100088/20

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

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

✗ **What this form is NOT**
You cannot use this form an alteration of manner with accounting requiren

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A22 30/11/2019 #431
COMPANIES HOUSE

Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Part 1 Corporate company name

Corporate name of overseas company ❶	PRINCETON UNIVERSITY PRESS
UK establishment number	B R 0 1 1 5 0 1

❶ 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 ❷ USGAP

❷ 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.**

Name of organisation or body ❸ FINANCIAL ACCOUNTING STANDARDS BOARD

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

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

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

Signature	Signature **X** Christine Lang **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.

Contact name

Company name WILKINS KENNEDY

HIGH WYCOMBE

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.
DX 481 N.R. Belfast 1.

Further information

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

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

PRINCETON UNIVERSITY PRESS AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2019 and 2018
With Independent Auditor's Report

withum

Princeton University Press and Subsidiary
Table of Contents
June 30, 2019 and 2018

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Trustees,
Princeton University Press:

Report on the Consolidated Financial Statements

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, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's 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 auditor's 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2018, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

November 20, 2019

Princeton University Press and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 1,144,652	$ 1,642,851
Accounts receivable, net of allowance for doubtful accounts and sales returns of $2,225,482 and $2,670,431, respectively	4,843,267	2,792,927
Inventories, net	8,271,936	6,970,232
Investments, includes board designated money market funds		
Other current assets	1,924,318	1,732,641
Total current assets	16,184,173	13,138,651
Author advances	8,238,377	5,606,284
Due from related parties, net of current portion	760,938	1,306,622
Property and equipment, net	4,222,045	3,817,706
Investments in Princeton University primary pool	85,570,239	84,997,919
Total assets	$ 114,975,772	$ 108,867,182
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,951,490	$ 2,754,691
Line of credit	5,500,000	-
Royalties payable	5,919,383	4,409,454
Subsidies applicable to future publications	1,613,912	1,669,818
Note payable	666,667	666,667
Total current liabilities	16,651,452	9,500,630
Accrual for post retirement health benefits	687,920	633,452
Net assets		
Without restrictions	72,932,173	74,121,182
With restrictions	24,704,227	24,611,918
Total net assets	97,636,400	98,733,100
Total liabilities and net assets	$ 114,975,772	$ 108,867,182

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, 2019 and 2018

	2019 Without Restriction	2019 With Restriction	2019 Total	2018 Without Restriction	2018 With Restriction	2018 Total
Net sales	$ 28,746,006	$ -	$ 28,746,006	$ 30,900,497	$ -	$ 30,900,497
Cost of sales	12,337,941	-	12,337,941	12,815,748	-	12,815,748
Gross margin	16,408,065	-	16,408,065	18,084,749		18,084,749
Income from publishing rights	1,072,578	-	1,072,578	1,149,616	-	1,149,616
Gross margin including publishing rights	17,480,643	-	17,480,643	19,234,365		19,234,365
Operating expenses	24,670,114	-	24,670,114	24,669,977	-	24,669,977
Net deficit from operations	(7,189,471)	-	(7,189,471)	(5,435,612)		(5,435,612)
Other income (expense)						
Foreign currency exchange (loss) gain	(118,419)	-	(118,419)	118,827	-	118,827
Other income	1,142,128	-	1,142,128	1,023,407	-	1,023,407
	1,023,709	-	1,023,709	1,142,234	-	1,142,234
Excess of expenditures over income from departmental operations	(6,165,762)	-	(6,165,762)	(4,293,378)	-	(4,293,378)
Investment income allocated for spending	4,125,322	1,313,411	5,438,733	3,389,348	1,262,886	4,652,234
(Deficit) surplus before other changes in net assets	(2,040,440)	1,313,411	(727,029)	(904,030)	1,262,886	358,856
Other changes in net assets						
Amortization of postretirement benefit plan cumulative (loss) gain	(72,324)	-	(72,324)	39,041	-	39,041
Internal subsidies applied	(1,228,989)	-	(1,228,989)	(1,170,080)	-	(1,170,080)
Contributions	615,046	-	615,046	591,386	-	591,386
Interfund transfers	1,313,411	(1,313,411)	-	1,262,886	(1,262,886)	-
Unrealized gain on investments in primary pool	227,428	92,309	319,737	4,049,490	1,845,370	5,894,860
Cumulative translation adjustment	(3,141)	-	(3,141)	(2,972)	-	(2,972)
Change in net assets	(1,189,009)	92,309	(1,096,700)	3,865,721	1,845,370	5,711,091
Net assets						
Beginning of year	74,121,182	24,611,918	98,733,100	70,255,461	22,766,548	93,022,009
End of year	$ 72,932,173	$ 24,704,227	$ 97,636,400	$ 74,121,182	$ 24,611,918	$ 98,733,100

