

GRAYWOLF PRESS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**GRAYWOLF PRESS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSE	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Graywolf Press
Minneapolis, Minnesota

We have audited the accompanying financial statements of Graywolf Press, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Graywolf Press

Opinion

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 30, 2021

**GRAYWOLF PRESS
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,553,437	\$ 2,645,853
Accounts Receivable, Net	886,035	867,028
Grants Receivable	139,452	133,207
Short-Term Pledges Receivable	392,471	378,609
Prepaid Expense	53,255	52,038
Royalty Advances	629,784	762,786
Inventory - Net	514,584	546,415
Total Current Assets	6,169,018	5,385,936
 Long-Term Pledges Receivable	 291,910	 616,788
Property and Equipment, Net	49,772	58,811
 Total Assets	 \$ 6,510,700	 \$ 6,061,535
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 83,614	\$ 77,511
Accrued Expense	24,292	4,528
Royalty Payable	477,499	427,230
Deferred Sales Revenue	426,581	387,383
Total Current Liabilities	1,011,986	896,652
NET ASSETS		
Without Donor Restrictions:		
Undesignated	829,739	807,610
Board Designated	3,762,000	3,122,000
Total Without Donor Restrictions:	4,591,739	3,929,610
With Donor Restrictions	906,975	1,235,273
Total Net Assets	5,498,714	5,164,883
 Total Liabilities and Net Assets	 \$ 6,510,700	 \$ 6,061,535

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				Total
	Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE					
Contributions	\$ 655,291	\$ -	\$ 655,291	\$ 194,257	\$ 849,548
Grants from Governmental Agencies	287,200	-	287,200	182,353	469,553
Book Revenue - Net of Returns	4,319,984	-	4,319,984	-	4,319,984
Special Event Income (Net of Expense of \$101,392 and \$28,383 in 2019 and 2018, Respectively)	-	-	-	-	-
Rights Revenue	219,107	-	219,107	-	219,107
Investment Income	20,548	-	20,548	1,041	21,589
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	172,988	-	172,988	(172,988)	-
Satisfaction of Time Restrictions	532,961	-	532,961	(532,961)	-
Total Support and Revenue	<u>6,208,079</u>	<u>-</u>	<u>6,208,079</u>	<u>(328,298)</u>	<u>5,879,781</u>
EXPENSE					
Program Services:					
Editorial Services	733,021	-	733,021	-	733,021
Cost of Sales	3,277,989	-	3,277,989	-	3,277,989
Promotion and Marketing Services	907,995	-	907,995	-	907,995
Total Program Services	<u>4,919,005</u>	<u>-</u>	<u>4,919,005</u>	<u>-</u>	<u>4,919,005</u>
Support Services:					
Management and General	283,931	-	283,931	-	283,931
Development	343,014	-	343,014	-	343,014
Total Support Services	<u>626,945</u>	<u>-</u>	<u>626,945</u>	<u>-</u>	<u>626,945</u>
Total Expense	<u>5,545,950</u>	<u>-</u>	<u>5,545,950</u>	<u>-</u>	<u>5,545,950</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	662,129	-	662,129	(328,298)	333,831
TRANSFER OF DESIGNATED FUNDS	<u>(640,000)</u>	<u>640,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS AFTER TRANSFERS	22,129	640,000	662,129	(328,298)	333,831
Net Assets - Beginning of Year	<u>807,610</u>	<u>3,122,000</u>	<u>3,929,610</u>	<u>1,235,273</u>	<u>5,164,883</u>
NET ASSETS - END OF YEAR	<u>\$ 829,739</u>	<u>\$ 3,762,000</u>	<u>\$ 4,591,739</u>	<u>\$ 906,975</u>	<u>\$ 5,498,714</u>

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

2019				
Operations	Board Designated	Without Donor Restrictions	With Donor Restrictions	Total
\$ 402,822	\$ -	\$ 402,822	\$ 634,780	\$ 1,037,602
-	-	-	224,998	224,998
3,877,321	-	3,877,321	-	3,877,321
89,749	-	89,749	-	89,749
209,016	-	209,016	-	209,016
27,726	-	27,726	524	28,250
193,458	-	193,458	(193,458)	-
764,917	-	764,917	(764,917)	-
5,565,009	-	5,565,009	(98,073)	5,466,936
699,965	-	699,965	-	699,965
2,591,396	-	2,591,396	-	2,591,396
922,818	-	922,818	-	922,818
4,214,179	-	4,214,179	-	4,214,179
261,091	-	261,091	-	261,091
429,392	-	429,392	-	429,392
690,483	-	690,483	-	690,483
4,904,662	-	4,904,662	-	4,904,662
660,347	-	660,347	(98,073)	562,274
(650,000)	650,000	-	-	-
10,347	650,000	660,347	(98,073)	562,274
797,263	2,472,000	3,269,263	1,333,346	4,602,609
<u>\$ 807,610</u>	<u>\$ 3,122,000</u>	<u>\$ 3,929,610</u>	<u>\$ 1,235,273</u>	<u>\$ 5,164,883</u>

See accompanying Notes to Financial Statements.

