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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

SATURDAY

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A09 28/11/2020 #274
COMPANIES HOUSE

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

✗ **What this form i**
You cannot use th
an alteration of m
with accounting r

Part 1 Corporate company name

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

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	PRINCETON UNIVSERITY 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.**

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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'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	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** Christina Wong **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	AZETS 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, 2020 and 2019
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Princeton University Press and Subsidiary
Table of Contents
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 financial statements, during 2020 the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

Withum Smith + Brown, PC

November 20, 2020

Princeton University Press and Subsidiary
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 668,024	$ 1,144,652
Accounts receivable, net of allowance for doubtful accounts and sales returns of $3,004,255 and $2,225,482, respectively	3,420,443	4,843,267
Inventories, net	8,974,851	8,271,936
Other current assets	2,093,284	1,924,318
Total current assets	15,156,602	16,184,173
Author advances	9,916,156	8,238,377
Due from related parties, net of current portion	742,750	760,938
Property and equipment, net	4,168,253	4,222,045
Investments in Princeton University primary pool	82,565,537	85,570,239
Total assets	$ 112,549,298	$ 114,975,772
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,026,483	$ 2,951,490
Line of credit	4,350,000	5,500,000
Royalties payable	5,941,391	5,919,383
Subsidies applicable to future publications	1,461,952	1,613,912
Note payable	666,667	666,667
Total current liabilities	15,446,493	16,651,452
Accrual for post retirement health benefits	731,235	687,920
Net assets		
Without restrictions	71,668,374	72,932,173
With restrictions	24,703,196	24,704,227
Total net assets	96,371,570	97,636,400
Total liabilities and net assets	$ 112,549,298	$ 114,975,772

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, 2020 and 2019

	2020			2019		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
Net contract sales with customers	$ 29,834,946	$ -	$ 29,834,946	$ 28,746,006	$ -	$ 28,746,006
Cost of sales	14,601,888	-	14,601,888	12,337,941	-	12,337,941
Gross margin	15,233,058	-	15,233,058	16,408,065		16,408,065
Income from publishing rights	2,200,104	-	2,200,104	1,072,578	-	1,072,578
Gross margin including publishing rights	17,433,162	-	17,433,162	17,480,643		17,480,643
Operating expenses	25,064,182	-	25,064,182	24,670,114	-	24,670,114
Net deficit from operations	(7,631,020)	-	(7,631,020)	(7,189,471)		(7,189,471)
Other income (expense)						
Foreign currency exchange (loss) gain	(36,733)	-	(36,733)	(118,419)	-	(118,419)
Other income	779,077	-	779,077	1,142,128	-	1,142,128
	742,344	-	742,344	1,023,709	-	1,023,709
Excess of expenditures over income from departmental operations	(6,888,676)	-	(6,888,676)	(6,165,762)	-	(6,165,762)
Investment income allocated for spending	4,266,341	1,365,956	5,632,297	4,125,322	1,313,411	5,438,733
(Deficit) surplus before other changes in net assets	(2,622,335)	1,365,956	(1,256,379)	(2,040,440)	1,313,411	(727,029)
Other changes in net assets						
Amortization of postretirement benefit plan cumulative (loss) gain	(66,728)	-	(66,728)	(72,324)	-	(72,324)
Internal subsidies applied	(572,771)	-	(572,771)	(1,228,989)	-	(1,228,989)
Contributions	639,652	-	639,652	615,046	-	615,046
Interfund transfers	1,365,956	(1,365,956)	-	1,313,411	(1,313,411)	-
Unrealized (loss) gain on investments in primary pool	(3,671)	(1,031)	(4,702)	227,428	92,309	319,737
Cumulative translation adjustment	(3,902)	-	(3,902)	(3,141)	-	(3,141)
Change in net assets	(1,263,799)	(1,031)	(1,264,830)	(1,189,009)	92,309	(1,096,700)
Net assets						
Beginning of year	72,932,173	24,704,227	97,636,400	74,121,182	24,611,918	98,733,100
End of year	$ 71,668,374	$ 24,703,196	$ 96,371,570	$ 72,932,173	$ 24,704,227	$ 97,636,400

