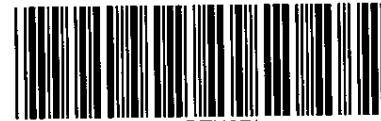


OS AA01Statement of details of parent law and other
information for an overseas company

Companies House

WEDNESDAY



A6LPTK3F

A12 20/12/2017 #56 base
COMPANIES HOUSE
A22 01/12/2017 #87
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☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law.

☒ **What this form is for**
You cannot use this form
with an alteration of parent law
with accounting requirements.

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** X USGAAP

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** X 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

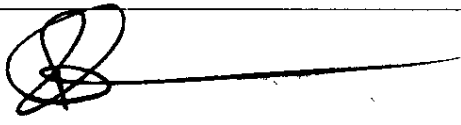
Statement of details of parent law and other information for an overseas company

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'.	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.	

Part 3

Signature

I am signing this form on behalf of the overseas company.		
Signature	Signature <input checked="" type="checkbox"/>  <input checked="" type="checkbox"/>	
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



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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.

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Company name

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LOUDWATER

Post town

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County/Region

BUCKS

Postcode

H P 1 0 9 Q N

Country

BUCKS

DX

Telephone

01628 527956



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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.



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

PRINCETON UNIVERSITY PRESS AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2017 and 2016
With Independent Auditors' Report

FR WEDNESDAY

A12	*A6LPTK3S*	20/12/2017	#58
COMPANIES HOUSE			

A22	*A6KD4EYI*	01/12/2017	#96
COMPANIES HOUSE			

Princeton University Press and Subsidiary
June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Trustees,
Princeton University Press:

We have audited the accompanying consolidated financial statements of Princeton University Press and Subsidiary (the "Press"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Princeton University Press as of June 30, 2017 and 2016, 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.



Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the entity has recorded a prior period adjustment related to investments. Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

November 28, 2017

Princeton University Press and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016 (Restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 3,139,683	\$ 3,225,894
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$3,441,503 and \$2,470,431 in 2017 and 2016, respectively	3,802,312	3,840,806
Inventories, net	5,173,690	4,430,783
Other current assets	<u>2,456,013</u>	<u>8,691,363</u>
Total current assets	14,571,698	20,188,846
Author advances	5,019,715	4,454,641
Due from related parties, net of current portion	541,850	555,337
Property and equipment, net	3,912,715	4,023,295
Investments in Princeton University primary pool	<u>77,703,692</u>	<u>72,325,056</u>
	<u>\$ 101,749,670</u>	<u>\$ 101,547,175</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,460,395	\$ 2,656,606
Royalties payable	4,164,573	3,778,649
Subsidies applicable to future publications	<u>1,404,076</u>	<u>1,600,597</u>
Total current liabilities	8,029,044	8,035,852
Other liabilities - including reserve for post retirement major medical benefits of \$669,711 in 2017 and \$731,796 in 2016	698,617	756,326
Net assets		
Unrestricted	70,255,461	71,508,518
Permanently restricted	<u>22,766,548</u>	<u>21,246,479</u>
Total net assets	<u>93,022,009</u>	<u>92,754,997</u>
	<u>\$ 101,749,670</u>	<u>\$ 101,547,175</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Princeton University Press and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2017 and 2016**