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

Princeton University Press and Subsidiary
Consolidated Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019			2018		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salaries	$ 7,869,314	$ 3,914,763	$ 11,784,077	$ 7,259,793	$ 3,838,813	$ 11,098,606
Pension plan contributions	437,089	159,705	596,794	767,405	213,988	981,393
Other employee benefits	1,712,324	584,597	2,296,921	1,569,739	411,550	1,981,289
Payroll taxes	534,281	195,218	729,499	526,818	146,901	673,719
Grants	-	33,950	33,950	-	34,150	34,150
Legal fees	49,102	250,650	299,752	2,025	210,538	212,563
Accounting fees	19,572	143,382	162,954	22,150	109,688	131,838
Consultants	190,939	79,809	270,748	715,245	252,948	968,193
Advertising	1,135,673	-	1,135,673	1,340,474	-	1,340,474
Office expense	690,884	171,781	862,665	708,924	167,983	876,907
Information technology	45,047	441,871	486,918	267,190	530,566	797,756
Occupancy	348,499	238,136	586,635	85,485	231,585	317,070
Travel	634,565	251,439	886,004	615,223	307,081	922,304
Conferences and meetings	1,422	33,338	34,760	-	30,919	30,919
Depreciation	160,913	57,564	218,477	153,823	42,269	196,092
Insurance	111,469	40,168	151,637	77,099	21,373	98,472
Fulfillment	2,258,408	-	2,258,408	2,151,968	-	2,151,968
Other expenses	1,581,660	292,582	1,874,242	1,598,004	253,799	1,856,264
Total	$ 17,781,161	$ 6,888,953	$ 24,670,114	$ 17,861,365	$ 6,804,151	$ 24,669,977

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (1,096,700)	$ 5,711,091
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	218,477	196,092
Unrealized gain on investment in primary pool	(319,737)	(5,894,860)
Non-cash contribution expense	41,377	-
Change in		
Accounts receivable	(2,050,340)	1,159,395
Inventories	(1,301,704)	(1,796,542)
Other current assets	(191,677)	1,237,057
Author advances	(2,632,093)	(586,569)
Due from related parties	545,684	(764,772)
Accounts payable and accrued liabilities	196,799	294,296
Royalties payable	1,509,929	244,881
Subsidies applicable to future publications	(55,906)	265,742
Postretirement health benefits obligation	54,468	(65,165)
Net cash (used in) provided by operating activities	(5,081,423)	646
Cash flows from investing activities		
Purchase of investments	(252,583)	(1,399,367)
Purchase of property and equipment	(667,334)	(101,083)
Net cash used in investing activities	(919,917)	(1,500,450)
Cash flows from financing activities		
Interfund transfers to/from funds invested in the Princeton University Market pools	5,438,733	4,652,234
Income allocated for spending	(5,438,733)	(4,652,234)
Proceeds from line of credit	5,500,000	-
Investment income allocated for spending	(615,046)	(591,386)
Funds withdrawals	615,046	591,386
Net cash provided by financing activities	5,500,000	-
Effect of foreign currency exchange on cash and cash equivalents	3,141	2,972
Net change in cash	(498,199)	(1,496,832)
Cash and cash equivalents		
Beginning of year	1,642,851	3,139,683
End of year	$ 1,144,652	$ 1,642,851
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 152,707	$ 15,643
Schedule of non-cash financing activity		
Accounts payable due to the Press' fulfillment company were converted into a note payable with this company	$ -	$ 666,667

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

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

The Press's financial statement presentation follows the recommendations of accounting standards generally accepted in the United States of America for the financial statements of not-for-profit organizations. Under this accounting guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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 and website development	3 years
Furniture and fixtures	10 years
Vehicles	5 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 of America 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 2019 and 2018 were $1,755,813 and $1,578,118, 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.

