

OS AA01

Statement of details of parent law and other information for an overseas company



Companies House

SCANNED

13 MAR 2014

☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law

☐ **What this form is NOT for**
You cannot use this form to
an alteration of manner of
with accounting requirements



A343SYVE
A08 21/03/2014 #106
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ① PRINCETON UNIVERSITY PRESS

UK establishment number B R 0 1 1 5 0 1

→ **Filling in this form**
Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

① This is the name of the company in
its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited.

Legislation ② USGAP

② This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

③ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation or body ③ FINANCIAL ACCOUNTING STANDARDS BOARD

A3 Accounts

Accounts Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

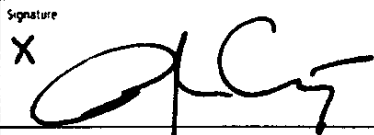
A4**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box <input type="checkbox"/> No Go to Part 3 'Signature' <input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	① Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ①	AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	

A5**Unaudited accounts**

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box <input type="checkbox"/> No <input type="checkbox"/> Yes
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Part 3**Signature**

Signature	I am signing this form on behalf of the overseas company	
	Signature	 MARCH 10, 2014
	This form may be signed by Director, Secretary, Permanent representative	

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name THE FISH PARTNERSHIP

Address THE MILL HOUSE

BOUNDARY ROAD

LOUDWATER

Post town HIGH WYCOMBE

County/Region BUCKS

Postcode H P 1 0 9 Q N

Country

DX

Telephone 01628 527956

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address:

England and Wales

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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PRINCETON UNIVERSITY PRESS

Financial Statements

June 30, 2013 and 2012

With Independent Auditors' Report

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21/03/2014

COMPANIES HOUSE

#107

Princeton University Press
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June 30, 2013 and 2012

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Additional Offices in New Jersey,
New York Pennsylvania Maryland
Florida and Colorado

Independent Auditors' Report

To the Trustees of
Princeton University Press

We have audited the accompanying financial statements of Princeton University Press (the "Press"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

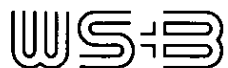
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditors' 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 audits 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 auditors' 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 Princeton University Press as of June 30, 2013 and 2012, and its activities, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

WithumSmith+Brown, PC

November 21, 2013

Princeton University Press
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 8,639,095	\$ 11,394,294
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$2,370,462 in 2013 and \$2,320,462 in 2012	1,831,673	1,049,678
Inventories, net	4,080,938	4,479,408
Other current assets	<u>6,065,597</u>	<u>5,644,915</u>
Total current assets	20,617,303	22,568,295
Author advances	3,313,905	2,942,185
Due from related parties	--	101,765
Property and equipment, net	4,505,322	4,639,210
Investments in Princeton University primary pool	92,499,287	83,891,876
Investments in Princeton University secondary pool	<u>7,711</u>	<u>7,705</u>
	<u>\$120,943,528</u>	<u>\$114,151,036</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,017,739	\$ 1,971,909
Royalties payable	3,357,836	3,428,944
Subsidies applicable to future publications	<u>1,387,919</u>	<u>1,365,210</u>
Total current liabilities	6,763,494	6,766,063
Other liabilities - including reserve for post retirement major medical benefits of \$816,682 in 2013 and \$846,328 in 2012	841,976	871,626
Net assets		
Unrestricted	95,507,375	89,754,249
Permanently restricted	<u>17,830,683</u>	<u>16,759,098</u>
Total net assets	<u>113,338,058</u>	<u>106,513,347</u>
	<u>\$120,943,528</u>	<u>\$114,151,036</u>