	2017			2016 (Restated) Permanently Restricted		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Net sales	\$ 29,263,809	\$ -	\$ 29,263,809	\$ 27,567,022	\$ -	\$ 27,567,022
Cost of sales	11,777,846	-	11,777,846	10,922,420	-	10,922,420
Gross margin	17,485,963	-	17,485,963	16,644,602	-	16,644,602
Income from publishing rights	918,820	-	918,820	1,085,459	-	1,085,459
Gross margin including publishing rights	18,404,783	-	18,404,783	17,730,061	-	17,730,061
Operating expenses	21,852,197	-	21,852,197	20,596,880	-	20,596,880
Net deficit from operations	(3,447,414)	-	(3,447,414)	(2,866,819)	-	(2,866,819)
Other income (expense)						
Foreign currency exchange loss	(59,365)	-	(59,365)	(461,057)	-	(461,057)
California Princeton Fulfillment Services Shut Down Income	57,181	-	57,181	709,928	-	709,928
Other (expense) income	(47,079)	-	(47,079)	766,291	-	766,291
Excess of expenditures over income from departmental operations	(3,496,677)	-	(3,496,677)	(1,851,657)	-	(1,851,657)
Income allocated for spending	-	-	-	3,941,577	1,061,250	5,002,827
(Deficit) surplus before other changes in net assets	(3,496,677)	-	(3,496,677)	2,089,920	1,061,250	3,151,170
Other changes in net assets						
Amortization of postretirement benefit plan cumulative gain (loss)	41,524	-	41,524	(34,009)	-	(34,009)
Internal subsidies applied	(1,656,471)	-	(1,656,471)	(968,474)	-	(968,474)
Contributions	-	-	-	496,964	-	496,964
Interfund transfers	-	-	-	1,061,250	(1,061,250)	-
Unrealized gain (loss) on investments in primary pool	3,858,567	1,520,069	5,378,636	(3,474,555)	(769,684)	(4,244,239)
Change in net assets	(1,253,057)	1,520,069	267,012	(828,904)	(769,684)	(1,598,588)
Net assets, beginning of year	71,508,518	21,246,479	92,754,997	116,116,968	22,016,163	138,133,131
Prior period adjustment - see footnote 1	-	-	-	(43,779,546)	-	(43,779,546)
Net assets, end of year	\$ 70,255,461	\$ 22,766,548	\$ 93,022,009	\$ 71,508,518	\$ 21,246,479	\$ 92,754,997

The Notes to Consolidated Financial Statements are an integral part of these statements.

Princeton University Press and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 267,012	\$ (1,598,588)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	183,687	199,425
Unrealized (gain) loss on investment in primary pool	(5,378,636)	4,244,239
Change in		
Accounts receivable	38,494	(1,547,422)
Inventories	(742,907)	(731,796)
Other current assets	6,235,350	(518,717)
Author advances	(565,074)	(762,731)
Due from related parties	13,487	(555,337)
Accounts payable and accrued liabilities	(196,211)	360,355
Royalties payable	385,924	(84,448)
Subsidies applicable to future publications	(196,521)	146,360
Postretirement major medical benefits obligation	(57,709)	17,210
Net cash used by operating activities	(13,104)	(831,450)
Cash flows from investing activities		
Redemption of investments	—	800,000
Purchase of property and equipment	(73,107)	(42,209)
Net cash provided (used) by investing activities	(73,107)	75,791
Cash flows from financing activities		
Interfund transfers to/from funds invested in the Princeton University Market pools	—	5,002,827
Income allocated for spending	—	(5,002,827)
Investment income allocated for spending	—	(496,964)
Funds withdrawals	—	496,964
Net cash used by financing activities	—	—
Net change in cash	(86,211)	(73,659)
Cash and cash equivalents		
Beginning of year	3,225,894	3,299,553
End of year	<u>\$ 3,139,683</u>	<u>\$ 3,225,894</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Princeton University Press and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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 is a not-for-profit organization that publishes scholarly and educational books, principally in the areas of the humanities, social sciences and natural sciences. Princeton Asia (Beijing) Consulting Co., Ltd, its wholly foreign owned enterprise ("WFOE") was established on May 1, 2017 to further the Press' interest in China.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Princeton University Press and its subsidiary. The consolidated entities are collectively referred to as "the Press." All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated 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.

Princeton University Press
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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 2017 and 2016 were \$1,995,725 and \$1,865,274, respectively. Work in process totaled \$1,665,078 and \$1,791,543 for the years ended June 30, 2017 and 2016, respectively. The inventory valuation allowance aggregates \$3,044,830 and \$3,023,629 at June 30, 2017 and 2016, 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.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$1,335,363 and \$1,219,281 for the years ended June 30, 2017 and 2016, respectively.

