

FC022268 000692/20

In accordance with  
Regulation 32 of the  
Overseas Companies  
Regulations 2009

**OS AA01**

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



Companies House

SCANNED

- 4 MAR 2015

☒ 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 for  
an alteration of manner  
with accounting requirements

SATURDAY



\*A42NMQA8\*

07/03/2015

#107

A22

COMPANIES HOUSE

→ Filing in this form  
Please complete in typescript or in  
bold black capitals.

All fields are mandatory unless  
specified or indicated by \*

Ⓢ This is the name of the company in  
its home state.

**Part 1 Corporate company name**

Corporate name of  
overseas company Ⓢ

PRINCETON UNIVERSITY PRESS

UK establishment  
number

8 R 0 1 1 5 0 1

**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 Ⓢ

USGAP

Ⓢ 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

Ⓢ Please insert the name of the  
appropriate accounting organisation  
or body.

Name of organisation  
or body Ⓢ

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.

☐ No. Go to Part 3 'Signature'☒ 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 ●

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.

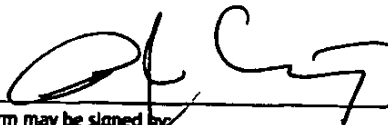
☐ No.☐ Yes.**Part 3****Signature**

Signature

I am signing this form on behalf of the overseas company.

Signature

X



X

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.

Cardant 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

**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.  
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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](http://www.companieshouse.gov.uk)



**PRINCETON UNIVERSITY PRESS**

**Financial Statements**

**June 30, 2014 and 2013**

**With Independent Auditors' Report**

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07/03/2015  
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**Princeton University Press**  
**Contents to Financial Statements**  
**June 30, 2014 and 2013**

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**WithumSmith+Brown, PC**  
**Certified Public Accountants and Consultants**

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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, 2014 and 2013, 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, 2014 and 2013, 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

*William Smith + Brown, PC*

November 17, 2014

**Princeton University Press**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

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	2014	2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,864,812	\$ 8,639,095
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$2,420,462 in 2014 and \$2,370,462 in 2013	2,045,220	1,831,673
Inventories, net	4,105,773	4,080,938
Other current assets	<u>6,468,592</u>	<u>6,065,597</u>
Total current assets	20,484,397	20,617,303
Author advances	3,143,924	3,313,905
Property and equipment, net	4,346,928	4,505,322
Investments in Princeton University primary pool	109,198,100	92,499,287
Investments in Princeton University secondary pool	<u>7,712</u>	<u>7,711</u>
	<u>\$137,181,061</u>	<u>\$120,943,528</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,056,507	\$ 2,017,739
Royalties payable	3,604,902	3,357,836
Subsidies applicable to future publications	<u>1,398,474</u>	<u>1,387,919</u>
Total current liabilities	7,059,883	6,763,494
Other liabilities - including reserve for post retirement major medical benefits of \$764,451 in 2014 and \$816,682 in 2013	789,751	841,976
Net assets		
Unrestricted	108,936,372	95,507,375
Permanently restricted	<u>20,395,055</u>	<u>17,830,683</u>
Total net assets	<u>129,331,427</u>	<u>113,338,058</u>
	<u>\$137,181,061</u>	<u>\$120,943,528</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, 2014 and 2013**

	2014			2013		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Net sales	\$ 26,099,247	\$ --	\$ 26,099,247	\$ 24,700,801	\$ --	\$ 24,700,801
Cost of sales	10,801,708	--	10,801,708	10,137,601	--	10,137,601
Gross margin	15,297,539	--	15,297,539	14,563,200	--	14,563,200
Income from publishing rights	1,657,196	--	1,657,196	1,137,708	--	1,137,708
Gross margin including publishing rights	16,954,735	--	16,954,735	15,700,908	--	15,700,908
Operating expenses	18,916,741	--	18,916,741	17,900,841	--	17,900,841
Net deficit from operations	(1,962,006)	--	(1,962,006)	(2,199,933)	--	(2,199,933)
Other income (expense)						
Foreign currency exchange gain (loss)	424,403	--	424,403	(39,405)	--	(39,405)
Other income	434,945	--	434,945	382,362	--	382,362
Excess of expenditures over income from departmental operations	(1,102,658)	--	(1,102,658)	(1,856,976)	--	(1,856,976)
Income allocated for spending	3,208,432	863,855	4,072,287	3,055,653	822,720	3,878,373
Surplus before other changes in net assets	2,105,774	863,855	2,969,629	1,198,677	822,720	2,021,397
Other changes in net assets						
Amortization of postretirement benefit plan cumulative gain	38,757	--	38,757	18,036	--	18,036
Internal subsidies applied	(920,543)	--	(920,543)	(974,033)	--	(974,033)
Contributions	404,527	--	404,527	385,265	--	385,265
Interfund transfers	863,855	(863,855)	--	822,720	(822,720)	--
Unrealized gain on investments in primary pool	10,936,627	2,564,372	13,500,999	4,302,461	1,071,585	5,374,046
Change in net assets	13,428,997	2,564,372	15,993,369	5,753,126	1,071,585	6,824,711
Net assets, beginning of year	95,507,375	17,830,683	113,338,058	89,754,249	16,759,098	106,513,347
Net assets, end of year	\$ 108,936,372	\$ 20,395,055	\$ 129,331,427	\$ 95,507,375	\$ 17,830,683	\$ 113,338,058

