

**GRAYWOLF PRESS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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**GRAYWOLF PRESS  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Graywolf Press  
Minneapolis, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Graywolf Press, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graywolf Press as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Graywolf Press and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2022 Graywolf Press adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Graywolf Press's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors  
Graywolf Press

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Graywolf Press's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Graywolf Press's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
May 8, 2023

**GRAYWOLF PRESS  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,280,356	\$ 1,939,464
Investments	1,882,149	2,054,723
Accounts Receivable, Net	726,364	708,410
Grants Receivable	143,307	135,279
Short-Term Pledges Receivable	8,562	263,711
Prepaid Expense	51,780	100,244
Royalty Advances	525,678	506,835
Inventory - Net	728,611	600,709
Total Current Assets	5,346,807	6,309,375
Long-Term Pledges Receivable, Net	46,923	46,975
Property and Equipment, Net	368,472	115,130
Right of Use Asset	340,628	-
Total Assets	\$ 6,102,830	\$ 6,471,480
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 151,035	\$ 117,226
Accrued Expense	2,323	23,837
Lease Liabilities	59,026	-
Royalty Payable	337,617	393,080
Reserve for Sales Returns	189,435	259,626
Total Current Liabilities	739,436	793,769
<b>LONG-TERM LIABILITIES</b>		
Lease Liabilities	595,207	-
Total Liabilities	1,334,643	793,769
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	971,905	969,731
Board-Designated	3,432,000	4,037,000
Total Without Donor Restrictions:	4,403,905	5,006,731
With Donor Restrictions	364,282	670,980
Total Net Assets	4,768,187	5,677,711
Total Liabilities and Net Assets	\$ 6,102,830	\$ 6,471,480

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022				Total
	Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 553,187	\$ -	\$ 553,187	\$ 105,173	\$ 658,360
Grants from Governmental Agencies	-	-	-	237,265	237,265
Book Revenue - Net of Returns	3,016,714	-	3,016,714	-	3,016,714
Rights Revenue	255,129	-	255,129	-	255,129
Investment Income (Loss)	(166,990)	-	(166,990)	-	(166,990)
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	157,000	-	157,000	(157,000)	-
Satisfaction of Time Restrictions	492,136	-	492,136	(492,136)	-
Total Support and Revenue	4,307,176	-	4,307,176	(306,698)	4,000,478
<b>EXPENSE</b>					
Program Services:					
Editorial Services	794,494	-	794,494	-	794,494
Cost of Sales	2,342,241	-	2,342,241	-	2,342,241
Promotion and Marketing Services	984,092	-	984,092	-	984,092
Total Program Services	4,120,827	-	4,120,827	-	4,120,827
Support Services:					
Management and General	415,691	-	415,691	-	415,691
Development	373,484	-	373,484	-	373,484
Total Support Services	789,175	-	789,175	-	789,175
Total Expense	4,910,002	-	4,910,002	-	4,910,002
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	(602,826)	-	(602,826)	(306,698)	(909,524)
<b>TRANSFER OF DESIGNATED FUNDS</b>	605,000	(605,000)	-	-	-
<b>CHANGE IN NET ASSETS AFTER TRANSFERS</b>	2,174	(605,000)	(602,826)	(306,698)	(909,524)
Net Assets - Beginning of Year	969,731	4,037,000	5,006,731	670,980	5,677,711
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 971,905</u>	<u>\$ 3,432,000</u>	<u>\$ 4,403,905</u>	<u>\$ 364,282</u>	<u>\$ 4,768,187</u>