Subsidies

The Press received amounts (\$198,923 and \$92,570 in 2017 and 2016, 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 (\$122,331 and \$110,666 in 2017 and 2016, respectively) are applied against manufacturing costs in the year of publication. Amounts incurred in pre-editorial costs of \$0 in 2017 and 2016 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 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 13).

Princeton University Press
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

Prior Period Adjustment

During the year ended June 30, 2017, Princeton University performed a review of investments included in the University's managed investment pool. As a result, it was determined that the Paul Mellon Fund, historically recorded as an investment of Princeton University Press, was actually gifted to Princeton University and is recorded on the university's financial statements and thus, is not restricted to use by the Press, as previously thought. The Press will continue to receive earnings on a portion of the Paul Mellon Fund but the investment asset should not be recorded on the Press' Statement of Financial Position. Accordingly, the Press has recorded a prior period adjustment in the amount of \$43,779,546 to correct the investment balance. It is reported as an adjustment to ending net assets on the Consolidated Statement of Activities and Changes in Net Assets for the year ended June 30, 2016.

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 Whitney Darrow Fund was established from funds distributed by Princeton University formerly held to support the Bollingen Series of books. This fund is unrestricted and has 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.

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, 2017 and 2016, contributions amounting to \$-0- and \$496,964, 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.

Princeton University Press
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

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 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

June 30, 2017 Endowment Net Asset Composition by Type of Fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$ --	\$ 22,766,548	\$ 22,766,548
Board-designated endowment	<u>37,645,241</u>	<u>--</u>	<u>--</u>	<u>37,645,241</u>
Total	<u>\$ 37,645,241</u>	<u>\$ --</u>	<u>\$ 22,766,548</u>	<u>\$ 60,411,789</u>

Changes in Endowment Net Assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 35,131,757	\$ --	\$ 21,246,479	\$ 56,378,236
Unrealized gain on investment	2,513,484	--	1,520,069	4,033,553
Income allocated for spending	--	--	--	--
Other changes:				
Interfund transfer of income				

Princeton University Press
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

allocated for spending	<u>--</u>	<u>--</u>	<u>(1,262,886)</u>	<u>--</u>
Endowment net assets, end of year	<u>\$37,645,241</u>	<u>\$ --</u>	<u>\$ 22,766,548</u>	<u>\$ 60,411,789</u>

June 30, 2016 (restated) Endowment Net Asset Composition by Type of Fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$ --	\$ 21,246,479	\$ 21,246,479
Board-designated endowment	<u>35,131,757</u>	<u>--</u>	<u>--</u>	<u>35,131,757</u>
Total	<u>\$ 35,131,757</u>	<u>\$ --</u>	<u>\$ 21,246,479</u>	<u>\$ 56,378,236</u>

Changes in Endowment Net Assets for the year ended June 30, 2016 (restated):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 81,769,977	\$ --	\$ 22,016,163	\$103,786,140
Unrealized gain on investment	(2,858,674)	--	(769,684)	(3,628,358)
Income allocated for spending	3,941,577	--	1,061,250	5,002,827
Other changes:				
Interfund transfer of income allocated for spending	(3,941,577)	--	(1,061,250)	(5,002,827)
Prior period adjustment	<u>(43,779,546)</u>	<u>--</u>	<u>--</u>	<u>(43,779,546)</u>
Endowment net assets, end of year	<u>\$ 35,131,757</u>	<u>\$ --</u>	<u>\$ 21,246,479</u>	<u>\$ 56,378,236</u>

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.