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, 2020 and 2019

	2020			2019		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salaries	$ 8,373,982	$ 4,242,605	$ 12,616,587	$ 7,869,314	$ 3,914,763	$ 11,784,077
Pension plan contributions	734,684	216,907	951,591	437,089	159,705	596,794
Other employee benefits	2,128,860	594,466	2,723,326	1,712,324	584,597	2,296,921
Payroll taxes	599,308	176,943	776,251	534,281	195,218	729,499
Grants	-	33,950	33,950	-	33,950	33,950
Legal fees	422	30,891	31,313	49,102	250,650	299,752
Accounting fees	17,421	106,641	124,062	19,572	143,382	162,954
Consultants	264,331	206,467	470,798	190,939	79,809	270,748
Advertising	1,132,494	-	1,132,494	1,135,673	-	1,135,673
Office expense	565,813	100,642	666,455	690,884	171,781	862,665
Information technology	67,108	548,007	615,115	45,047	441,871	486,918
Occupancy	141,745	166,612	308,357	348,499	238,136	586,635
Travel	426,219	117,858	544,077	634,565	251,439	886,004
Conferences and meetings	1,100	2,375	3,475	1,422	33,338	34,760
Depreciation	214,033	61,827	275,860	160,913	57,564	218,477
Insurance	91,968	26,570	118,538	111,469	40,168	151,637
Fulfillment	2,324,504	-	2,324,504	2,258,408	-	2,258,408
Other expenses	1,111,554	235,875	1,347,429	1,581,660	292,582	1,874,242
Total	$ 18,195,546	$ 6,868,636	$ 25,064,182	$ 17,781,161	$ 6,888,953	$ 24,670,114

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, 2020 and 2019

	2020	2019
Operating activities		
Change in net assets	$ (1,264,830)	$ (1,096,700)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	275,860	218,477
Unrealized loss (gain) on investment in primary pool	4,702	(319,737)
Non-cash contribution expense	-	41,377
Change in		
Accounts receivable	1,422,824	(2,050,340)
Inventories	(702,915)	(1,301,704)
Other current assets	(168,966)	(191,677)
Author advances	(1,677,779)	(2,632,093)
Due from related parties	18,188	545,684
Accounts payable and accrued liabilities	74,993	196,799
Royalties payable	22,008	1,509,929
Subsidies applicable to future publications	(151,960)	(55,906)
Postretirement health benefits obligation	43,315	54,468
Net cash used in operating activities	(2,104,560)	(5,081,423)
Investing activities		
Proceeds from sale of investment	3,000,000	-
Purchase of investments	-	(252,583)
Purchase of property and equipment	(225,970)	(667,334)
Net cash provided by (used in) investing activities	2,774,030	(919,917)
Financing activities		
Interfund transfers from funds invested in the Princeton University Market pools	5,632,297	5,438,733
Income allocated for spending	(5,632,297)	(5,438,733)
Proceeds from line of credit	(1,150,000)	5,500,000
Investment income allocated for spending	(639,652)	(615,046)
Funds withdrawals	639,652	615,046
Net cash (used in) provided by financing activities	(1,150,000)	5,500,000
Effect of foreign currency exchange on cash and cash equivalents	3,902	3,141
Net change in cash	(476,628)	(498,199)
Cash and cash equivalents		
Beginning of year	1,144,652	1,642,851
End of year	$ 668,024	$ 1,144,652
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 148,982	$ 152,707

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.

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 Press 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:

Description	Estimated Life (Years)
Computer equipment and website development	3
Furniture and fixtures	10
Vehicles	5
Building and improvements	10-40

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 or market determined using the average cost method. The Press expenses all preprinting costs such as composition and platemaking in the year books are published. The amounts expensed in 2020 and 2019 were $1,760,285 and $1,755,813, respectively.

Revenue Recognition
Revenue is recognized when control of promised goods or services is transferred to customers, in an amount that reflects the consideration the Press expects to be entitled to in exchange for those goods or services

Book sales - The Press derives a substantial portion of its revenue primarily from the publishing and sale of scholarly and educational books. The sale of the Press' books are handled through a third party distributor ("Ingram"). Revenues are recognized when control of these products are transferred to its customers. Ingram ships goods freight on board shipping point, indicating control has transferred upon shipment to the end customer. Payment from Ingram, is generally received 95 days from when revenues are recognized. Until payment is made, the amount of sales is recognized as Accounts Receivable from Ingram. In accordance with industry practice, sales returns are recorded at the time Ingram receives the books and a refund allowance is recorded within accounts receivable.

