

GRAYWOLF PRESS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023



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**GRAYWOLF PRESS
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YEARS ENDED DECEMBER 31, 2024 AND 2023**

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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 statements of financial position as of December 31, 2024 and 2023, 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, 2024 and 2023, and the changes in net assets 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.

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.

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
April 23, 2025

GRAYWOLF PRESS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 448,740	\$ 705,620
Investments	1,619,024	2,161,379
Accounts Receivable, Net	857,380	469,861
Grants Receivable	141,214	167,718
Short-Term Pledges Receivable	90,793	44,330
Prepaid Expense	50,922	50,121
Royalty Advances	628,559	484,264
Inventory - Net	698,847	642,164
Total Current Assets	<u>4,535,479</u>	<u>4,725,457</u>
Long-Term Pledges Receivable, Net	34,337	55,733
Property and Equipment, Net	284,940	319,817
Right-of-Use Asset - Operating	224,831	275,553
Right-of-Use Asset - Financing	<u>8,462</u>	<u>11,283</u>
Total Assets	<u><u>\$ 5,088,049</u></u>	<u><u>\$ 5,387,843</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 154,060	\$ 35,106
Accrued Expense	1,007	3,057
Lease Liabilities - Operating	78,758	76,773
Lease Liabilities - Financing	2,816	2,709
Royalty Payable	269,864	196,245
Reserve for Sales Returns	191,971	160,663
Total Current Liabilities	<u>698,476</u>	<u>474,553</u>
LONG-TERM LIABILITIES		
Lease Liabilities - Operating	428,446	507,204
Lease Liabilities - Financing	5,974	8,790
Total Liabilities	<u>1,132,896</u>	<u>990,547</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	974,566	973,270
Board-Designated	2,567,000	2,882,000
Total Without Donor Restrictions	<u>3,541,566</u>	<u>3,855,270</u>
With Donor Restrictions	413,587	542,026
Total Net Assets	<u>3,955,153</u>	<u>4,397,296</u>
Total Liabilities and Net Assets	<u><u>\$ 5,088,049</u></u>	<u><u>\$ 5,387,843</u></u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	2024				
	Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE					
Contributions					
Grants from Governmental Agencies	\$ 410,321	\$ -	\$ 410,321	\$ 51,837	\$ 462,158
Book Revenue - Net of Returns	-	-	-	332,235	332,235
Special Event Income (Net of Expense of \$149,921 in 2024 and \$23,111 in 2023)	3,698,123	-	3,698,123	-	3,698,123
Rights Revenue	197,934	-	197,934	-	197,934
Investment Income (Loss)	224,205	-	224,205	-	224,205
Net Assets Released from Restrictions:	156,988	-	156,988	3,902	160,890
Satisfaction of Program Restrictions	166,000	-	166,000	(166,000)	-
Satisfaction of Time Restrictions	350,413	-	350,413	(350,413)	-
Total Support and Revenue	<u>5,203,984</u>	<u>-</u>	<u>5,203,984</u>	<u>(128,439)</u>	<u>5,075,545</u>
EXPENSE					
Program Services:					
Editorial Services	821,801	-	821,801	-	821,801
Cost of Sales	2,810,929	-	2,810,929	-	2,810,929
Promotion and Marketing Services	1,015,325	-	1,015,325	-	1,015,325
Total Program Services	<u>4,648,055</u>	<u>-</u>	<u>4,648,055</u>	<u>-</u>	<u>4,648,055</u>
Support Services:					
Management and General	508,201	-	508,201	-	508,201
Development	361,432	-	361,432	-	361,432
Total Support Services	<u>869,633</u>	<u>-</u>	<u>869,633</u>	<u>-</u>	<u>869,633</u>
Total Expense	<u>5,517,688</u>	<u>-</u>	<u>5,517,688</u>	<u>-</u>	<u>5,517,688</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(313,704)	-	(313,704)	(128,439)	(442,143)
TRANSFER OF DESIGNATED FUNDS	315,000	(315,000)	-	-	-
CHANGE IN NET ASSETS AFTER TRANSFERS	1,296	(315,000)	(313,704)	(128,439)	(442,143)
Net Assets - Beginning of Year	<u>973,270</u>	<u>2,882,000</u>	<u>3,855,270</u>	<u>542,026</u>	<u>4,397,296</u>
NET ASSETS - END OF YEAR	<u>\$ 974,566</u>	<u>\$ 2,567,000</u>	<u>\$ 3,541,566</u>	<u>\$ 413,587</u>	<u>\$ 3,955,153</u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	2023				
	Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE					
Contributions	\$ 576,616	\$ -	\$ 576,616	\$ 276,847	\$ 853,463
Grants from Governmental Agencies	-	-	-	302,576	302,576
Book Revenue - Net of Returns	2,714,788	-	2,714,788	-	2,714,788
Special Event Income (Net of Expense of \$149,921 in 2024 and \$23,111 in 2023)	28,125	-	28,125	-	28,125
Rights Revenue	228,694	-	228,694	-	228,694
Investment Income (Loss)	183,829	-	183,829	3,081	186,910
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	72,500	-	72,500	(72,500)	-
Satisfaction of Time Restrictions	332,260	-	332,260	(332,260)	-
Total Support and Revenue	<u>4,136,812</u>	<u>-</u>	<u>4,136,812</u>	<u>177,744</u>	<u>4,314,556</u>
EXPENSE					
Program Services:					
Editorial Services	786,859	-	786,859	-	786,859
Cost of Sales	2,162,710	-	2,162,710	-	2,162,710
Promotion and Marketing Services	1,012,840	-	1,012,840	-	1,012,840
Total Program Services	<u>3,962,409</u>	<u>-</u>	<u>3,962,409</u>	<u>-</u>	<u>3,962,409</u>
Support Services:					
Management and General	377,565	-	377,565	-	377,565
Development	345,473	-	345,473	-	345,473
Total Support Services	<u>723,038</u>	<u>-</u>	<u>723,038</u>	<u>-</u>	<u>723,038</u>
Total Expense	<u>4,685,447</u>	<u>-</u>	<u>4,685,447</u>	<u>-</u>	<u>4,685,447</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(548,635)	-	(548,635)	177,744	(370,891)
TRANSFER OF DESIGNATED FUNDS	<u>550,000</u>	<u>(550,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS AFTER TRANSFERS	1,365	(550,000)	(548,635)	177,744	(370,891)
Net Assets - Beginning of Year	<u>971,905</u>	<u>3,432,000</u>	<u>4,403,905</u>	<u>364,282</u>	<u>4,768,187</u>
NET ASSETS - END OF YEAR	<u>\$ 973,270</u>	<u>\$ 2,882,000</u>	<u>\$ 3,855,270</u>	<u>\$ 542,026</u>	<u>\$ 4,397,296</u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2024