The Notes to Financial Statements are an integral part of this statement

Princeton University Press
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Net sales	\$ 24,700,801	\$ --	\$ 24,700,801	\$ 24,701,210	\$ --	\$ 24,701,210
Cost of sales	10,137,601	--	10,137,601	9,748,316	--	9,748,316
Gross margin	14,563,200	--	14,563,200	14,952,894	--	14,952,894
Income from publishing rights	1,137,708	--	1,137,708	1,123,022	--	1,123,022
Gross margin including publishing rights	15,700,908	--	15,700,908	16,075,916	--	16,075,916
Operating expenses	17,900,841	--	17,900,841	17,149,808	--	17,149,808
Net deficit from operations	(2,199,933)	--	(2,199,933)	(1,073,892)	--	(1,073,892)
Other income (expense)	(39,405)	--	(39,405)	(43,347)	--	(43,347)
Foreign currency exchange loss	382,362	--	382,362	102,005	--	102,005
Other income						
Excess of expenditures over income from departmental operations	(1,856,976)	--	(1,856,976)	(1,015,234)	--	(1,015,234)
Income allocated for spending	3,055,653	822,720	3,878,373	2,910,149	783,544	3,693,693
Surplus before other changes in net assets	1,198,677	822,720	2,021,397	1,894,915	783,544	2,678,459
Other changes in net assets						
Amortization of postretirement benefit plan cumulative gain (loss)	18,036	--	18,036	(86,567)	--	(86,567)
Internal subsidies applied	(974,033)	--	(974,033)	(739,570)	--	(739,570)
Contributions	385,265	--	385,265	366,919	--	366,919
Interfund transfers	822,720	(822,720)	--	783,544	(783,544)	--
Unrealized gain (loss) on investments in primary pool	4,302,461	1,071,585	5,374,046	(989,791)	(236,100)	(1,225,891)
Change in net assets	5,753,126	1,071,585	6,824,711	1,229,450	(236,100)	993,350
Net assets, beginning of year	89,754,249	16,759,098	106,513,347	88,524,799	16,995,198	105,519,997
Net assets, end of year	\$ 95,507,375	\$ 17,830,683	\$ 113,338,058	\$ 89,754,249	\$ 16,759,098	\$ 106,513,347

The Notes to Financial Statements are an integral part of this statement

Princeton University Press
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 6,824,711	\$ 993,350
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts and sales returns	50,000	50,000
Depreciation and amortization	197,338	197,089
Unrealized (gain) loss on investment in primary pool	(5,374,046)	1,225,891
Change in		
Increase in accounts receivable	(831,995)	(276,102)
Decrease in inventories	398,470	246,581
Increase in other current assets	(420,682)	(900,409)
Increase in author advances	(371,720)	(42,000)
Decrease in due from related parties	101,765	44,893
Increase in accounts payable and accrued liabilities	45,830	217,232
Decrease in royalties payable	(71,108)	(76,877)
Increase in subsidies applicable to future publications	22,709	189,279
(Decrease) increase in postretirement major medical benefits obligation	(29,650)	73,733
Net cash provided by operating activities	541,622	1,942,660
Cash flows from investing activities		
Purchase of investments	(3,233,371)	(210,336)
Purchase of property and equipment	(63,450)	(37,039)
Net cash used by investing activities	(3,296,821)	(247,375)
Cash flows from financing activities		
Interfund transfers to/from funds invested in the Princeton University Market pools	3,878,373	3,693,693
Income allocated for spending	(3,878,373)	(3,693,693)
Repayment of note payable	—	(2,542,669)
Investment income allocated for spending	(385,265)	(366,919)
Funds withdrawals	385,265	366,919
Net cash used by financing activities	—	(2,542,669)
Net change in cash	(2,755,199)	(847,384)
Cash and cash equivalents		
Beginning of year	11,394,294	12,241,678
End of year	\$ 8,639,095	\$ 11,394,294
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ —	\$ 128,542

The Notes to Financial Statements are an integral part of this statement

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

1 Organization and Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the accompanying financial statements are outlined as follows

Nature of Organization

Princeton University Press (the "Press") is a not-for-profit organization that publishes scholarly and educational books, principally in the areas of the humanities, social sciences and natural sciences

Basis of Accounting

The financial statements of the Press have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities

Basis of Presentation

Financial statement presentation follows the recommendations of the accounting standards board for the financial statements for Not-for-Profit Organizations. Under the standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Property and Equipment

Property and equipment are recorded at cost. The Press' policy is to capitalize all asset purchases greater than \$3,000. Depreciation and amortization of property and equipment is provided on a straight-line basis over the following estimated useful lives:

Computer Equipment	3	years
Delivery Equipment	5	years
Furniture and Fixtures	10	years
Building and Improvements	10 - 40	years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank as well as all short-term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the original date of the investment.