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2021				Total
	Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>					
Contributions	\$ 813,562	\$ -	\$ 813,562	\$ 259,392	\$ 1,072,954
Grants from Governmental Agencies	-	-	-	243,764	243,764
Book Revenue - Net of Returns	3,612,157	-	3,612,157	-	3,612,157
Rights Revenue	299,846	-	299,846	-	299,846
Investment Income (Loss)	62,447	-	62,447	-	62,447
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	171,092	-	171,092	(171,092)	-
Satisfaction of Time Restrictions	568,059	-	568,059	(568,059)	-
Total Support and Revenue	<u>5,527,163</u>	<u>-</u>	<u>5,527,163</u>	<u>(235,995)</u>	<u>5,291,168</u>
<b>EXPENSE</b>					
Program Services:					
Editorial Services	769,746	-	769,746	-	769,746
Cost of Sales	2,814,842	-	2,814,842	-	2,814,842
Promotion and Marketing Services	996,989	-	996,989	-	996,989
Total Program Services	<u>4,581,577</u>	<u>-</u>	<u>4,581,577</u>	<u>-</u>	<u>4,581,577</u>
Support Services:					
Management and General	320,165	-	320,165	-	320,165
Development	340,830	-	340,830	-	340,830
Total Support Services	<u>660,995</u>	<u>-</u>	<u>660,995</u>	<u>-</u>	<u>660,995</u>
Total Expense	<u>5,242,572</u>	<u>-</u>	<u>5,242,572</u>	<u>-</u>	<u>5,242,572</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	284,591	-	284,591	(235,995)	48,596
<b>TRANSFER OF DESIGNATED FUNDS</b>	<u>(275,000)</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS AFTER TRANSFERS</b>	9,591	275,000	284,591	(235,995)	48,596
Net Assets - Beginning of Year	<u>960,140</u>	<u>3,762,000</u>	<u>4,722,140</u>	<u>906,975</u>	<u>5,629,115</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 969,731</u>	<u>\$ 4,037,000</u>	<u>\$ 5,006,731</u>	<u>\$ 670,980</u>	<u>\$ 5,677,711</u>

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services			Support Services			Total All Services	
	Editorial	Cost of Sales	Promotion and Marketing Services	Total Program Services	Management and General	Development		Total Support Services
Salaries	\$ 519,801	\$ -	\$ 506,123	\$ 1,025,924	\$ 164,148	\$ 177,827	\$ 341,975	\$ 1,367,899
Employee Benefits	101,285	-	98,620	199,905	33,812	34,665	68,477	268,382
Payroll Taxes	37,878	-	36,881	74,759	11,961	12,958	24,919	99,678
Total Personnel Costs	658,964	-	641,624	1,300,588	209,921	225,450	435,371	1,735,959
Cost of Goods Sold	-	830,901	-	830,901	-	-	-	830,901
Royalty Expense	-	753,512	-	753,512	-	-	-	753,512
Distribution Fees	-	702,884	-	702,884	-	-	-	702,884
Grants to Others	3,327	-	1,327	4,654	-	-	-	4,654
Contract and Professional Fees	13,948	-	55,157	69,105	108,086	28,182	136,268	205,373
Occupancy	22,522	-	21,929	44,451	7,112	7,705	14,817	59,268
Office Expenses	13,638	-	10,700	24,338	16,010	10,381	26,391	50,729
Information Technology	33,072	-	39,562	72,634	6,842	13,173	20,015	92,649
Insurance	-	-	-	-	40,736	-	40,736	40,736
Travel	9,608	-	17,126	26,734	7,130	8,999	16,129	42,863
Conferences and Meetings	8,122	-	13,265	21,387	4,216	32,685	36,901	58,288
Complimentary Copies	-	-	10,960	10,960	-	6,636	6,636	17,596
Galleys	-	-	21,705	21,705	-	3,630	3,630	25,335
Postage and Shipping	13,781	519	31,315	45,615	667	16,139	16,806	62,421
Promotion Expense	210	394	23,023	23,627	-	-	-	23,627
Author Tours	2,319	-	48,092	50,411	2,181	15,379	17,560	67,971
Advertising	-	54,031	33,719	87,750	-	-	-	87,750
Legal Fees	-	-	-	-	8,058	-	8,058	8,058
Depreciation	14,983	-	14,588	29,571	4,732	5,125	9,857	39,428
Total Expense	\$ 794,494	\$ 2,342,241	\$ 984,092	\$ 4,120,827	\$ 415,691	\$ 373,484	\$ 789,175	\$ 4,910,002

See accompanying Notes to Financial Statements.