Princeton University Press
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2017	2016
Computer equipment	\$ 2,462,862	\$ 2,427,622
Furniture and fixtures	1,545,277	1,524,102
Delivery equipment	--	17,914
Building and improvements	<u>7,054,539</u>	<u>7,037,847</u>
	11,062,678	11,007,485
Less: accumulated depreciation and amortization	<u>(7,149,963)</u>	<u>(6,984,190)</u>
Property and equipment, net	<u>\$ 3,912,715</u>	<u>\$ 4,023,295</u>

Depreciation and amortization expense totaled \$183,687 and \$199,425 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 are as follows:

	2017	(Restated) 2016
Whitney Darrow Fund	\$ 34,303,201	\$ 32,012,857
Scribner Fund	517,084	482,559
McGraw Fund	2,824,956	2,636,341
Einstein Endowment Fund	22,766,548	21,246,479
Working Capital Investment	<u>17,291,903</u>	<u>15,946,820</u>
	<u>\$ 77,703,692</u>	<u>\$ 72,325,056</u>

The Press invests in Princeton University's Primary 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.

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. 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. Fair value measurements 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. Instruments categorized in Level 2 consist primarily of investments in certain entities that calculate net asset value per share (or its equivalent) and can be redeemed in the near term.
- Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 consist primarily of limited partnership interests and other similar investment vehicles

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.

Investments in investee funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the Press has the ability to redeem its investment with the investee at net asset value per share (or the equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy. Certain of these investments may be

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subject to modest holdback provisions to cover audit and other potential expenses or adjustments in the event of a complete withdrawal.

The following tables present the Press' assets that are measured at fair value for each hierarchy level, at June 30, 2017 and 2016, respectively.

	2017				
	Level 1	Level 2	Level 3	NAV	Total
Money Market Funds	\$ 3,278,852	\$ --	\$ --	\$ --	\$ 3,278,852
Investment in primary pool					
Domestic equity	338,258	(74,252)	3,960	6,444,397	6,712,363
International equity	1,642,780	(83,162)	723,048	8,941,898	11,224,564
Independent return	--	--	13,860	20,738,695	20,752,555
Private equity	7,590	(38,611)	484,782	24,281,331	24,735,092
Real assets	539,894	(30,031)	16,170	10,517,356	11,043,389
Fixed income	1,915,697	--	--	--	1,915,697
Cash and other	<u>1,203,539</u>	<u>116,493</u>	<u>--</u>	<u>--</u>	<u>1,320,032</u>
	<u>\$ 8,926,610</u>	<u>\$ (109,563)</u>	<u>\$ 1,241,820</u>	<u>\$ 70,923,677</u>	<u>\$ 80,982,544</u>

	2016				
	Level 1	Level 2	Level 3	NAV	Total
Money Market Funds	\$ 1,831,346	\$ --	\$ --	\$ --	\$ 1,831,346
Investment in primary pool					
Domestic equity	364,157	23,879	3,980	6,965,092	7,357,108
International equity	1,448,339	21,889	699,129	8,139,152	10,308,509
Independent return	--	--	17,909	19,095,715	19,113,624
Private equity	4,975	14,924	797,299	22,561,512	23,378,710
Real assets	423,524	105,466	24,874	9,572,234	10,126,098
Fixed income	1,379,686	--	--	--	1,379,686
Cash and other	<u>831,791</u>	<u>(170,470)</u>	<u>--</u>	<u>--</u>	<u>661,321</u>
	<u>\$ 6,283,818</u>	<u>\$ (4,312)</u>	<u>\$ 1,543,192</u>	<u>\$ 66,333,704</u>	<u>\$ 74,156,402</u>

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, 2015	\$ 2,402,167
Change in unrealized appreciation	77,455
Purchases	51,370
Sales and settlements	(61,973)
Prior period adjustment	(934,118)
Transfers in to Level 3	<u>8,291</u>
Balance as of June 30, 2016	1,543,192
Change in unrealized depreciation	(29,552)
Purchases	907
Sales and settlements	(10,359)
Transfers out of Level 3	<u>(262,368)</u>
Balance as of June 30, 2017	<u>\$ 1,241,820</u>

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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 years ended June 30, 2017 and 2016 one managed investment transferred to Level 3. The Press' policy is to recognize transfers at the beginning of the reporting period.