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

**Princeton University Press**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 15,993,369	\$ 6,824,711
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	195,827	197,338
Unrealized gain on investment in primary pool	(13,500,999)	(5,374,046)
Change in		
Increase in accounts receivable	(263,547)	(831,995)
(Increase) decrease in inventories	(24,835)	398,470
Increase in other current assets	(402,995)	(420,682)
Decrease (increase) in author advances	169,981	(371,720)
Decrease in due from related parties	--	101,765
Increase in accounts payable and accrued liabilities	38,768	45,830
Increase (decrease) in royalties payable	247,066	(71,108)
Increase in subsidies applicable to future publications	10,555	22,709
Decrease in postretirement major medical benefits obligation	(52,225)	(29,650)
Net cash provided by operating activities	2,460,965	541,622
<b>Cash flows from investing activities</b>		
Purchase of investments	(3,197,815)	(3,233,371)
Purchase of property and equipment	(37,433)	(63,450)
Net cash used by investing activities	(3,235,248)	(3,296,821)
<b>Cash flows from financing activities</b>		
Interfund transfers to/from funds invested in the Princeton University Market pools	4,072,287	3,878,373
Income allocated for spending	(4,072,287)	(3,878,373)
Investment income allocated for spending	(404,527)	(385,265)
Funds withdrawals	404,527	385,265
Net cash used by financing activities	--	--
Net change in cash	(774,283)	(2,755,199)
<b>Cash and cash equivalents</b>		
Beginning of year	8,639,095	11,394,294
End of year	\$ 7,864,812	\$ 8,639,095
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for		
Interest	\$ 102	\$ --

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

**Princeton University Press**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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**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 2014 and 2013 were \$1,762,965 and \$1,572,143, respectively. Work in process totaled \$1,503,354 and \$1,583,851 for the years ended June 30, 2014 and 2013, respectively. The inventory valuation allowance aggregates \$2,567,127 and \$2,434,714 at June 30, 2014 and 2013, 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.

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**Princeton University Press**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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**Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$1,136,026 and \$998,635 for the years ended June 30, 2014 and 2013, respectively.

**Subsidies**

The Press receives amounts (\$134,748 and \$52,763 in 2014 and 2013, 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 (\$217,082 and \$72,938 in 2014 and 2013, respectively) are applied against manufacturing costs in the year of publication. Amounts incurred in pre-editorial costs \$1,575 and \$4,139 in 2014 and 2013, 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 11).

**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.

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**Princeton University Press**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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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, 2014 and 2013, contributions amounting to \$404,527 and \$385,265, 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, 2014 and 2013**

June 30, 2014 Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ --	\$ --	\$ 20,395,055	\$ 20,395,055
Board-designated endowment	<u>75,756,752</u>	<u>--</u>	<u>--</u>	<u>75,756,752</u>
Total	<u>\$ 75,756,752</u>	<u>\$ --</u>	<u>\$ 20,395,055</u>	<u>\$ 96,151,807</u>

Changes in Endowment Net Assets for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 66,232,446	\$ --	\$ 17,830,683	\$ 84,063,129
Unrealized gain on investment	9,524,306	--	2,564,372	12,088,678
Income allocated for spending	3,208,432	--	863,855	4,072,287
Other changes				
Interfund transfer of income allocated for spending	<u>(3,208,432)</u>	<u>--</u>	<u>(863,855)</u>	<u>(4,072,287)</u>
Endowment net assets, end of year	<u>\$ 75,756,752</u>	<u>\$ --</u>	<u>\$ 20,395,055</u>	<u>\$ 96,151,807</u>