**GRAYWOLF PRESS**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2021 (RESTATED)**

	Program Services			Support Services			Total All Services	
	Editorial	Cost of Sales	Promotion and Marketing Services	Total Program Services	Management and General	Development		Total Support Services
Salaries	\$ 504,744	\$ -	\$ 479,507	\$ 984,251	\$ 126,186	\$ 151,423	\$ 277,609	\$ 1,261,860
Employee Benefits	103,092	-	97,938	201,030	25,773	30,928	56,701	257,731
Payroll Taxes	36,774	-	34,935	71,709	9,193	11,032	20,225	91,934
Total Personnel Costs	644,610	-	612,380	1,256,990	161,152	193,383	354,535	1,611,525
Cost of Goods Sold	-	1,027,870	-	1,027,870	-	-	-	1,027,870
Royalty Expense	-	1,003,411	-	1,003,411	-	-	-	1,003,411
Distribution Fees	-	783,561	-	783,561	-	-	-	783,561
Grants to Others	3,425	-	3,425	6,850	-	-	-	6,850
Contract and Professional Fees	13,088	-	105,882	118,970	83,276	75,047	158,323	277,293
Occupancy	28,725	-	27,288	56,013	7,181	8,617	15,798	71,811
Office Expenses	18,611	-	15,951	34,562	15,481	10,025	25,506	60,068
Information Technology	25,543	-	31,098	56,641	2,805	11,542	14,347	70,988
Insurance	-	-	-	-	42,060	-	42,060	42,060
Travel	1,190	-	-	1,190	-	-	-	1,190
Conferences and Meetings	6,857	-	17,589	24,446	1,943	4,960	6,903	31,349
Complimentary Copies	598	-	12,253	12,851	-	5,986	5,986	18,837
Galleys	-	-	23,970	23,970	-	4,332	4,332	28,302
Postage and Shipping	16,390	-	27,275	43,665	1,589	13,968	15,557	59,222
Promotion Expense	153	-	22,933	23,086	894	9,803	10,697	33,783
Author Tours	-	-	2,673	2,673	-	-	-	2,673
Advertising	-	-	84,243	84,243	-	-	-	84,243
Depreciation	10,556	-	10,029	20,585	3,784	3,167	6,951	27,536
Total Expense	<u>\$ 769,746</u>	<u>\$ 2,814,842</u>	<u>\$ 996,989</u>	<u>\$ 4,581,577</u>	<u>\$ 320,165</u>	<u>\$ 340,830</u>	<u>\$ 660,995</u>	<u>\$ 5,242,572</u>

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (909,524)	\$ 48,596
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	39,428	27,536
Increase (Decrease) in A/R Allowance	(3,118)	(3,737)
Unrealized (Gain) Loss on Investments	207,237	(28,769)
Realized Gain on Investments	(392)	(6,243)
Donated Stock Gifts	(51,070)	-
Change in Royalty Advances Reserve	(55,463)	(84,419)
Change in Sales Return Reserve	(70,191)	(36,554)
Change in Reserve for Obsolete Inventory	(107,992)	(171,363)
Change in Operating Lease Asset & Liability	313,605	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	(17,954)	177,625
Pledges Receivable	258,319	377,432
Grants Receivable	(8,028)	4,173
Royalty Advances	(18,843)	122,949
Inventory	(19,910)	85,238
Prepaid Expense	48,464	(46,989)
Increase (Decrease) in Liabilities:		
Accounts Payable	33,809	33,612
Accrued Salaries Payable	(21,514)	(455)
Net Cash Provided (Used) by Operating Activities	(383,137)	498,632
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(249,694)	(3,765,359)
Proceeds from Sale of Investments	266,493	1,745,648
Purchase of Property and Equipment	(292,770)	(92,894)
Net Cash Used by Investing Activities	(275,971)	(2,112,605)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(659,108)	(1,613,973)
Cash and Cash Equivalents - Beginning of Year	1,939,464	3,553,437
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,280,356	\$ 1,939,464
<b>SUPPLEMENTAL INFORMATION</b>		
ROU Asset Obtained in Exchange for New Operating Lease Liability	\$ 360,339	\$ -
ROU Asset Obtained in Exchange for New Financing Lease Liability	\$ 14,104	\$ -

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

Graywolf Press (Graywolf) is a leading independent publisher committed to the discovery and energetic publication of twenty-first century American and international literature. We champion outstanding writers at all stages of their careers to ensure that adventurous readers can find underrepresented and diverse voices in a crowded marketplace. We believe works of literature nourish the reader's spirit and enrich the broader culture, and that they must be supported by attentive editing, compelling design, and creative promotion.

