and 2008, are shown below:

	2009	2008
Leasehold improvements	$ 441	$ 441
Office and computer equipment	311	297
Website development	601	349
Books	26	26
Land	7,264	7,368
Construction in progress	1,487	1,065
Total	10,130	9,546
Less accumulated depreciation	(1,118)	(967)
Net	$ 9,012	$8,579

NOTE G - OPERATING LEASE

In November 2005, the Foundation entered into a lease agreement with KAN AM 444 North Michigan Avenue, L.P. whereby the Foundation will lease office space at 444 North Michigan Avenue through November 30, 2008. In July 2009, the Foundation exercised its option to extend the lease to June 2013, including an option to terminate in March 2011. If the termination option is not exercised, the future minimum lease payments for this space are as follows:

2010	$263
2011	272
2012	280
2013	167

Rent expense for the years ended December 31, 2009 and 2008, was $276 and $283, respectively.

NOTE H - EMPLOYEE RETIREMENT PLAN

The Foundation has established a defined contribution retirement plan within the provisions of Section 403(b) of the IRC. The plan is provided through the Teachers Insurance and Annuity Association ("TIAA"). Employees are eligible to participate in the plan after the completion of one year of service and attainment of age 25. Years of service with any organization that meets the eligibility requirements of 403(b) not-for-profit institutions will be counted for satisfying this requirement. As a condition of employment, employees must begin participation after three years of employment and the attainment of age 30. Plan contributions are made as a percentage of compensation as follows: 10% by the Foundation and 5% by the individual. The Foundation and employee participants make bi-monthly contributions to TIAA for the purchase of individual annuities. The Foundation made matching contributions to TIAA totaling $105 and $110 in 2009 and 2008, respectively.

NOTE I - NET ASSETS

Temporarily Restricted

As of December 31, 2009 and 2008, all temporarily restricted net assets were time restricted. During the years ended December 31, 2009 and 2008, the Foundation released $62,241 and $13,122, respectively, from temporarily restricted net assets.

Permanently Restricted

The Foundation's endowment consists of a fund established by a donor to provide income to be used to award poetry prizes or for the general operating purposes of the Foundation. The income is allocated to temporarily restricted net assets until appropriated for expenditure to satisfy the purpose of the restrictions. Realized gains are reinvested in the restricted endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment includes only donor-restricted endowment funds.

NOTE I - NET ASSETS - Continued

Endowment Net Assets

The Foundation had the following endowment-related activities:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance as of December 31, 2007	$ -	$ 4	$131	$135
Investment return				
Interest and dividends	-	1	-	1
Net depreciation (realized and unrealized)	(24)	-	-	(24)
Total investment return	(24)	1	-	(23)
Appropriation of endowment assets for expenditure	-	(5)	-	(5)
Total change in endowment net assets	(24)	(4)	-	(28)
Balance as of December 31, 2008	(24)	-	131	107
Investment return				
Interest and dividends	3	-	-	3
Net appreciation (realized and unrealized)	18	-	-	18
Total investment return	21			21
Appropriation of endowment assets for expenditure	(6)	-	-	(6)
Total change in endowment net assets	15	-	-	15
Balance as of December 31, 2009	$ (9)	$ -	$131	$122

NOTE I - NET ASSETS - Continued

Endowment Net Assets - Continued

The Foundation invests its permanently restricted funds prudently with the goal of providing a long-term rate of return in excess of inflation. Objectives of the Foundation's investment policy include providing adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Foundation has an active investment committee that meets regularly to ensure that the objectives of the investment policy are being met and that the strategies used to meet the objectives are in accordance with the Foundation's investment policy.

For the years ended December 31, 2009 and 2008, the unrestricted fund was entitled to receive from the earnings on the endowment fund 5% of the average annual market value of the endowment fund as of the end of the preceding eight calendar quarters.

NOTE J - EXPENSES BY FUNCTIONAL CLASSIFICATION

Expenses are reported in the statements of activities by natural business classification. The Foundation's primary services are the publication of POETRY Magazine and its online archive and journal at Poetryfoundation.org and the sponsorship of various poetry education and research programs. The Foundation's operating expenses by functional classification for the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
POETRY Magazine	$1,582	$1,755
Poetryfoundation.org	1,169	1,444
Public and educational programs	2,485	2,448
Total program expenses	5,236	5,647
General and administrative	1,250	1,391
Total	$6,486	$7,038

NOTE K - CONCENTRATION OF CREDIT RISK

Certain financial instruments subject the Foundation to credit risk. Those financial instruments consist primarily of cash, accounts receivable, beneficial interest in the Lilly Trusts and investments. The Foundation maintains its cash balance in financial institutions which, at times, may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Concentration of credit risk with respect to receivables is limited due to the large number of accounts and low average cash balance. Concentration of credit risk with respect to the beneficial interest in the Lilly Trusts is limited through the diversification of the trust assets. The Foundation's investment policy also stipulates appropriate diversification of investment balances. Because certain investments are not readily marketable, their estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. As of December 31, 2009 and 2008, the Foundation had no significant concentration of credit risk in investments.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Foundation is subject to legal proceedings arising in the course of its normal business activities. Management believes that any such matters will be resolved without material adverse effect on the Foundation's financial position or results of operations.

NOTE M - NEW ACCOUNTING PRONOUNCEMENTS

The Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10 as of January 1, 2009. ASC 740-10 clarifies the accounting guidance for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Foundation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years ended 2006, 2007 and 2008 are still open to audit for both Federal and state purposes. The adoption of ASC 740-10 did not have any impact on the Foundation's financial statements.

NOTE M - NEW ACCOUNTING PRONOUNCEMENTS - Continued

The Foundation adopted the amended guidance in ASC 820, "*Fair Value Measurements and Disclosures*," in its December 31, 2009 financial statements and changed its valuation technique for its investments in private equity funds, natural resource, and real estate funds. The new guidance affects how the Foundation measures the fair value of investments in certain entities that do not have a quoted market price but that calculate NAV per share or its equivalent. As a practical expedient, the amendments permit, but do not require, the Foundation to measure the fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. As a result of applying the practical expedient, the fair values of the Foundation's investments in private equity funds, natural resource, and real estate funds were determined based on the NAV beginning with the December 31, 2009 valuation. Prior to adoption of the new guidance in ASC 820, the Foundation adjusted the NAV for liquidity restrictions and lock-ups that were characteristics of the Foundation's investments but not of the underlying investments for which the NAV was determined.

The adoption of ASC 820 did not have a material impact on the fair value determination of applicable investments; however, it did require additional disclosures. See note E for the additional disclosures related to the amended guidance.

NOTE N - SUBSEQUENT EVENTS

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, "*Subsequent Events*," now referred to as ASC 855-10, to incorporate the accounting and disclosure requirements for subsequent events into US GAAP. ASC 855-10 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The Foundation adopted ASC 855-10 as of December 31, 2009, which was the required effective date.

The Foundation evaluated its December 31, 2009 financial statements for subsequent events through April 6, 2010, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements with the exception of the following event:

NOTE N - SUBSEQUENT EVENTS - Continued

In March 2010, the Foundation's Board of Trustees endorsed the recommendation of the Foundation's Finance Committee to authorize and proceed with the issuance and sale of tax-exempt bonds through the issuance by the Illinois Finance Authority of its Revenue Bonds, Series 2010 (The Poetry Foundation Project) (the "Bonds"), in an aggregate principal amount of $15,000. The proceeds of the Bonds will be used to fund a portion of the costs associated with the Foundation's new building project.