	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	\$ 494,340	\$ -	\$ 501,302	\$ 995,642	\$ 225,586	\$ 171,278	\$ 396,864	\$ 1,392,506
Employee Benefits	95,647	-	96,994	192,641	45,467	33,140	78,607	271,248
Payroll Taxes	37,643	-	38,173	75,816	17,178	13,042	30,220	106,036
Total Personnel Costs	627,630	-	636,469	1,264,099	288,231	217,460	505,691	1,769,790
Cost of Goods Sold	-	1,011,808	-	1,011,808	-	-	-	1,011,808
Royalty Expense	-	834,842	-	834,842	-	-	-	834,842
Distribution Fees	-	905,701	-	905,701	-	-	-	905,701
Grants to Others	1,000	-	1,000	2,000	-	-	-	2,000
Contract and Professional Fees	33,562	-	25,580	59,142	114,252	24,297	138,549	197,691
Occupancy	39,292	-	36,977	76,269	16,635	12,619	29,254	105,523
Office Expenses	10,667	-	8,664	19,331	21,320	13,236	34,556	53,887
Information Technology	29,726	-	39,134	68,860	5,782	15,826	21,608	90,468
Insurance	-	-	-	-	40,266	-	40,266	40,266
Travel	26,547	-	31,916	58,463	35	22,476	22,511	80,974
Conferences and Meetings	22,188	-	42,823	65,011	3,054	5,928	8,982	73,993
Complimentary Copies	-	-	11,471	11,471	-	5,652	5,652	17,123
Galleys	-	-	32,167	32,167	-	4,358	4,358	36,525
Postage and Shipping	16,435	-	37,465	53,900	634	20,964	21,598	75,498
Promotion Expense	-	-	24,864	24,864	2,542	12,834	15,376	40,240
Author Tours	1,753	-	47,719	49,472	-	-	-	49,472
Advertising	-	58,578	23,023	81,601	-	282	282	81,883
Legal Fees	-	-	-	-	5,400	-	5,400	5,400
Depreciation	13,001	-	16,053	29,054	10,050	5,500	15,550	44,604
Total Expense	\$ 821,801	\$ 2,810,929	\$ 1,015,325	\$ 4,648,055	\$ 508,201	\$ 361,432	\$ 869,633	\$ 5,517,688