Founded in 1974, Graywolf publishes around thirty books each year, divided equally across poetry, fiction, and nonfiction. We are known for supporting both emerging and established writers whose work fosters new thinking about what it means to live in the world today.

Graywolf published 32 books in 2022 and acquired 24 new manuscripts by authors from around the world. We reached 660,000 readers with outstanding contemporary literature, achieving over \$3 million in book sales. In 2022, *frank: sonnets* by Diane Suess won the Pulitzer Prize for Poetry, and Mai Der Vang's *Yellow Rain* was a finalist for the same prize. Percival Everett's *The Trees* was a finalist for the Booker Prize and *The Rupture Tense* by Jenny Xie was a finalist for the National Book Award for Poetry. *If an Egyptian Cannot Speak English* won the Center for Fiction First Novel Prize. Our authors participated in over 180 virtual and in-person events in 2022.

In 2022, Director and Publisher Fiona McCrae retired and Carmen Giménez joined the Press as the new Director and Publisher.

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of Graywolf and changes therein are classified and reported as:

*Without Donor Restrictions – Undesignated Net Assets* – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

*Without Donor Restrictions – Board-Designated Net Assets* – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources and has set them aside for a particular purpose.

*With Donor Restrictions* – Those resources subject to donor-imposed restrictions which will be satisfied by action of Graywolf or passage of time. These resources may also include resources whose use must be held in perpetuity.

When a time restriction expires or a purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released after satisfaction from restrictions.

**GRAYWOLF PRESS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Graywolf defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. At December 31, 2022 and 2021, Graywolf held funds at a local financial institution in excess of federally insured limits.

**Investments**

Investments are recorded at fair value except for certificates of deposit which are recorded at cost. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

Graywolf's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

**Receivables**

Accounts, grants, and contributions receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2022 and 2021, the allowance for accounts receivable was \$-0-. See Note 3 for allowance related to pledges receivable.

**Inventory**

Inventory consists of published books and books in the process of being published. Inventory is valued at lower of cost, determined on a first-in, first-out basis or net realizable value. A reserve for obsolete inventory has been recorded for books that may be unsaleable based on historical data. The reserve for obsolescence was \$865,185 and \$757,193 at December 31, 2022 and 2021, respectively.

**Royalty Advances**

Graywolf provides authors with royalty advances against future book sales. These advances are then expensed when the authors' books are published. Royalty advances were \$525,678 and \$506,835 at December 31, 2022 and 2021, respectively.

**Property and Equipment**

All major expenditures for property and equipment \$2,000 and above are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is computed on the straight-line basis over the assets' estimated useful lives as follows:

Buildings and Improvements	30 Years
Furnishings and Equipment	5 to 10 Years
Computer Equipment, Software, and Websites	3 Years

**GRAYWOLF PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

Graywolf Press leases office space and equipment and determines if an arrangement is a lease at inception. Both operating and finance leases are reported on the balance sheet as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**Reserve for Sales Returns**

Sales of books are subject to significant returns. The returns less related return to inventory of the books has been estimated upon historical return rates. The net effect of the sales return estimate is classified as the liability, deferred sales revenue. The deferred sales revenue liability was as follows:

	<u>2022</u>	<u>2021</u>
Projected Sales Returns	\$ 287,842	\$ 380,495
Less: Return of Books to Inventory	(98,407)	(120,869)
Reserve for Sales Returns	<u>\$ 189,435</u>	<u>\$ 259,626</u>

**Revenue Recognition**

Revenue recognition treatment is determined on a case-by-case basis in accordance with accounting principles generally accepted in the United States of America. The major revenue streams of Graywolf and corresponding revenue recognition treatment is as follows:

Book Revenue – Graywolf has various sales and distribution agreements in place to deliver its product – books – to its customer. Farrar, Straus, & Giroux, LLC (FSG) is its primary distributor and fulfills the majority of Graywolf's book sales and returns. Revenue is recognized at the point-of-sale which is processed, tracked and reported by FSG. The transaction price varies based on unit prices which are mutually agreed upon by Graywolf, FSG and the retailer. Each month Graywolf receives payment from FSG based on the sales generated three months prior, less FSG's service charge and a reserve for possible future returns. The reserve is approximately 20% of sales and held back by FSG on a 12-month rolling basis.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Contributions – Contributions received are recorded as support without or with donor restrictions, depending on the existence of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Graywolf. Donated materials are valued at market value on the date of donation.