Foreign Currency Translation

Assets and liabilities relating to the foreign subsidiary are translated into U.S. dollars using exchange rates in effect at the statement of financial position date; revenues and expenses are translated into U.S. dollars using average exchange rates during the year. Translation adjustments associated with assets and liabilities are excluded from income and credited or charged directly to net assets.

Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Costs are allocated between supporting services and program services based on evaluation of the related benefits and departments. The Press has no fundraising expenses. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Press.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $1,135,673 and $1,340,474 for the years ended June 30, 2019 and 2018, respectively.

Subsidies

The Press received amounts ($101,544 and $91,906 in 2019 and 2018, 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 ($53,344 and $185,580 in 2019 and 2018, respectively) are applied against manufacturing costs in the year of publication.

Contributions

Contributions of cash and other assets received by the Press are reported as net assets with restrictions 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, net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Postretirement Benefits
The Press follows the accounting guidance for defined benefit pension and other postretirement plans. The standard requires statement of financial position recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under this guidance, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have been recognized in changes in net assets, without restriction, 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.

Effect of Accounting Pronouncements Adopted in Current Year
Not-for-Profit Reporting
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 – *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted, will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the "ASU"), underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminated the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. In addition to the above disclosures, the ASU changes the presentation and disclosure requirement of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Press has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

A recap of the net assets reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 was as follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	**Without Restriction**	**With Restriction**	**Total Net Assets**
As previously presented, as restated:			
Unrestricted	$ 72,932,173	$ -	$ 72,932,173
Permanently restricted	-	24,704,227	24,704,227
Net assets as previously presented	$ 72,932,173	$ 24,704,227	$ 97,636,400

New Accounting Pronouncements Issued Not Yet Effective
Revenue Recognition
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customers.

The standard, including subsequent amendments, was codified as Topic 606 ("Topic 606") and requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Topic 606 is effective for annual periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019. The ASU is to be applied retrospectively or using a cumulative effect transition method. The Press is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

Revenue Recognition
In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. The new guidance presents three key considerations for the not-for-profit to walk through in order to determine what type of transaction transpired. 1. Determine if the transaction is an exchange, third-party payer, or a contribution. An exchange is where commensurate value is received by the resource provider and a recipient. 2. If the not-for-profit has determined the transaction is a contribution, it has to determine if it is conditional or unconditional. 3. If a contribution is unconditional, determine if it is with restriction or without restriction. Entities should apply the changes due to ASU 2018-08 for transactions in which the organization serves as the resource recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Press is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Leases
In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes existing lease accounting standards. Together with subsequent amendments, this created Accounting Standards Codification Topic 842 ("ASC 842"). ASC 842 requires that a lessee recognizes a right-of-use asset and a corresponding liability for its obligation under virtually all operating lease, as well as expands disclosure requirements. ASC 842 is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Press is currently evaluating the effect of the adoption of ASC 842 on its results of operations, financial position or cash flows.

The Press is not aware of any other accounting pronouncements, not yet adopted, that would have a material effect on its current or prospective financial statements.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY

As of June 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 1,144,652	$ 1,642,851
Accounts receivable, net	4,843,267	2,792,927
Endowment receivable	1,750,950	1,430,511
Working capital investment at fair value	20,016,755	19,689,378
Total financial assets	27,755,624	25,555,667
Liquidity resources		
Bank lines of credit	1,500,000	3,000,000
Financial assets available to meet general expenditures over the next twelve months	$ 29,255,624	$ 28,555,667

The Press manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Press' cash flows have fluctuations during the year attributable to the timing of sales and operations, investment income and other items. To help manage unanticipated liquidity needs, the Press has an uncommitted line of credit in the amount of $1,500,000.

3. NET ASSETS WITH RESTRICTION

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.