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2023

	Program Services				Support Services			Total
	Editorial	Cost of Sales	Promotion and Marketing Services	Total Program Services	Management and General	Development	Total Support Services	All Services
Salaries	\$ 502,432	\$ -	\$ 536,845	\$ 1,039,277	\$ 151,418	\$ 185,831	\$ 337,249	\$ 1,376,526
Employee Benefits	101,578	-	108,514	210,092	30,620	37,562	68,182	278,274
Payroll Taxes	36,688	-	39,200	75,888	11,057	13,569	24,626	100,514
Total Personnel Costs	640,698	-	684,559	1,325,257	193,095	236,962	430,057	1,755,314
Cost of Goods Sold	-	865,762	-	865,762	-	-	-	865,762
Royalty Expense	-	630,206	-	630,206	-	-	-	630,206
Distribution Fees	-	622,200	-	622,200	-	-	-	622,200
Grants to Others	1,050	-	1,050	2,100	-	-	-	2,100
Contract and Professional Fees	18,077	550	12,555	31,182	91,879	5,471	97,350	128,532
Occupancy	30,906	-	44,266	75,172	10,448	12,822	23,270	98,442
Office Expenses	7,447	-	6,908	14,355	14,393	8,663	23,056	37,411
Information Technology	30,562	-	40,417	70,979	4,661	10,672	15,333	86,312
Insurance	-	-	-	-	39,702	-	39,702	39,702
Travel	15,839	-	23,470	39,309	151	12,022	12,173	51,482
Conferences and Meetings	8,776	-	39,658	48,434	1,736	14,592	16,328	64,762
Complimentary Copies	-	-	11,063	11,063	-	8,563	8,563	19,626
Galleys	-	-	23,054	23,054	-	2,756	2,756	25,810
Postage and Shipping	12,430	-	26,983	39,413	938	15,247	16,185	55,598
Promotion Expense	47	-	19,572	19,619	3,846	10,821	14,667	34,286
Author Tours	150	-	47,040	47,190	-	-	-	47,190
Advertising	-	43,992	20,538	64,530	-	552	552	65,082
Legal Fees	-	-	-	-	6,975	-	6,975	6,975
Depreciation	20,877	-	11,707	32,584	9,741	6,330	16,071	48,655
Total Expense	<u>\$ 786,859</u>	<u>\$ 2,162,710</u>	<u>\$ 1,012,840</u>	<u>\$ 3,962,409</u>	<u>\$ 377,565</u>	<u>\$ 345,473</u>	<u>\$ 723,038</u>	<u>\$ 4,685,447</u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (442,143)	\$ (370,891)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	44,604	48,655
Amortization of Right-of-Use Asset - Operating	53,543	53,792
Increase in A/R Allowance	1,396	2,815
Gain on Investments	(121,581)	(112,548)
Realized Gain on Investments	1,272	248
Donated Stock Gifts	(13,532)	(5,670)
Change in Sales Return Reserve	31,308	(28,772)
Change in Reserve for Obsolete Inventory	110,852	147,410
(Increase) Decrease in Current Assets:		
Accounts Receivable	(387,519)	256,503
Pledges Receivable	(26,463)	(47,393)
Grants Receivable	26,504	(24,411)
Royalty Advances	(144,295)	41,414
Inventory	(167,535)	(60,963)
Prepaid Expense	(801)	1,659
Increase (Decrease) in Liabilities:		
Accounts Payable	118,954	(115,929)
Accrued Salaries Payable	(2,050)	734
Lease Liabilities - Operating	(76,362)	(55,637)
Royalty Payable	73,619	(141,372)
Net Cash Used by Operating Activities	<u>(920,229)</u>	<u>(410,356)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(44,831)	(775,723)
Proceeds from Sale of Investments	721,027	614,463
Purchase of Property and Equipment	(9,727)	-
Net Cash Provided (Used) by Investing Activities	<u>666,469</u>	<u>(161,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Finance Lease Obligations	<u>(3,120)</u>	<u>(3,120)</u>
Net Cash Used by Financing Activities	<u>(3,120)</u>	<u>(3,120)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(256,880)	(574,736)
Cash and Cash Equivalents - Beginning of Year	<u>705,620</u>	<u>1,280,356</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 448,740</u></u>	<u><u>\$ 705,620</u></u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Graywolf Press (Graywolf) is a leading independent publisher committed to publishing risk-taking, visionary writers who transform culture through literature. We believe that when writers are free to do their most ambitious work, their books serve as portals to new possibilities and enable deeper understanding between people. Readers are changed by Graywolf's books, which are fearlessly acquired, attentively edited, and energetically promoted.