Royalties - The Press receives revenue related to license and royalty arrangements with other publishers for translation rights, audio rights, and other fees related to the use of the Press' intellectual property. Many of these deals are negotiated through international agencies. If an advance is stipulated in a licensing contract, revenue is recorded when the advance is received, typically three to six months after the signing of the licensing agreement. In addition to an advance, certain royalty percentages are agreed to in the contract. Once an advance has been earned out, royalties are paid based upon the number of sales of the other publisher's version of the work. Royalties are recognized as revenue when royalties are received, usually on a quarterly or semi-annual basis. Some licensing agreements call for a one-time flat fee payment. These payments are also recognized as revenue when they are received

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in revenue until the conditions on which they depend have been substantially met. 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.

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 $1,132,494 and $1,135,673 for the years ended June 30, 2020 and 2019, respectively.

Subsidies
The Press received amounts ($74,333 and $101,544 in 2020 and 2019, 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 ($162,228 and $53,344 in 2020 and 2019, respectively) are applied against manufacturing costs in the year of publication.

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
Revenue Recognition
The Financial Accounting Standards Board ("FASB") issued the guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-50, *Other Assets and Deferred Costs – Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Press adopted the requirements of the new guidance as of July 1, 2019 utilizing the modified retrospective method of transition. No adjustment to net assets as of July 1, 2019 was necessary. The Press applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in minimal changes to the Press' accounting policies for revenue recognition, receivables, deferred revenue and deferred costs.

Contribution Revenue Recognition
Effective July 1, 2019, the Press adopted ASU 2018-08 – *Not-for-profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU had no impact on the Press' opening balance net assets.

New Accounting Pronouncements Issued Not Yet Effective
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, 2021. 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.

2. LIQUIDITY

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2020	2019
Financial assets		
Cash and cash equivalents	$ 668,024	$ 1,144,652
Accounts receivable, net	3,420,443	4,843,267
Endowment receivable	1,782,366	1,750,950
Working capital investment at fair value	17,014,788	20,016,755
Total financial assets	22,885,621	27,755,624
Liquidity resources		
Bank lines of credit	2,650,000	1,500,000
Financial assets available to meet general expenditures over the next twelve months	$ 25,535,621	$ 29,255,624

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 $2,650,000.

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, 2020 and 2019, contributions amounting to $639,652 and $615,046, 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, 2020 endowment net asset composition by type of fund:

	Without Restrictions	With Restrictions	Total
Donor restricted	$ -	$ 24,703,196	$ 24,703,196
Board designated	40,847,553	-	40,847,553
Total	$ 40,847,553	$ 24,703,196	$ 65,550,749

The following presents changes in endowment net assets for the year ended June 30, 2020:

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	$ 40,849,257	$ 24,704,227	$ 65,553,484
Unrealized losses on investment	(1,704)	(1,031)	(2,735)
Income allocated for spending	4,266,341	1,365,956	5,632,297
Other changes			
Interfund transfer of income allocated for spending	(4,266,341)	(1,365,956)	(5,632,297)
	$ 40,847,553	$ 24,703,196	$ 65,550,749

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

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

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:

	2020	2019
Finished goods	$ 11,221,182	$ 10,275,037
Work in process	2,322,562	1,931,410
Valuation allowance	(4,568,893)	(3,934,511)
Inventory, net	$ 8,974,851	$ 8,271,936

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2020	2019
Computer equipment	$ 2,770,155	$ 2,472,611
Furniture and fixtures	1,850,334	1,799,660
Vehicles	30,701	30,701
Building and improvements	7,358,955	7,275,855
Website development	-	209,524
	12,010,145	11,788,351
Accumulated depreciation and amortization	(7,841,892)	(7,566,306)
Property and equipment, net	$ 4,168,253	$ 4,222,045

Depreciation and amortization expense totaled $275,860 and $218,477 for the years ended June 30, 2020 and 2019, respectively.

8. INVESTMENTS

A summary of investments at fair value at June 30, 2020 and 2019 are as follows:

	2020	2019
Whitney Darrow Fund	$ 37,221,220	$ 37,222,773
Scribner Fund	561,070	561,093
McGraw Fund	3,065,263	3,065,391
Einstein Endowment Fund	24,703,196	24,704,227
Working Capital Investment	17,014,788	20,016,755
	$ 82,565,537	$ 85,570,239

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 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 (unadjusted) in active markets for identical assets or liabilities that the Press has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

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, 2020 and 2019, respectively.