4. NET ASSETS WITHOUT RESTRICTION

The following funds have been included in net assets, without restrictions 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 without restrictions 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, 2019 and 2018, contributions amounting to $615,046 and $591,386, respectively, were received from Princeton University and are reflected as contributions in the statements of activities and net assets.

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.

5. ENDOWMENT FUNDS

The Press' endowment funds, which are included in net assets with restrictions, 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 accounting principles generally accepted in the United States of America, 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 net assets with restrictions, 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 net assets with restriction is classified as net assets without restriction 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

The following presents the June 30, 2019 endowment net asset composition by type of fund:

	Without Restriction	With Restriction	Total
Donor-restricted	$ -	$24,704,227	$ 24,704,227
Board-designated endowment	40,849,257	-	40,849,257
Total	$ 40,849,257	$24,704,227	$ 65,553,484

The following presents changes in endowment net assets for the year ended June 30, 2019:

	Without Restriction	With Restriction	Total
Endowment net assets, beginning of year	$ 40,696,623	$24,611,918	$ 65,308,541
Unrealized gains on investment	152,634	92,309	244,943
Income allocated for spending	4,125,322	1,313,411	5,438,733
Other changes:			
Interfund transfer of income allocated for spending	(4,125,322)	(1,313,411)	(5,438,733)
Endowment net assets, end of year	$40,849,257	$24,704,227	$ 65,553,484

The following presents the June 30, 2018 endowment net asset composition by type of fund:

	Without Restriction	With Restriction	Total
Donor-restricted	$ -	$24,611,918	$ 24,611,918
Board-designated endowment	40,696,623	-	40,696,623
Total	$ 40,696,623	$24,611,918	$ 65,308,541

The following presents changes in endowment net assets for the year ended June 30, 2018:

	Without Restriction	With Restriction	Total
Endowment net assets, beginning of year	$ 37,645,241	$22,766,548	$ 60,411,789
Unrealized gains on investment	3,051,382	1,845,370	4,896,752
Income allocated for spending	3,389,348	1,262,886	4,652,234
Other changes:			
Interfund transfer of income allocated for spending	(3,389,348)	(1,262,886)	(4,652,234)
Endowment net assets, end of year	$40,696,623	$24,611,918	$ 65,308,541

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. Investment income available for spending is reported in the statement of activities and net assets as a separate line item.

6. INVENTORY

Inventory consists of the following at June 30:

	2019	2018
Finished goods	$ 10,275,037	$ 8,530,961
Work in process	1,931,410	2,124,960
Valuation allowance	(3,934,511)	(3,685,689)
Inventory, net	$ 8,271,936	$ 6,970,232

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2019	2018
Computer equipment	$ 2,472,611	$ 2,476,747
Furniture and fixtures	1,799,660	1,613,474
Vehicles	30,701	-
Building and improvements	7,275,855	7,073,540
Website development	209,524	-
	11,788,351	11,163,761
Accumulated depreciation and amortization	(7,566,306)	(7,346,055)
Property and equipment, net	$ 4,222,045	$ 3,817,706

Depreciation and amortization expense totaled $218,477 and $196,092 for the years ended June 30, 2019 and 2018, respectively.

8. INVESTMENTS

A summary of investments at fair value at June 30, 2019 and 2018 are as follows:

	2019	2018
Whitney Darrow Fund	$ 37,222,773	$ 37,083,689
Scribner Fund	561,093	558,997
McGraw Fund	3,065,391	3,053,937
Einstein Endowment Fund	24,704,227	24,611,918
Working Capital Investment	20,016,755	19,689,378
	$ 85,570,239	$ 84,997,919

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 in their audited financial statements.

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.

9. FAIR VALUE ACCOUNTING

The Press has adopted Accounting Standards Codification ("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.
- 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 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, 2019 and 2018, respectively.