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 twenty-nine books in 2024 and acquired thirty-seven new manuscripts by authors from around the world. We reached approximately 860,000 readers with outstanding contemporary literature, achieving over \$3.7 million in book sales. In 2024, Yang Shuang-Zi and Lin King's *Taiwan Travelogue* won the National Book Award for Translated Literature, Diane Seuss's *Modern Poetry* was a finalist for the National Book Award in Poetry and won the Heartland Booksellers Award for Poetry. Additionally, Sara Daniele Rivera's *Blue Mimes* was a finalist for the New Mexico-Arizona Book Award for poetry, and Nicolette Polek's *Bitter Water Opera* was longlisted for the Center for Fiction First Novel Prize.

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 statements of activities as net assets released after satisfaction from restrictions.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, 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.

Accounts Receivables

Accounts receivables 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, 2024 and 2023, the allowance for accounts receivable was \$-0-. Graywolf periodically assess its methodologies for estimating credit losses in consideration with historical trends, changes in the overall economic environment, and current future economic conditions. The total accounts receivable balance is due from a vendor with a contractual obligation to pay Graywolf. There are no future concerns about collectability related to this vendor that would imply a credit loss is expected.

Grants and Pledges Receivables

Grants and contributions receivable are stated at net realizable value. Allowance for doubtful pledges was based on management's evaluation of outstanding pledges receivable at the end of the year. As of December 31, 2024 and 2023, the allowance for doubtful pledges was \$2,500 and \$890, respectively.

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 \$1,123,447 and \$1,012,595 at December 31, 2024 and 2023, respectively.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$628,559 and \$484,264 at December 31, 2024 and 2023, 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

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 sheets 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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2024	2023
Projected Sales Returns	\$ 299,746	\$ 244,261
Less: Return of Books to Inventory	(107,775)	(83,598)
Reserve for Sales Returns	<u>\$ 191,971</u>	<u>\$ 160,663</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 10-month rolling basis.