Government Grants and Contracts – Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Graywolf will record such disallowance at the time the final assessment is made.

**Fair Value Measurements**

Graywolf has categorized its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Graywolf has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. *Level 2* inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments).

**Functional Allocation of Expense**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Graywolf. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management, including being allocated based on the estimates of time spent on each functional category of expenses.

**Income Tax**

Graywolf has a tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code (IRC) and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. Graywolf's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. Graywolf continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

**Advertising**

Graywolf uses advertising, both print/online advertising and cooperative advertising at bookstores, to promote its books to readers. Advertising costs are expensed as incurred. Advertising expense of \$87,750 and \$84,243 was recorded for the years ended December 31, 2022 and 2021, respectively.

**Shipping and Handling Costs**

Shipping and handling costs are charged to operations as they are incurred. Shipping and handling expense was \$195,819 and \$164,905 for the years ended December 31, 2022 and 2021, respectively.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Subsequent Events**

Graywolf has evaluated the effect that subsequent events would have on the financial statements through May 8, 2023, which is the date financial statements were available to be issued.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Graywolf Press adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets. The standard had a material impact on the statement of financial position, but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**NOTE 2 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Graywolf markets their publications internationally. The amounts due for book sales and grants and contributions are from individuals or organizations located across the world. In addition, accounts, grants, and pledges receivable are from individuals and organizations.

Graywolf contracts with Farrar, Straus, & Giroux, LLC (FSG) as its primary distributor. FSG provides representation, sales, billing, shipping, customer service, collection, and processing of returns. Some of these services provided by FSG are based upon a percentage of sales, currently at 19% on new book sales and 4.5% on returns. In 2022, 99% of sales were made through FSG and accounts receivable of \$636,956 was due from FSG at December 31, 2022. In 2021, 99% of sales were made through FSG and accounts receivable of \$704,918 was due from FSG at December 31, 2021.



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**NOTE 2 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

Total contributions receivable includes pledges receivable and grants receivable which are due from donors and granting agencies, respectively, located throughout the country. As of December 31, 2022, contributions receivable from two individual donors accounted for approximately 72% of outstanding contributions. As of December 31, 2021, contribution receivable from three individual donors accounted for approximately 53% of outstanding contributions.

**NOTE 3 PLEDGES RECEIVABLE**

The balance of pledges receivable was due as follows as of:

<u>Year Ending December 31,</u>	<u>2022</u>	<u>2021</u>
2022	\$ 8,562	\$ 263,711
2023	38,375	40,875
2024	10,000	10,000
Total Pledges Receivable	<u>56,937</u>	<u>314,586</u>
Allowance for Doubtful Pledges Receivable	(1,394)	(3,118)
Discounted to Net Present Value at 4%	<u>(58)</u>	<u>(782)</u>
Net Pledges Receivable	55,485	310,686
Current Portion	<u>8,562</u>	<u>263,711</u>
Long-Term Portion	<u>\$ 46,923</u>	<u>\$ 46,975</u>

Allowance for doubtful pledges was based on management's evaluation of outstanding pledges receivable at the end of the year. As of December 31, 2022 and 2021, the allowance for doubtful pledges was \$1,394 and \$3,118, respectively.

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**NOTE 4 FAIR VALUE MEASUREMENTS**

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis at December 31:

	2022			Total
	Level 1	Level 2	Level 3	
Assets				
Investments:				
Mutual Funds	\$ 138,564	\$ -	\$ -	\$ 138,564
Equity Securities	658,643	-	-	658,643
Fixed Income	1,013,311	-	-	1,013,311
Total Assets	<u>\$ 1,810,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,810,518</u>
	2021			Total
	Level 1	Level 2	Level 3	
Assets				
Investments:				
Mutual Funds	\$ 103,356	\$ -	\$ -	\$ 103,356
Equity Securities	695,414	-	-	695,414
Fixed Income	1,146,788	-	-	1,146,788
Total Assets	<u>\$ 1,945,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,945,558</u>