Sales Returns and Doubtful Accounts

The Press provides an allowance for doubtful accounts and estimated future returns of books shipped to customers. The allowance for doubtful accounts and returns is shown as a reduction of receivables in the accompanying Statements of Financial Position.

Inventories

Inventories consist of books and work in process and are stated at the lower of cost, on a first-in, first-out basis, or market. The Press expenses all preprinting costs such as composition and plate-making in the year books are published. The amounts expensed in 2013 and 2012 were \$1,572,143 and \$1,277,227, respectively. Work in process totaled \$1,583,851 and \$1,424,266 for the years ended June 30, 2013 and 2012, respectively. The inventory valuation allowance aggregates \$2,434,714 and \$2,205,669 at June 30, 2013 and 2012, respectively.

Sales

The Press recognizes sales when books are shipped to customers. In accordance with industry practice, estimated sales returns are provided at the time books are shipped.

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$998,635 and \$1,041,690 for the years ended June 30, 2013 and 2012, respectively.

Subsidies

The Press receives amounts (\$52,763 and \$144,292 in 2013 and 2012, respectively, excluding amounts received from the Whitney Darrow, Einstein Endowment, McGraw and Johnson Letters Funds) to help finance publication costs of specific titles, not otherwise self-supporting, and pre-editorial costs of specific projects which may result in publications. Amounts used to help offset publication costs (\$72,938 and \$72,855 in 2013 and 2012, respectively) are applied against manufacturing costs in the year of publication. Amounts incurred in pre-editorial costs \$4,139 and \$12,000 in 2013 and 2012, respectively are charged directly against the unapplied subsidy balance.

Contributions

Contributions of cash and other assets received by the Press are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Postretirement Benefits

The Press follows the accounting standard for defined benefit pension and other postretirement plans. The standard requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under this standard, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have been recognized in changes in unrestricted net assets and are amortized as a component of net periodic cost. In addition, the measurement date (the date at which plan assets and the benefit obligation are measured) is required to be the Press' fiscal year end. Presently, a June 30th measurement date is used for the post retirement plan (See Note 12).

2. Permanently Restricted Net Assets

The Einstein Endowment Fund was established to help finance certain future costs of the Albert Einstein publication program. The gift deed that established the Fund specifies that \$1,000,000 must be maintained in the Fund as an endowment. If there are remaining funds not required for the Albert Einstein publication program, then those funds, including the endowment, will be transferred to Princeton University to establish a professorship in science.

3. Unrestricted Net Assets

The following funds have been included in unrestricted net assets and have been established by the trustees primarily to support the book publication program.

The Paul Mellon Fund and Whitney Darrow Fund were established from funds distributed by Princeton University formerly held to support the Bollingen Series of books. These funds are unrestricted and have been designated by the Board to be used to help finance books and other publications which are not otherwise self-supporting as well as other projects which enhance the quality of the Press' publishing program.

The McGraw Fund was established to help finance books and other publications of a scholarly and educational nature which are not otherwise self-supporting. The McGraw Fund was established through grants given by the former Chairman of the Board of Trustees.

The Scribner Fund was established to help finance the cost of capital additions which must be made to carry out the publication program of the Press.