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>

**Princeton University Press**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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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

	<b>2014</b>	<b>2013</b>
Computer equipment	\$ 2,394,653	\$ 2,377,722
Furniture and fixtures	1,518,313	1,497,811
Delivery equipment	17,913	17,913
Building and improvements	<u>7,002,422</u>	<u>7,002,422</u>
	10,933,301	10,895,868
Less accumulated depreciation and amortization	<u>(6,586,373)</u>	<u>(6,390,546)</u>
Property and Equipment, Net	<u>\$ 4,346,928</u>	<u>\$ 4,505,322</u>

Depreciation and amortization expense totaled \$195,827 and \$197,338 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013 are as follows

	<b>2014</b>	<b>2013</b>
Whitney Darrow Fund	\$ 30,729,985	\$ 26,866,151
Paul Mellon Fund	42,025,140	36,741,110
Scribner Fund	463,221	404,978
McGraw Fund	2,530,693	2,212,496
Einstein Endowment Fund	20,395,055	17,830,683
Johnson Letters	7,712	7,711
Working Capital Investment	<u>13,054,006</u>	<u>8,443,869</u>
	<u>\$ 109,205,812</u>	<u>\$ 92,506,998</u>

**Princeton University Press**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

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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, 2014 and 2013, respectively.

<b>2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money Market Funds	\$ 5,707,490	\$ --	\$ --	\$ 5,707,490
Investment in primary pool				
Domestic equity	(306,522)	1,337,551	8,515,320	9,546,349
International equity	2,624,103	3,842,304	9,488,515	15,954,922
Independent return	--	2,782,884	24,442,376	27,225,260
Private equity	--	--	33,262,642	33,262,642
Real assets	457,417	785,496	17,157,350	18,400,263
Fixed income	428,500	--	--	428,500
Cash and other	5,647,262	(1,269,201)	2,103	4,380,164
Investment in secondary pool	7,712	--	--	7,712
	<u>\$14,565,962</u>	<u>\$ 7,479,034</u>	<u>\$92,868,306</u>	<u>\$114,913,302</u>
<b>2013</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

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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, 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	(170,878)
Balance as of June 30, 2013	78,783,279
Realized gain (loss)	--
Change in unrealized appreciation	14,262,865
Purchases	1,080,830
Sales and settlements	(1,422,707)
Transfers in to Level 3	164,039
Transfers out of Level 3	--
Balance as of June 30, 2014	<u>\$ 92,868,306</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, 2014, one investment transferred from Level 2 to Level 3. In the year ended June 30, 2013, 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 of \$14,262,866 and \$6,000,676 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, 2014 and 2013, 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, 2014 and 2013. The information is presented on a "manager-mandate" basis.

2014				
	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<b>Managed Investments (gross)</b>				
Domestic equity (a)	\$ 9,546,349	\$ 433,758	daily - annually	4 - 90 days
International equity - developed (b)	5,352,833	--	daily - annually	7 - 90 days
International equity - emerging (c)	10,602,089	932,185	daily - annually	7 - 90 days
Independent return (d)	27,225,260	1,560,476	monthly - annually	30 - 90 days
Fixed income (e)	428,500	--	daily	same day
Cash and other (e)	4,380,164	--	daily	same day
Marketable asset classes	<u>57,535,195</u>	<u>2,926,419</u>		
Private equity (f)	33,262,642	12,098,947		
Real assets (g)	<u>18,400,263</u>	<u>8,155,696</u>		
Nonmarketable asset classes	<u>51,662,905</u>	<u>20,254,643</u>		
Total gross investments	<u>\$109,198,100</u>	<u>\$ 23,181,062</u>		

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	2013			
	June 30 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<b>Managed Investments (gross)</b>				
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	<u>45,674,218</u>	<u>14,970,825</u>		
Total gross investments	<u>\$ 92,499,287</u>	<u>\$ 16,710,996</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 4 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 6 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 30 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 45 percent is invested in funds that opportunistically engage in both strategies. Investments representing approximately 19 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 \$1,023,000 at June 30, 2014, and approximately \$344,000 at June 30, 2013, 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, 2011. The Press had no unrecognized tax benefits at June 30, 2014 and 2013. In addition, the Press has no income tax related penalties or interest for the periods reported in the financial statements.