The totals do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total investments:

	2022	2021
Total Investments	\$ 1,882,149	\$ 2,054,723
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(71,631)	(109,165)
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 1,810,518</u>	<u>\$ 1,945,558</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Graywolf owned the following assets as of December 31:

	2022	2021
Furniture and Equipment	\$ 216,613	\$ 122,679
Leasehold Improvements	371,907	85,995
Work in Progress	-	87,076
Database and Website	148,147	148,147
Total	736,667	443,897
Less: Accumulated Depreciation	(368,195)	(328,767)
Total Equipment	<u>\$ 368,472</u>	<u>\$ 115,130</u>

Depreciation expense of \$39,428 and \$27,536 was recorded for the years ended December 31, 2022 and 2021, respectively.

**GRAYWOLF PRESS**  
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**NOTE 6 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED**

Net assets without donor restrictions – board-designated of \$3,432,000 and \$4,037,000 was recorded as of December 31, 2022 and 2021, respectively. The board has designated these net assets for future use by Graywolf, as approved by the board.

Book sales, as well as contributed revenue from major campaigns, are variable over time. Book sales are unpredictable and dependent on market conditions, while campaign revenue is pledged over a number of years and is spent down over time. Therefore, the board of directors sets aside excess operating revenue from both book sales and campaign receipts for future year operations through a board-designated fund at the end of each year. The finance committee recommends an amount to be transferred to the fund, and the full board votes on the transfer as part of the audited financial statement approval for the year.

Board-designated funds are released in a similar mechanism, by recommendation from the finance committee and approval of the full board. Board-designated funds do not have donor restrictions. Funds may be used to enable Graywolf Press to invest in singular writers, enlarge the commitment to inclusivity, engage readers, stimulate conversations as well as sustain and grow operations. They also may be used to offset noncash expenses, such as inventory, cost of sales, or advance royalty expenses, and they may be used for program and personnel expenses associated with achieving strategic plan goals.

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Subject to the Passage of Time:		
New Chapter Campaign	\$ 56,937	\$ 307,936
Time Restricted Organizational Support	141,854	203,279
Subtotal	198,791	511,215
Subject to Expenditure for Specified Purpose:		
Support of Specified Titles	60,000	55,000
Endowment Earnings	5,491	4,765
Subtotal	65,491	59,765
Endowment	100,000	100,000
Total	\$ 364,282	\$ 670,980

**NOTE 8 ENDOWMENT FUNDS**

**Description**

The endowment fund consists of an individual fund established by a donor. The fund shall be held in perpetuity with the income and related investment gains to be used for the Graywolf Press Nonfiction Prize.

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**NOTE 8 ENDOWMENT FUNDS (CONTINUED)**

**Interpretation of Relevant Law**

The board of directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 of this interpretation, Graywolf classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Graywolf in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Graywolf considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Graywolf and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Graywolf
7. The investment policies of Graywolf

**Endowment Net Asset Composition by Type of Fund**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift amount to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	5,491	5,491
Total	<u>\$ -</u>	<u>\$ 105,491</u>	<u>\$ 105,491</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift amount to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	4,765	4,765
Total	<u>\$ -</u>	<u>\$ 104,765</u>	<u>\$ 104,765</u>

**GRAYWOLF PRESS**  
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**NOTE 8 ENDOWMENT FUNDS (CONTINUED)**

**Changes in Endowment Net Assets**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2020	\$ -	\$ 104,143	\$ 104,143
Investment Return	-	622	622
December 31, 2021	-	104,765	104,765
Investment Return	-	726	726
December 31, 2022	<u>\$ -</u>	<u>\$ 105,491</u>	<u>\$ 105,491</u>

**NOTE 9 COST OF GOODS SOLD**

The reconciliation of cost of goods sold was as follows:

	<u>2022</u>	<u>2021</u>
Beginning Inventory	\$ 600,709	\$ 514,584
Production Cost	958,825	1,068,899
Other Cost of Sales and Adjustments	(22)	45,096
Goods Available-for-Sale	<u>1,559,512</u>	<u>1,628,579</u>
Less: Ending Inventory	728,611	600,709
Cost of Goods Sold	<u>\$ 830,901</u>	<u>\$ 1,027,870</u>

**GRAYWOLF PRESS**  
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**NOTE 10 LEASES**

Graywolf Press leases office space and equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2023.