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

The Johnson Letters Fund was established to help finance the future costs of the publication of the letters of Dr. Samuel Johnson

In addition to the foregoing funds, Princeton University maintains two endowment funds, the income from which is available to the Press for specific purposes. Such funds are from gifts made to Princeton University rather than to the Press, and, accordingly, are not reflected in the accompanying statements of financial position

- (A) The Bollingen Series Fund was established in 1969 by gifts from Paul Mellon and the Bollingen Foundation to provide funds to continue and complete publication of the Bollingen Series. During the years ended June 30, 2013 and 2012, contributions amounting to \$385,265 and \$366,919, respectively, were received from Princeton University and are reflected as contributions in the statements of activity
- (B) The Lockert Fund was established to help finance the publication of verse translations, and to the extent funds remain, the publication of critical or interpretative studies in the field of literature

4. Endowment Funds

The Press' endowment funds consist of several funds established to continue the purpose of the Press. The endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions

The Press has adopted the accounting standard for endowments of Not-for-Profit Organizations. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA)

The Press' policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Press classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets because those amounts have been restricted by the Board. The Press invests its endowment funds in Princeton University's Primary Pool and Secondary Pool and the Press considers the following factors in making a determination to appropriate or accumulate donor-restricted and Board designated endowment funds

- The duration and preservation of the fund
- The purposes of the Press and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Press
- The investment policies of the Press

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

June 30, 2013 Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$ --	\$ 17,830,683	\$ 17,830,683
Board-designated endowment	<u>66,232,446</u>	<u>--</u>	<u>--</u>	<u>66,232,446</u>
Total	<u>\$ 66,232,446</u>	<u>\$ --</u>	<u>\$ 17,830,683</u>	<u>\$ 84,063,129</u>

Changes in Endowment Net Assets for the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 62,252,479	\$ --	\$ 16,759,098	\$ 79,011,577
Unrealized gain on investment	3,979,967	--	1,071,585	5,051,552
Income allocated for spending	3,055,653	--	822,720	3,878,373
Other changes				
Interfund transfer of income allocated for spending	<u>(3,055,653)</u>	<u>--</u>	<u>(822,720)</u>	<u>(3,878,373)</u>
Endowment net assets, end of year	<u>\$ 66,232,446</u>	<u>\$ --</u>	<u>\$ 17,830,683</u>	<u>\$ 84,063,129</u>

June 30, 2012 Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$ --	\$ 16,759,098	\$ 16,759,098
Board-designated endowment	<u>62,252,479</u>	<u>--</u>	<u>--</u>	<u>62,252,479</u>
Total	<u>\$ 62,252,479</u>	<u>\$ --</u>	<u>\$ 16,759,098</u>	<u>\$ 79,011,577</u>

Changes in Endowment Net Assets for the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 63,129,362	\$ --	\$ 16,995,198	\$ 80,124,560
Unrealized loss on investment	(876,883)	--	(236,100)	(1,112,983)
Income allocated for spending	2,910,149	--	783,544	3,693,693
Other changes				
Interfund transfer of income allocated for spending	<u>(2,910,149)</u>	<u>--</u>	<u>(783,544)</u>	<u>(3,693,693)</u>
Endowment net assets, end of year	<u>\$ 62,252,479</u>	<u>\$ --</u>	<u>\$ 16,759,098</u>	<u>\$ 79,011,577</u>

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

The funds in the Primary Pool are governed by investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Press must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which will provide current usable income in the range of 4% - 5.75% of portfolio value and which will increase funds to help offset inflation.

To satisfy its long term rate-of-return objectives, the Primary Pool 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 Primary Pool targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Press follows Princeton University's spending rule that provides for regular increases in spending while preserving the long-term purchasing power of endowment funds. Earnings available for spending are reported in income allocated for spending.

5 Property and Equipment

Property and equipment consists of the following at June 30

	2013	2012
Computer equipment	\$ 2,377,722	\$ 2,347,693
Furniture and fixtures	1,497,811	1,497,811
Delivery equipment	17,913	17,913
Building and improvements	<u>7,002,422</u>	<u>6,969,001</u>
	10,895,868	10,832,418
Less accumulated depreciation and amortization	<u>(6,390,546)</u>	<u>(6,193,208)</u>
Property and Equipment, Net	<u>\$ 4,505,322</u>	<u>\$ 4,639,210</u>

Depreciation and amortization expense totaled \$197,338 and \$197,089 for the years ended June 30, 2013 and 2012, respectively.