Unrealized gains (losses) of (\$29,552) and \$77,455 related to Level 3 investments are included in unrealized gain on investments in primary pool in the statements of activities and changes in net assets for the years ended June 30, 2017 and 2016, 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, 2017 and 2016. The information is presented on a "manager-mandate" basis.

	2017			
	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Managed Investments (gross)				
Domestic equity (a)	\$ 6,712,363	\$ 405,580	daily - annually	4 – 90 days
International equity – developed (b)	3,702,030	--	daily - annually	7 – 90 days
International equity – emerging (c)	7,522,534	727,008	daily - annually	7 – 90 days
Independent return (d)	20,752,555	2,045,720	monthly - annually	30 – 90 days
Fixed income and cash (e)	<u>3,235,729</u>	<u>--</u>	daily	same day
Marketable asset classes	41,925,211	3,178,308		
Private equity (f)	24,735,092	8,845,205		
Real assets (g)	<u>11,043,389</u>	<u>5,480,113</u>		
Nonmarketable asset classes	<u>35,778,481</u>	<u>14,325,318</u>		
Total gross investments	<u>\$ 77,703,692</u>	<u>\$ 17,503,626</u>		

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	(Restated) 2016			Redemption
	June 30 Fair Value	Unfunded Commitments	Frequency (if currently eligible)	Redemption Notice Period
Managed Investments (gross)				
Domestic equity (a)	\$ 7,357,108	\$ 600,959	daily - annually	4 – 90 days
International equity – developed (b)	3,412,070	--	daily - annually	7 – 90 days
International equity – emerging (c)	6,896,439	774,083	daily - annually	7 – 90 days
Independent return (d)	19,113,624	1,668,226	monthly - annually	30 – 90 days
Fixed income and cash (e)	<u>2,041,007</u>	<u>--</u>	daily	same day
Marketable asset classes	38,820,248	3,043,268		
Private equity (f)	23,378,710	9,009,083		
Real assets (g)	<u>10,126,098</u>	<u>6,095,492</u>		
Nonmarketable asset classes	<u>33,504,808</u>	<u>15,104,575</u>		
Total gross investments	<u>\$ 72,325,056</u>	<u>\$ 18,147,843</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 3 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 economies 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. Investments representing approximately 10 percent of the market value of 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 economies. 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 9 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 31 percent of market value is invested in funds principally focused on long/short equity investments, 25 percent is invested in event-driven/arbitrage strategies, and 44 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 16 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.

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- (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.
- (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 \$892,000 at June 30, 2017, and approximately \$932,000 at June 30, 2016, 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 had no unrecognized tax benefits at June 30, 2017 and 2016. In addition, the Press has no income tax related penalties or interest for the periods reported in the financial statements.

9. LINE OF CREDIT

In April 2016, the Press entered into a \$3,000,000 line of credit agreement with a Bank. The line bears interest at a rate equal to Daily LIBOR rate plus 0.75%. The line is unsecured and was renewed in March 2017 with an extended expiration of April 2018. The amount outstanding at June 30, 2017 and 2016 was \$-0-. The Press is required to comply with certain loan covenants. As of June 30, 2017 the Press was in compliance with all of the covenants.

10. DUE FROM RELATED PARTIES

Loans totaling \$555,337 and \$568,484 were outstanding from one key employee of the Press at June 30, 2017 and 2016, respectively. The current portion of \$13,487 and \$13,147 at June 30, 2017 and 2016, respectively, is included with other current assets. The loan is secured by certain real estate, bears interest at 2.55% per annum and is payable over a thirty year term with a maturity date of November 30, 2045.