The following table provides quantitative information concerning Graywolf Press's leases for the year ended December 31, 2022.

Right of Use Assets:	
Financing Leases, Net	\$ 14,104
Operating Lease right-of-use asset: Property and equipment	268,317
Operating Lease right-of-use asset	326,524
Total leased right-of-use assets	<u>\$ 608,945</u>

Lease Liabilities:	
Current:	
Financing Leases	2,605
Operating Leases	56,421
Noncurrent:	
Financing Leases	11,499
Operating Leases	583,708
Total	<u>\$ 654,233</u>

Operating Lease Costs	\$ 51,409
Finance Lease Costs	
Amortization of right-to-use assets	-
Interest on Lease Liabilities	-

Other Information:

<u>Cash Paid for Amounts Included in the Measurement of Lease Liabilities:</u>	
Operating Cash Flows from Operating Leases	\$ -
Operating Cash Flows from Finance Leases	-
Financing Cash Flows from Finance Leases	-
ROU Assets Obtained in Exchange for New Financing Lease Liabilities	14,104
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	360,339
Leasehold Improvements Obtained in Exchange for New Operating Lease Liabilities	285,912
Weighted Average Remaining Lease Term:	
Financing Leases	4.9 years
Operating Leases	10.2 years
Weighted Average Discount Rate:	
Financing Leases	3.92%
Operating Leases	4.50%

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**NOTE 10 LEASES (CONTINUED)**

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as December 31, 2022:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2023	\$ 56,421	\$3,120
2024	76,773	3,120
2025	78,759	3,120
2026	80,744	3,120
2027	82,893	3,120
Thereafter	466,758	-
Total Lease Payments	842,348	15,600
Less: Interest	(202,219)	(1,496)
Present Value of Lease Liabilities	<u>\$ 640,129</u>	<u>\$ 14,104</u>

For the year ended December 31, 2021, total rent expense was \$64,904.

**NOTE 11 RETIREMENT PLAN**

Graywolf has a 403(b) tax deferred annuity plan. Employees are eligible for a pension contribution equal to 5% of their salary upon completion of one year of service for the years ended December 31, 2022 and 2021. Retirement expense of \$50,300 and \$56,883 was recorded for the years ended December 31, 2022 and 2021, respectively.

**NOTE 12 COMMITMENTS**

Graywolf, in the normal course of business, provides advances to authors for future publications. The amount due for future advances remaining on author contracts at December 31, 2022 is \$284,450.

**NOTE 13 RELATED PARTY TRANSACTIONS**

Contribution revenues from members of the board of directors and employees totaled \$94,974 and \$132,119 during the years ended December 31, 2022 and 2021, respectively. Board member contributions receivable as of December 31, 2022 and 2021 were \$157,254 and \$184,278, respectively.

**GRAYWOLF PRESS**  
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**NOTE 14 LIQUIDITY AND AVAILABILITY**

Graywolf monitors and reports the liquidity required to meet operating needs on a monthly basis. At December 31, 2022 and 2021, Graywolf has \$3,788,566 and \$4,757,447, respectively, of financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date. Of those assets, \$3,432,000 and \$4,037,000 are board-designated for future periods as of December 31, 2022 and 2021, respectively.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Graywolf considers all expenditures related to its ongoing activities of acquiring, publishing, and marketing books as well as the operations needed to support those activities. In addition to financial assets available to meet general expenditures over the next 12 months, Graywolf operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donated revenue.

As of December 31, 2022, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and Equivalents	\$ 1,280,356	\$ 1,939,464
Investments	1,882,149	2,054,723
Accounts Receivable (Net of Discount)	726,364	708,410
Grants Receivable Due in One Year or Less	143,307	135,279
Pledges Receivable Due in One Year or Less	8,562	263,711
Less: Reserves on Returns	(86,681)	(124,375)
Less Restricted Assets:		
Endowed Cash	(105,491)	(104,765)
Time Restricted Cash	-	(60,000)
Purpose Restricted Contributions Receivables	(60,000)	(55,000)
Total	<u>\$ 3,788,566</u>	<u>\$ 4,757,447</u>





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