	2019				
	Level 1	Level 2	Level 3	NAV	Total
Investment in primary pool					
Developed markets	$ (19,891)	$ -	$ 3,315	$ 8,309,382	$ 8,292,806
Emerging markets	2,354,408	-	-	5,933,758	8,288,166
Independent return	-	-	3,647	21,767,170	21,770,817
Private equity	-	(4,641)	459,478	30,904,011	31,358,848
Real assets	1,056,202	32,820	12,929	11,071,553	12,173,504
Fixed income	2,971,355	-	-	-	2,971,355
Cash and other	721,705	(6,962)	-	-	714,743
	$ 7,083,779	$ 21,217	$ 479,369	$ 77,985,874	$ 85,570,239

	2018				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Money market funds (1)	$ 984,287	$ -	$ -	$ -	$ 984,287
Investment in primary pool					
Developed markets	405,996	(3,646)	2,983	10,086,920	10,492,253
Emerging markets	1,418,830	-	-	6,398,160	7,816,990
Independent return	-	-	10,274	21,521,746	21,532,020
Private equity	96,776	-	662,519	28,132,017	28,891,312
Real assets	1,015,486	67,611	13,588	11,304,244	12,400,929
Fixed income	2,797,890	-	-	-	2,797,890
Cash and other	1,092,708	(26,183)	-	-	1,066,525
	$ 7,811,973	$ 37,782	$ 689,364	$ 77,443,087	$ 85,982,206

(1) – Included in cash and cash equivalents.

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, 2017	$ 1,241,820
Change in unrealized appreciation	1,178,355
Purchases	535
Sales and settlements	(5,331)
Transfers in to Level 3	2,078,510
Transfers out of Level 3	(3,804,525)
Balance as of June 30, 2018	689,364
Change in unrealized appreciation	(115,045)
Purchases	1,043
Sales and settlements	(4,488)
Transfers out of Level 3	(91,505)
Balance as of June 30, 2019	$ 479,369

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. The Press' policy is to recognize transfers at the beginning of the reporting period.

The following tables and disclosures set forth the significant terms of the agreements with investment managers or funds by major category at June 30, 2019 and 2018. The information is presented on a "manager-mandate" basis.

	2019			
	June 30 Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Managed investments (gross)				
Developed markets (a)	$ 8,292,806	$ 248,635	daily - annually	7 – 90 days
Emerging markets (b)	8,288,166	287,422	daily - annually	7 – 90 days
Independent return (c)	21,770,817	2,248,987	monthly - annually	30 – 90 days
Fixed income and cash (d)	3,686,098	-	daily	same day
Marketable asset classes	42,037,887	2,785,044		
Private equity (e)	31,358,848	8,495,694		
Real assets (f)	12,173,504	6,103,162		
Nonmarketable asset classes	43,532,352	14,598,856		
Total gross investments	$ 85,570,239	$ 17,383,900		

	2018			
	June 30 Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Managed investments (gross)				
Developed markets (a)	$ 10,492,253	$ 407,321	daily - annually	4 – 90 days
Emerging markets (b)	7,816,990	730,129	daily - annually	7 – 90 days
Independent return (c)	21,532,020	1,982,916	monthly - annually	30 – 90 days
Fixed income and cash (d)	3,864,415	-	daily	same day
Marketable asset classes	43,705,678	3,120,366		
Private equity (e)	28,891,312	8,960,738		
Real assets (f)	12,400,929	5,116,871		
Nonmarketable asset classes	41,292,241	14,077,609		
Total gross investments	$ 84,997,919	$ 17,197,975		

(A) **Developed markets** - This asset class includes funds and accounts primarily invested in equities traded on domestic exchanges, over-the-counter markets, or equity and debt securities traded on exchanges in countries with developed 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. Investments representing approximately 9 percent of the market value of this asset class are in nonredeemable assets.

(B) **Emerging markets** - This asset class includes funds primarily invested in public equity and debt securities traded in countries with emerging economics. The fair values of the investments in this asset class have been estimated using the net asset value per share of the investee funds or, in the case of custodied accounts, the fair value of the securities held, at prevailing exchange rates. Investments representing approximately 16 percent of the market value of this asset class are invested in nonredeemable assets.

(C) **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 investment strategies such as long/short equity investments and event-driven/arbitrage based upon the fund's investment mandate and the current opportunity set. Investments representing approximately 22 percent of the market value of this asset class are invested in nonredeemable assets.

(D) **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.

(E) **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.