6 Investments

In accordance with the accounting standard for the accounting of certain investments held by Not-for-Profit organizations, all investments are reported at their fair values as reported by the respective trustee.

A summary of investments at fair value at June 30, 2013 and 2012 are as follows:

	2013	2012
Whitney Darrow Fund	\$ 26,866,151	\$ 25,251,554
Paul Mellon Fund	36,741,110	34,533,050
Scribner Fund	404,978	380,640
McGraw Fund	2,212,496	2,079,530
Einstein Endowment Fund	17,830,683	16,759,098
Johnson Letters	7,711	7,705
Working Capital Investment	<u>8,443,869</u>	<u>4,888,004</u>
	<u>\$ 92,506,998</u>	<u>\$ 83,899,581</u>

Princeton University Press
Notes to Financial Statements
June 30, 2013 and 2012

The Press invests in Princeton University's Primary Pool and Secondary Pool. Long-term growth of principal and an increase in future income are the objectives in the investment of these funds. Funds participating in the Primary Pool, including those of the Press, are assigned units on a market value basis. The net investment income is allocated to participating funds on the basis of units owned.

The Press has reflected in the accompanying statements of financial position the value of investments in the Primary Pool at the market value as reported by Princeton University.

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

The Secondary Pool is maintained for the investment of funds expected to be disbursed within five years. Net investment income earned is included in the accompanying statements of activity.

7. Fair Value Accounting

The Press has adopted ASC 820, *Fair Value Measurements and Disclosures*. The pronouncement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under the pronouncement as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. ASC 820 clarifies that fair value should be based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. ASC 820 also requires fair value measurements to assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flow and other income valuation approaches. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations. The Press has adopted Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820), Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU No. 2009-12"), issued by the FASB, for investments where it has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date. Such investments have been categorized under Level 2 fair value measurements in accordance with ASU No. 2009-12.

ASC 820 requires value measurements to be separately disclosed by level within the fair value hierarchy and requires a separate reconciliation of fair value measurements categorized as Level 3.

The following tables present the Press' assets that are measured at fair value for each hierarchy level, at June 30, 2013 and 2012, respectively.

	2013			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 8,367,748	\$ --	\$ --	\$ 8,367,748
Investment in primary pool				
Domestic equity	569,763	1,238,862	6,116,591	7,925,216
International equity	2,671,763	2,465,371	6,680,693	11,817,827
Independent return	--	2,537,943	21,054,991	23,592,934
Private equity	--	--	28,785,654	28,785,654
Real assets	259,404	526,529	16,102,631	16,888,564
Fixed income	--	--	40,146	40,146
Cash and other	3,974,961	(528,588)	2,573	3,448,946
Investment in secondary pool	7,711	--	--	7,711
	<u>\$15,851,350</u>	<u>\$ 6,240,117</u>	<u>\$78,783,279</u>	<u>\$100,874,746</u>
	2012			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$10,500,044	\$ --	\$ --	\$10,500,044
Investment in primary pool				
Domestic equity	103,613	754,967	5,224,915	6,083,495
International equity	1,151,312	1,413,866	4,986,504	7,551,682
Independent return	--	2,703,999	17,276,724	19,980,723
Private equity	--	--	29,012,161	29,012,161
Real assets	203,202	--	16,585,132	16,788,334
Fixed income	--	--	60,860	60,860
Cash and other	4,410,597	--	4,024	4,414,621
Investment in secondary pool	7,705	--	--	7,705
	<u>\$16,376,473</u>	<u>\$ 4,872,832</u>	<u>\$73,150,320</u>	<u>\$94,399,625</u>

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The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value