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Investment in primary pool					
Developed markets	$ 70,768	$ 6,920	$ 2,831	$ 9,148,262	$ 9,228,781
Emerging markets	1,585,833	-	-	6,133,544	7,719,377
Independent return	-	-	3,145	20,412,961	20,416,106
Private equity	(10,065)	18,242	426,810	31,170,331	31,605,318
Real assets	953,324	22,646	10,694	9,042,582	10,029,246
Fixed income	1,410,643	-	-	958,985	2,369,628
Cash and other	1,215,009	(17,928)	-	-	1,197,081
	$ 5,225,512	$ 29,880	$ 443,480	$ 76,866,665	$ 82,565,537

	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

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

Balance as of July 1, 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
Change in unrealized appreciation	(232,245)
Purchases	472
Sales and settlements	(3,908)
Transfers in to Level 3	199,792
Balance as of June 30, 2020	$ 443,480

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, 2020 and 2019. The information is presented on a "manager-mandate" basis.

	2020			
	June 30 Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently) eligible**	**Redemtion Notice Period**
Managed investments (gross)				
Developed markets (a)	$ 9,228,781	$ 446,625	daily - annually	10 - 120 days
Emerging markets (b)	7,719,377	6,920	daily - annually	7 - 90 days
Independent return (c)	20,416,106	1,433,918	monthly - annually	60 - 90 days
Fixed income and cash (d)	3,566,709	-	daily	1 - 7 days
Marketable asset classes	40,930,973	1,887,463		
Private equity (e)	31,605,318	8,107,815		
Real assets (f)	10,029,246	5,163,865		
Nonmarketable asset classes	41,634,564	13,271,680		
Total gross investments	$ 82,565,537	$ 15,159,143		

	2019			
	June 30 Fair Value	**Unfunded Commitments**	**Redemption Frequency (if currently) eligible**	**Redemtion 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		

(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 7% 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 21% 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% 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. The majority 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 and natural resources. 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 $1,475,000 at June 30, 2020, and approximately $1,530,000 at June 30, 2019, 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, 2020 and 2019. 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 July 2020. As of June 30, 2020 and 2019, the amount outstanding was $4,350,000 and $5,500,000, respectively. The Press is required to comply with certain loan covenants. As of June 30, 2020, the Press was in compliance with all of the covenants.

12. NOTE PAYABLE

The Press has entered into a promissory note agreement with its fulfillment company. 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, 2020 and 2019 was $666,667.

13. DUE FROM RELATED PARTIES

At June 30, 2020 and 2019, the Press had one loan outstanding from a key employee in the amount of $760,938 and $778,611, respectively. The current portion of $18,188 and $17,673 at June 30, 2020 and 2019, respectively, is included in other current assets. The outstanding loan at June 30, 2020 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 loan amounted to $22,143 and $36,405 for the years ended June 30, 2020 and 2019, 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 $951,591 and $596,794 in 2020 and 2019, 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:

	2020	2019
Projected APBO as of the end of the previous fiscal year	$ 653,981	$ 602,881
Fiscal year actuarial gains	70,826	73,988
Service cost	840	1,325
Interest cost	20,117	22,359
Estimated net benefit payments	(44,150)	(46,572)
Projected APBO as of the end of the current year	701,614	653,981
Fair value of plan assets	-	-
Unfunded status at end of year	701,614	653,981
Unrecognized net gain	120,277	49,451
Gain subject to amortization	(120,277)	(49,451)
Accrued postretirement benefit	$ 701,614	$ 653,981

The net periodic postretirement benefit cost ("NPPBC") is the amount to be expensed for any given year. The NPPBC for fiscal years 2020 and 2019 included the following components:

	2020	2019
Service cost benefits attributed to Employee service	$ 840	$ 1,325
Interest cost on APBO	20,117	22,359
NPPBC	$ 20,957	$ 23,684

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

	2020	2019
Discount rate	2.31%	3.22%

Contributions to the plan totaled $20,957 and $24,996 for 2020 and 2019, respectively.

16. CONCENTRATION OF 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.

The current outbreak of a novel strain of coronavirus ("COVID-19") first identified in Wuhan, China is significantly impacting businesses across the world. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern". The duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time. The extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

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:

2021	$ 234,000
2022	164,000
2023	27,000
	$ 425,000

Total rent expense was $221,429 and $262,818 for the years ended June 30, 2020 and 2019, 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 $159,046 and $155,174 for the years ended June 30, 2020 and 2019, respectively.

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

2021	$ 159,000
2022	146,000
	$ 305,000

18. SUBSEQUENT EVENTS

The Press has evaluated subsequent events occurring after the balance sheet date through the date of November 20, 2020, 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, except for the following, within the financial statements.

In August 2020, the Press increased their line of credit from $7,000,000 to $10,000,000 expiring August 2021.