(F) **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 $1,635,000 at June 30, 2019, and approximately $1,573,000 at June 30, 2018, was invested in redeemable funds. More broadly, distributions from investee funds are received as the underlying investments are liquidated.

10. 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, 2019 and 2018. In addition, the Press has no income tax related penalties or interest for the periods reported in the financial statements.

11. LINE OF CREDIT

The Press has entered into a $7,000,000 line of credit agreement with a bank. The line bears interest at a rate equal to LIBOR rate for the applicable interest period, as defined, plus 0.65%. The line is unsecured and was renewed in March 31, 2019 with an extended expiration of March 2020. As of June 30, 2019, the amount outstanding was $5,500,000. There was no outstanding balance as of June 30, 2018. The Press is required to comply with certain loan covenants. As of June 30, 2019, the Press was in compliance with all of the covenants.

12. NOTE PAYABLE

In June 2018, the Press entered into a promissory note agreement with its fulfillment company. The note converted $666,667 of accounts payable to a note payable. The note is non-interest bearing and is due upon termination of the distribution agreement in effect between the two parties. The amount outstanding at June 30, 2019 and 2018 was $666,667.

13. DUE FROM RELATED PARTIES

At June 30, 2019, the Press had one loan outstanding from a key employee in the amount of $778,611. At June 30, 2018, the Press had two outstanding loans from key employees totaling $1,337,629, one of which was paid in full during the year ended June 30, 2019. The current portion of $17,673 and $31,007 at June 30, 2019 and 2018, respectively, is included in other current assets. The outstanding loan at June 30, 2019 is secured by certain real estate and bears interest at 2.875% per annum and is payable over a thirty year term with a maturity date of March 30, 2048. Interest income earned on the loans amounted to $36,405 and $20,700 for the years ended June 30, 2019 and 2018, respectively.

14. 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 $596,794 and $981,393 in 2019 and 2018, respectively.

15. 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:

	2019	2018
Projected APBO as of the end of the previous fiscal year	$ 602,881	$ 669,711
Fiscal year actuarial gains (losses)	73,988	(40,697)
Service cost	1,325	1,483
Interest cost	22,359	21,968
Estimated net benefit payments	(46,572)	(49,584)
Projected APBO as of the end of the current year	653,981	602,881
Fair value of plan assets	-	-
Unfunded status at end of year	653,981	602,881
Unrecognized net gain (loss)	49,451	(22,873)
(Gain) loss subject to amortization	(49,451)	22,873
Accrued postretirement benefit cost	$ 653,981	$ 602,881

The net periodic postretirement benefit cost ("NPPBC") is the amount to be expensed for any given year. The NPPBC for fiscal years 2019 and 2018 included the following components:

	2019	2018
Service cost benefits attributed to		
Employee service	$ 1,325	$ 1,483
Interest at cost on APBO	22,359	21,968
NPPBC	$ 23,684	$ 23,451

Actuarial assumptions used to calculate the APBO were as follows for years ended June 30:

	2019	2018
Discount rate	3.22%	3.89%

Contributions to the plan totaled $24,996 and $23,460 for 2019 and 2018, respectively.

16. 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.

17. COMMITMENTS

The Press has operating leases for office space, as well as for equipment. The leases expire on various dates through October 2022. The estimated future minimum rental payments are as follows for the years ending June 30:

2020	$ 243,000
2021	235,000
2022	165,000
2023	26,000
	$ 669,000

Total rent expense was $262,818 and $191,044 for the years ended June 30, 2019 and 2018, respectively.

The Press has entered into two lease agreements with Princeton University, a related party, for office space, both of which expire in May 2022. The lease income under these agreements was $155,174 and $187,276 for the years ended June 30, 2019 and 2018, respectively.

The estimated future minimum rental income is as follows for the years ending June 30:

2020	$	159,000
2021		159,000
2022		146,000
	$	464,000

18. SUBSEQUENT EVENTS

The Press has evaluated subsequent events occurring after the balance sheet date through the date of November 20, 2019, which is the date the financial statements were available to be issued. Based upon this evaluation, the Press has determined that no subsequent events require disclosure within the financial statements.