Balance as of June 30, 2011	\$ 73,834,403
Realized gain (loss)	--
Change in unrealized depreciation	(297,972)
Purchases	696,309
Sales and settlements	(879,721)
Transfers in to Level 3	209,238
Transfers out of Level 3	<u>(411,937)</u>
Balance as of June 30, 2012	73,150,320
Realized gain (loss)	--
Change in unrealized appreciation	6,000,676
Purchases	385,319
Sales and settlements	(582,158)
Transfers in to Level 3	--
Transfers out of Level 3	<u>(170,878)</u>
Balance as of June 30, 2013	<u>\$ 78,783,279</u>

The Press assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within hierarchy levels as a result of changes in valuation methodologies, liquidity, and/or redemption terms. In the year ended June 30, 2013, one investment transferred from Level 3 to Level 2. In the year ended June 30, 2012, one investment transferred from Level 2 to Level 3 and one investment transferred from Level 3 to Level 2. The Press' policy is to recognize transfers at the beginning of the reporting period.

Unrealized gains (losses) of \$6,000,676 and \$(297,972) related to Level 3 investments are included in unrealized gain (loss) on investments in primary pool in the statements of activities and changes in net assets for the years ended June 30, 2013 and 2012, respectively.

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2013 and 2012. The information is presented on a "manager-mandate" basis.

		2013		
	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Managed Investments (gross)				
Domestic equity (a)	\$ 7,925,216	\$ 373,151	daily - annually	4 - 90 days
International equity - developed (b)	4,521,048	--	daily - annually	7 - 90 days
International equity - emerging (c)	7,296,779	331,976	daily - annually	7 - 90 days
Independent return (d)	23,592,934	1,035,044	monthly - annually	30 - 90 days
Fixed income (e)	40,146	--	daily	same day
Cash and other (e)	<u>3,448,946</u>	<u>--</u>	daily	same day
Marketable asset classes	46,825,069	1,740,171		
Private equity (f)	28,785,654	9,942,806		
Real assets (g)	<u>16,888,564</u>	<u>5,028,019</u>		
Nonmarketable asset classes	45,674,218	14,970,825		
Total gross investments	<u>\$ 92,499,287</u>	<u>\$ 16,710,996</u>		

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	2012			
	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Managed Investments (gross)				
Domestic equity (a)	\$ 6,083,495	\$ 1,509	daily - annually	4 – 90 days
International equity – developed (b)	2,218,124	–	daily - annually	7 – 90 days
International equity – emerging (c)	5,333,558	540,196	daily - annually	7 – 90 days
Independent return (d)	19,980,723	1,024,562	monthly – annually	30 – 90 days
Fixed income (e)	60,860	–	daily	same day
Cash and other (e)	<u>4,414,621</u>	<u>–</u>	daily	same day
Marketable asset classes	38,091,381	1,566,267		
Private equity (f)	29,012,161	11,062,958		
Real assets (g)	<u>16,788,334</u>	<u>5,072,010</u>		
Nonmarketable asset classes	<u>45,800,495</u>	<u>16,134,968</u>		
Total gross investments	<u>\$ 83,891,876</u>	<u>\$ 17,701,235</u>		