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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

Rights Revenue – Rights revenue is recorded as revenue when earned. Revenue is earned when the transfer of the rights has been granted.

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 statements 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;
- 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).

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consistently 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 \$81,883 and \$65,082 was recorded for the years ended December 31, 2024 and 2023, respectively.

Shipping and Handling Costs

Shipping and handling costs are charged to operations as they are incurred. Shipping and handling expense was \$271,278 and \$152,703 for the years ended December 31, 2024 and 2023, respectively.

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 April 23, 2025, which is the date financial statements were available to be issued.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 2024, 99% of sales were made through FSG and accounts receivable of \$769,974 was due from FSG at December 31, 2024. In 2023, 98% of sales were made through FSG and accounts receivable of \$394,375 was due from FSG at December 31, 2023.

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, 2024, contributions receivable from four individual donors accounted for approximately 77% of outstanding contributions. As of December 31, 2023, contribution receivable from four individual donors accounted for approximately 87% of outstanding contributions.

NOTE 3 PLEDGES RECEIVABLE

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

	2024	2023
Pledges Due Within One Year	\$ 90,793	\$ 44,330
Pledges Due Within One to Five Years	40,000	60,000
Total Pledges Receivable	130,793	104,330
Allowance for Doubtful Pledges Receivable	(2,500)	(890)
Discounted to Net Present Value at 4.23% & 4.7%	(3,163)	(3,377)
Net Pledges Receivable	125,130	100,063
Current Portion	90,793	44,330
Long-Term Portion	\$ 34,337	\$ 55,733

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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:

2024				
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Mutual Funds	\$ 97,361	\$ -	\$ -	\$ 97,361
Equity Securities	1,379,362	-	-	1,379,362
Fixed Income	98,258	-	-	98,258
Total Assets	<u>\$ 1,574,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,981</u>
2023				
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Mutual Funds	\$ 92,156	\$ -	\$ -	\$ 92,156
Equity Securities	1,322,444	-	-	1,322,444
Fixed Income	644,597	-	-	644,597
Total Assets	<u>\$ 2,059,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,059,197</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:

	2024	2023
Total Investments	\$ 1,619,024	\$ 2,161,379
Investments Not Measured at Fair Value on a Recurring Basis:		
Cash and Cash Equivalents	(44,043)	(102,182)
Total Investments Measured at Fair Value on a Recurring Basis	<u>\$ 1,574,981</u>	<u>\$ 2,059,197</u>

NOTE 5 PROPERTY AND EQUIPMENT

Graywolf owned the following assets as of December 31:

	2024	2023
Furniture and Equipment	\$ 226,340	\$ 216,613
Leasehold Improvements	371,907	371,907
Database and Website	148,147	148,147
Total	746,394	736,667
Less: Accumulated Depreciation	(461,454)	(416,850)
Total Equipment	<u>\$ 284,940</u>	<u>\$ 319,817</u>

Depreciation expense of \$44,604 and \$48,655 was recorded for the years ended December 31, 2024 and 2023, respectively.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

Net assets without donor restrictions – board-designated of \$2,567,000 and \$2,882,000 was recorded as of December 31, 2024 and 2023, 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:

	2024	2023
Subject to the Passage of Time:		
New Chapter Campaign	\$ -	\$ 900
Time Restricted Organizational Support	201,113	206,554
Subtotal	201,113	207,454
Subject to Expenditure for Specified Purpose:		
Support and Publish Poets from Southern U.S.	50,000	-
Support of Specified Titles	50,000	66,000
50th Anniversary Support	-	160,000
Endowment Earnings	12,474	8,572
Subtotal	112,474	234,572
Endowment	100,000	100,000
Total	<u>\$ 413,587</u>	<u>\$ 542,026</u>