11. INVESTMENT IN JOINT VENTURE

The Press and the University of California Press equally owned a joint venture, California Princeton Fulfillment Services, Inc., ("CPFS") which provided order fulfillment and book distribution services to foster the effective dissemination of scholarly works.

In May 2014, the Press announced that CPFS would be closing their warehouse and distribution operations effective April 30, 2015.

As of June 30, 2017, CPFS' had completely dissolved and all activities ceased.

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As of June 30, 2016, CPFS' activities were limited to selling, collecting or otherwise realizing the value of its remaining assets; making tax and other regulatory filings; winding down remaining business activities; paying (or adequately providing for the payment) of valid creditor claims and obligations; and making distributions to its owners. Accordingly, CPFS' Statement of Net Assets as of June 30, 2016 was prepared on a liquidation basis.

The compiled CPFS financial statement as of and for the year ended June 30, 2016 include the following:

Total Assets in Liquidation	\$ 686,037
Total Liabilities in Liquidation	\$ 686,037
Net Assets in Liquidation	\$ --

12. 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 \$812,509 and \$783,373 in 2017 and 2016, respectively.

The Press also provides certain health care benefits for retired employees (see Note 13).

13. 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:

	2017	2016
Projected APBO as of the End of the		
Previous Fiscal Year	\$ 731,796	\$ 714,439
Fiscal year actuarial losses (gains)	(41,524)	34,009
Service cost	1,956	1,818
Interest cost	21,491	26,131
Estimated net benefit payments	<u>(44,008)</u>	<u>(44,601)</u>
Projected APBO as of the End of the		
Current Year	<u>\$ 669,711</u>	<u>\$ 731,796</u>
	2017	2016
Accumulated Postretirement Benefit Obligation	\$ (669,711)	\$ (731,796)
Fair value of plan assets	<u>--</u>	<u>--</u>
Unfunded status at end of year	(669,711)	(731,796)

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Unrecognized net loss	16,168	57,692
Loss subject to amortization	<u>(16,168)</u>	<u>(57,692)</u>
Accrued Postretirement Benefit Cost	<u>\$ (669,711)</u>	<u>\$ (731,796)</u>

The Net Periodic Postretirement Benefit Cost ("NPPBC") is the amount to be expensed for any given year. The NPPBC for fiscal years 2017 and 2016 included the following components:

	2017	2016
Service Cost Benefits Attributed to		
Employee Service	\$ 1,956	\$ 1,818
Interest at cost on APBO	21,491	26,131
Amortization of gains and losses	<u>--</u>	<u>--</u>
NPPBC	<u>\$ 23,447</u>	<u>\$ 27,949</u>

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

	2017	2016
Discount rate	3.42%	3.05%

The amount recognized in the Statements of Financial Position for the years ended June 30, 2017 and 2016 for reserve for postretirement major medical benefits is \$669,711 and \$731,796, respectively. Contributions to the plan totaled \$23,447 and \$27,949 for 2017 and 2016, respectively.

14. 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.

15. COMMITMENTS

The Press has operating leases for office space, including in the United Kingdom and China, as well as operating leases for equipment. The leases expire on various dates from December 2017 through December 2021. The estimated future minimum rental payments are as follows for the years ended June 30:

2018	\$ 159,591
2019	134,897
2020	116,580
2021	46,899
2022	<u>9,293</u>
	<u>\$ 467,260</u>

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Total rent expense was \$137,537 and \$132,593 for the years ended June 30, 2017 and 2016, respectively. The Press has entered into two lease agreements with Princeton University, a related party, for office space, both of which expire in May 2019. Future minimum lease income under these agreements is as follows for the years ended June 30:

2018	\$ 148,155
2019	<u>137,423</u>
	<u>\$ 285,578</u>

The lease income under these agreements was \$118,053 and \$139,517 for the years ended June 30, 2017 and 2016, respectively.

16. SUBSEQUENT EVENTS

The Press has evaluated subsequent events occurring after the balance sheet date through the date of November 28, 2017, 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.