- (a) **Domestic Equity** This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges or in domestic over-the-counter markets. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds, or, in the case of custodied accounts, the fair value of the securities held. Investments representing approximately 5 percent of the market value of this asset class are invested in nonredeemable assets.
- (b) **International Equity – Developed** This asset class includes funds primarily invested in public equity and debt securities traded in countries with developed economics other than the United States. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds. Virtually none of the investments in this asset class are invested in nonredeemable assets.
- (c) **International Equity – Emerging:** This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economics. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or, in the case of custodied accounts, the fair value of the securities held, at prevailing exchange rates. Investments representing approximately 13 percent of the market value of this asset class are invested in nonredeemable assets.
- (d) **Independent Return:** This asset class includes funds invested in equity and debt securities and financial instruments such as options, swaps, futures, and other derivatives. Funds in this asset class may hold both long and short positions in any of these instruments and pursue a variety of investments strategies based upon the fund's investment mandate and the current opportunity set. In general terms, approximately 24 percent of market value is invested in funds principally focused on long/short equity investments, 26 percent is invested in event-driven/arbitrage strategies, and 50 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 23 percent of the market value of this asset class are invested in nonredeemable assets.
- (e) **Fixed Income and Cash:** On a combined basis, these asset classes include primarily U.S. government and U.S. government-guaranteed securities held in separate accounts at the custodial bank. Virtually all of the investments in these asset classes can be liquidated on a daily basis.
- (f) **Private Equity:** This asset class includes funds invested primarily in buyouts or venture capital. The fair values of the investments in this asset class have generally been estimated using partners' capital statements issued by the funds, which reflect the Press' ownership interest. Generally, investments in this asset class are not redeemable. Distributions from investee funds in the portfolio are received as the underlying investments of the funds are liquidated.

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(g) **Real Assets** This asset class includes funds invested primarily in real estate, energy, and timber. The fair values of the investments in this asset class have been estimated using partners' capital statements issued by the funds, which reflect the Press' ownership interest. Generally, investments in this asset class are not redeemable. However, a small portion, approximately \$458,000 at June 30, 2013, and approximately \$207,000 at June 30, 2012, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments.

8. Income Taxes

The Press is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under current New Jersey tax statutes. Income derived from sources unrelated to the Press' tax-exempt status is not significant, and accordingly, no provision for income taxes has been provided.

The Press files tax returns in the United States federal jurisdiction and complies with filing requirements in various states. The Press has no open tax years prior to the year ended June 30, 2010. The Press had no unrecognized tax benefits at June 30, 2013 and 2012. In addition, the Press has no income tax related penalties or interest for the periods reported in the financial statements.

9 Due from Related Parties

Loans totaling \$0- and \$101,765 were outstanding from key employees of the Press at June 30, 2013 and 2012, respectively. These loans are secured by certain real estate, bear interest at rates ranging from 5.50% to 5.75% per annum, and are payable in periods of up to 40 years.

10 Investment in Joint Venture

The Press and the University of California Press equally own a joint venture, California Princeton Fulfillment Services, Inc., ("CPFS") which provides order fulfillment and book distribution services to foster the effective dissemination of scholarly works. Balances due to the Press in the ordinary course of business activities managed by CPFS at June 30, 2013 and 2012 totaled \$2,740,422 and \$1,949,954, respectively, and are within accounts receivable and other current assets on the statement of financial position. The Press incurred \$1,937,949 and \$2,002,809 in fulfillment fees payable to CPFS for the year ended June 30, 2013 and 2012, respectively. This amount is within operating expenses on the statement of activities. The Press' investment in CPFS is accounted for by the equity method of accounting. The Press's equity in CPFS at June 30, 2013 and 2012 was \$0-. The CPFS financial statements as of and for the years ended June 30, include the following:

	2013	2012
Total Assets	\$ 6,250,887	\$ 5,376,786
Total Liabilities	\$ 7,071,085	\$ 5,650,855
Decrease in Net Assets	\$ (546,129)	\$ (247,327)

11 Retirement Benefits

The Press maintains a defined contribution retirement plan. All employees who are compensated for at least 1,000 hours per annum for two years are eligible to participate in the plan and all benefits vest immediately.

Under the plan, all contributions are paid by the Press (generally equal to 9.3% of compensation up to the maximum social security level and 15% thereafter) and are used to purchase individual insured annuity contracts. Contributions to the plan aggregated \$591,108 and \$579,652 in 2013 and 2012, respectively.

The Press also provides certain health care benefits for retired employees (see Note 12).

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12 Postretirement Benefit Plan

The Press sponsors a Defined Benefit Postretirement Health Care Plan for eligible employees, as defined. The Press does not fund this plan. The Plan provides that the Press pays a fixed monthly premium for each retiree, including their spouse and dependent children. Effective January 1, 1993, the Press established a maximum benefit limit per participant. In addition, employees hired after January 1, 1993 are not eligible to become participants of the Plan.