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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

	2024		
	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	-	12,474	12,474
Total	<u>\$ -</u>	<u>\$ 112,474</u>	<u>\$ 112,474</u>
	2023		
	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	-	8,572	8,572
Total	<u>\$ -</u>	<u>\$ 108,572</u>	<u>\$ 108,572</u>

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2022	\$ -	\$ 105,491	\$ 105,491
Investment Return	-	3,081	3,081
December 31, 2023	-	108,572	108,572
Investment Return	-	3,902	3,902
December 31, 2024	<u>\$ -</u>	<u>\$ 112,474</u>	<u>\$ 112,474</u>

NOTE 9 COST OF GOODS SOLD

The reconciliation of cost of goods sold was as follows:

	2024	2023
Beginning Inventory	\$ 642,164	\$ 728,611
Production Cost	1,041,330	763,624
Other Cost of Sales and Adjustments	27,161	15,691
Goods Available-for-Sale	1,710,655	1,507,926
Less: Ending Inventory	698,847	642,164
Cost of Goods Sold	<u>\$ 1,011,808</u>	<u>\$ 865,762</u>

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 2033.

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

	<u>2024</u>	<u>2023</u>
Operating Lease Costs	\$ 53,543	\$ 53,792
Finance Lease Costs:		
Amortization of Right-to-Use Assets	\$ 2,821	\$ 2,821
Interest on Lease Liabilities	\$ 299	\$ 299
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 53,543	\$ 53,792
Financing Cash Flows from Finance Leases	\$ 3,120	\$ 3,120
Weighted Average Remaining Lease Term:		
Financing Leases	2.9 Years	3.9 Years
Operating Leases	8.2 Years	9.2 Years
Weighted Average Discount Rate:		
Financing Leases	3.92%	3.92%
Operating Leases	4.50%	4.50%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as December 31, 2024:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2025	\$ 78,759	\$ 3,120
2025	80,744	3,120
2026	82,893	3,120
2027	84,880	-
2028	86,866	-
Thereafter	288,063	-
Total Lease Payments	702,205	9,360
Less: Interest	(195,001)	(570)
Present Value of Lease Liabilities	<u>\$ 507,204</u>	<u>\$ 8,790</u>

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023. Retirement expense of \$61,058 and \$55,190 was recorded for the years ended December 31, 2024 and 2023, 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, 2024 is \$390,300.

NOTE 13 RELATED PARTY TRANSACTIONS

Contribution revenues from members of the board of directors and employees totaled \$312,962 and \$111,509 during the years ended December 31, 2024 and 2023, respectively. Board member contributions receivable as of December 31, 2024 and 2023 were \$-0- and \$12,800, respectively.

NOTE 14 LIQUIDITY AND AVAILABILITY

Graywolf monitors and reports the liquidity required to meet operating needs on a monthly basis. At December 31, 2024 and 2023, Graywolf has \$2,907,271 and \$3,298,850, 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, \$2,567,000 and \$3,432,000 are board-designated for future periods as of December 31, 2024 and 2023, 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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 14 LIQUIDITY AND AVAILABILITY (CONTINUED)

As of December 31, 2024, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2024</u>	<u>2023</u>
Cash and Equivalents	\$ 448,740	\$ 705,620
Investments	1,619,024	2,161,379
Accounts Receivable (Net of Discount)	857,380	469,861
Grants Receivable Due in One Year or Less	141,214	167,718
Pledges Receivable Due in One Year or Less	90,793	44,330
Less: Reserves on Returns	(87,406)	(75,486)
Less Restricted Assets:		
Endowed Cash	(112,474)	(108,572)
Purpose Restricted Contributions Receivables	<u>(50,000)</u>	<u>(66,000)</u>
Total	<u>\$ 2,907,271</u>	<u>\$ 3,298,850</u>



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