**9 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, 2014 and 2013 totaled \$2,654,900 and \$2,740,422, respectively, and are within accounts receivable and other current assets on the statement of financial position. The Press incurred \$2,194,540 and \$1,937,949 in fulfillment fees payable to CPFS for the year ended June 30, 2014 and 2013, 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, 2014 and 2013 was \$-0-. The CPFS financial statements as of and for the years ended June 30, include the following:

	2014	2013
Total Assets	\$ 5,733,004	\$ 6,250,887
Total Liabilities	\$ 6,808,191	\$ 7,071,085
Decrease in Net Assets	\$ (254,989)	\$ (546,129)

In May 2014, the Press announced that CPFS will be permanently closing its warehouse and distribution center effective April 30, 2015. Also, in May 2014, the Press entered into a contract to appoint another company to perform fulfillment services, order processing, invoicing, credit, maintaining and collecting accounts receivable, stocking, warehousing, shipping and returns handling on behalf of the Press.

**10 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 \$626,208 and \$591,108 in 2014 and 2013, respectively.

The Press also provides certain health care benefits for retired employees (see Note 11).

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**11 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.

	<b>2014</b>	<b>2013</b>
Projected APBO as of the End of the Previous Fiscal Year	\$ 816,682	\$ 846,328
Fiscal year actuarial gains	(37,216)	(14,954)
Service cost	2,905	4,597
Interest cost	28,320	29,357
Estimated net benefit payments	<u>(46,240)</u>	<u>(48,646)</u>
Projected APBO as of the End of the Current Year	<u>\$ 764,451</u>	<u>\$ 816,682</u>
	<b>2014</b>	<b>2013</b>
Accumulated Postretirement Benefit Obligation	\$ (764,451)	\$ (816,682)
Fair value of plan assets	<u>--</u>	<u>--</u>
Unfunded status at end of year	<u>(764,451)</u>	<u>(816,682)</u>
Unrecognized net loss	57,553	96,310
Loss subject to amortization	<u>(57,553)</u>	<u>(96,310)</u>
Accrued Postretirement Benefit Cost	<u>\$ (764,451)</u>	<u>\$ (816,682)</u>

The Net Periodic Postretirement Benefit Cost ("NPPBC") is the amount to be expensed for any given year. The NPPBC for fiscal years 2014 and 2013 included the following components:

	<b>2014</b>	<b>2013</b>
Service Cost Benefits Attributed to Employee Service	\$ 2,905	\$ 4,597
Interest at cost on APBO	28,320	29,357
Amortization of gains and losses	<u>1,541</u>	<u>3,082</u>
NPPBC	<u>\$ 32,766</u>	<u>\$ 37,036</u>

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

	<b>2014</b>	<b>2013</b>
Discount rate	3.60%	3.60%

The amount recognized in the Statements of Financial Position for the years ended June 30, 2014 and 2013 for reserve for postretirement major medical benefits is \$764,451 and \$816,682, respectively. Contributions to the plan totaled \$32,772 and \$37,032 for 2014 and 2013, respectively.

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**12 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.

**13. 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:

2015	\$ 40,062
2016	40,062
2017	3,339
	<u>\$ 83,463</u>

The Press also has an operating lease for office space, with Princeton University, a related party. The lease expires in August 2015 and the estimated future minimum rental payments are \$2,520 and \$420 for the years ended June 30, 2015 and 2016, respectively.

The Press also has operating leases for office equipment. The leases expire on various dates from April 2015 through December 2018 and the estimated future minimum rental payments are as follows for the years ended June 30:

2015	\$ 70,475
2016	59,640
2017	56,961
2018	34,923
2019	11,799
	<u>\$ 233,798</u>

Total rent expense was \$138,669 and \$141,371 for the years ended June 30, 2014 and 2013, 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:

2015	\$ 128,785
2016	118,053
	<u>\$ 246,838</u>

The lease income under these agreements was \$143,677 and \$114,525 for the years ended June 30, 2014 and 2013, respectively.

**14 Subsequent Events**

The Press has evaluated subsequent events occurring after the balance sheet date through the date of November 17, 2014, 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.