The following table shows the summary of the projected accumulated postretirement benefit obligation ("APBO") and plan assets as of June 30.

	2013	2012
Projected APBO as of the End of the Previous Fiscal Year	\$ 846,328	\$ 772,931
Fiscal year actuarial (gains)/losses	(14,954)	86,567
Service cost	4,597	4,008
Interest cost	29,357	34,878
Estimated net benefit payments	<u>(48,646)</u>	<u>(52,056)</u>
Projected APBO as of the End of the Current Year	<u>\$ 816,682</u>	<u>\$ 846,328</u>
	2013	2012
Accumulated Postretirement Benefit Obligation	\$ (816,682)	\$ (846,328)
Fair value of plan assets	<u>--</u>	<u>--</u>
Unfunded status at end of year	<u>(816,682)</u>	<u>(846,328)</u>
Unrecognized net loss	96,310	114,346
Loss subject to amortization	<u>(96,310)</u>	<u>(114,346)</u>
Accrued Postretirement Benefit Cost	<u>\$ (816,682)</u>	<u>\$ (846,328)</u>

The Net Periodic Postretirement Benefit Cost ("NPPBC") is the amount to be expensed for any given year. The NPPBC for fiscal years 2013 and 2012 included the following components:

	2013	2012
Service Cost Benefits Attributed to		
Employee Service	\$ 4,597	\$ 4,008
Interest at cost on APBO	29,357	34,878
Amortization of gains and losses	<u>3,082</u>	<u>--</u>
NPPBC	<u>\$ 37,036</u>	<u>\$ 38,886</u>

Actuarial assumptions used to calculate the projected benefit obligation were as follows for years ended June 30:

	2013	2012
Discount rate	3.60%	3.60%

The amount recognized in the Statements of Financial Position for the years ended June 30, 2013 and 2012 for reserve for postretirement major medical benefits is \$816,682 and \$846,328, respectively. Contributions to the plan totaled \$37,032 and \$38,892 for 2013 and 2012, respectively.

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13. Concentration of Credit Risk

Financial instruments that potentially subject the Press to significant concentrations of credit risk consist principally of cash deposits. The Press places its cash balances in a limited number of financial institutions. The balances are insured, subject to various limitations, by the Federal Deposit Insurance Corporation. The Press monitors the financial health of these financial institutions. Historically, the Press has not experienced any losses on deposits.

14. Commitments

The Press has an operating lease for its editorial office in the United Kingdom, which expires in July 2016. The estimated future minimum rental payments are as follows for the years ended June 30:

2014	\$ 35,758
2015	35,758
2016	35,758
2017	2,175
	<u>\$ 109,449</u>

The Press also has an operating lease for office space, with Princeton University, a related party. The lease expires in August 2014 and the estimated future minimum rental payments are \$2,520 and \$420 for the years ended June 30, 2014 and 2015, respectively.

The Press also has operating leases for office equipment. The leases expire on various dates from March 2014 through December 2017 and the estimated future minimum rental payments are as follows for the years ended June 30:

2014	\$ 72,833
2015	69,342
2016	28,610
2017	27,299
2018	11,325
	<u>\$ 209,409</u>

Total rent expense was \$141,371 and \$145,095 for the years ended June 30, 2013 and 2012, respectively.

The Press has entered into two lease agreements with Princeton University, a related party, for office space. Future minimum lease income under these agreements is as follows for the years ended June 30:

2014	\$ 128,785
2015	128,785
2016	118,053
	<u>\$ 375,623</u>

The lease income under these agreements was \$114,525 for the years ended June 30, 2013 and 2012.

15. Subsequent Events

The Press has evaluated subsequent events occurring after the balance sheet date through the date of November 21, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the Press has determined that no subsequent events have occurred which require disclosure in the financial statements.