**GRAYWOLF PRESS
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2020**

2020

	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	\$ 474,932	\$ -	\$ 415,566	\$ 890,498	\$ 142,480	\$ 154,353	\$ 296,833	\$ 1,187,331
Employee Benefits	91,670	-	80,212	171,882	27,501	29,793	57,294	229,176
Payroll Taxes	34,367	-	30,071	64,438	10,310	11,169	21,479	85,917
Total Personnel Costs	600,969	-	525,849	1,126,818	180,291	195,315	375,606	1,502,424
Cost of Goods Sold	-	1,080,678	-	1,080,678	-	-	-	1,080,678
Royalty Expense	-	1,304,316	-	1,304,316	-	-	-	1,304,316
Distribution Fees	-	892,995	-	892,995	-	-	-	892,995
Grants to Others	13,875	-	13,875	27,750	-	-	-	27,750
Contract and Professional Fees	3,595	-	73,234	76,829	30,973	82,815	113,788	190,617
Occupancy	27,529	-	24,088	51,617	8,259	8,947	17,206	68,823
Office Expenses	19,224	-	14,468	33,692	16,998	10,607	27,605	61,297
Information Technology	24,262	-	27,827	52,089	3,400	12,917	16,317	68,406
Insurance	-	-	-	-	34,506	-	34,506	34,506
Travel	7,957	-	12,078	20,035	-	1,416	1,416	21,451
Conferences and Meetings	4,077	-	30,271	34,348	2,474	2,988	5,462	39,810
Complimentary Copies	1,017	-	12,168	13,185	-	816	816	14,001
Galleys	-	-	18,397	18,397	-	1,824	1,824	20,221
Postage and Shipping	13,162	-	28,078	41,240	2,502	9,560	12,062	53,302
Promotion Expense	19	-	24,723	24,742	-	10,904	10,904	35,646
Author Tours	2,243	-	18,903	21,146	-	-	-	21,146
Advertising	-	-	70,830	70,830	-	-	-	70,830
Special Events	-	-	-	-	-	-	-	-
Legal Fees	-	-	-	-	-	-	-	-
Bad Debt	-	-	-	-	-	-	-	-
Depreciation	15,092	-	13,206	28,298	4,528	4,905	9,433	37,731
Total Expense	\$ 733,021	\$ 3,277,989	\$ 907,995	\$ 4,919,005	\$ 283,931	\$ 343,014	\$ 626,945	\$ 5,545,950

See accompanying Notes to Financial Statements.

(6)

**GRAYWOLF PRESS
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2019**

2019

	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	\$ 404,362	\$ -	\$ 400,032	\$ 804,394	\$ 129,927	\$ 151,581	\$ 281,508	\$ 1,085,902
Employee Benefits	80,470	-	79,604	160,074	25,958	30,284	56,242	216,316
Payroll Taxes	28,887	-	28,577	57,464	9,318	10,872	20,190	77,654
Total Personnel Costs	513,719	-	508,213	1,021,932	165,203	192,737	357,940	1,379,872
Cost of Goods Sold	-	831,163	-	831,163	-	-	-	831,163
Royalty Expense	-	869,435	-	869,435	-	-	-	869,435
Distribution Fees	-	890,798	-	890,798	-	-	-	890,798
Grants to Others	-	-	-	-	-	-	-	-
Contract and Professional Fees	18,966	-	10,481	29,447	17,616	75,596	93,212	122,659
Occupancy	22,885	-	22,639	45,524	7,382	8,613	15,995	61,519
Office Expenses	23,565	-	23,311	46,876	7,593	8,869	16,462	63,338
Information Technology	19,824	-	23,408	43,232	1,218	13,218	14,436	57,668
Insurance	12,733	-	12,596	25,329	4,107	4,792	8,899	34,228
Travel	41,002	-	27,423	68,425	-	19,951	19,951	88,376
Conferences and Meetings	12,016	-	54,806	66,822	1,108	42,182	43,290	110,112
Complimentary Copies	-	-	21,907	21,907	-	-	-	21,907
Galleys	-	-	29,704	29,704	-	-	-	29,704
Postage and Shipping	18,948	-	60,236	79,184	706	17,136	17,842	97,026
Promotion Expense	-	-	38,546	38,546	-	29,483	29,483	68,029
Author Tours	-	-	58,859	58,859	-	-	-	58,859
Advertising	-	-	14,417	14,417	39,157	-	39,157	53,574
Special Events	-	-	-	-	-	15,596	15,596	15,596
Legal Fees	-	-	-	-	13,959	-	13,959	13,959
Bad Debt	-	-	-	-	2,000	-	2,000	2,000
Depreciation	16,307	-	16,272	32,579	1,042	1,219	2,261	34,840
Total Expense	\$ 699,965	\$ 2,591,396	\$ 922,818	\$ 4,214,179	\$ 261,091	\$ 429,392	\$ 690,483	\$ 4,904,662

See accompanying Notes to Financial Statements.

(7)

GRAYWOLF PRESS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 333,831	\$ 562,274
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	37,731	34,840
Change in Royalty Advances Reserve	50,269	22,429
Change in Sales Return Reserve	39,198	(151,097)
Change in Reserve for Obsolete Inventory	(629,935)	87,443
PPP Loan Forgiveness	(287,200)	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	(19,007)	280,621
Pledges Receivable	311,016	32,848
Grants Receivable	(6,245)	59,606
Royalty Advances	133,002	(216,389)
Inventory	661,766	(195,712)
Prepaid Expense	(1,217)	13,165
Increase (Decrease) in Current Liabilities:		
Accounts Payable	6,103	22,527
Accrued Salaries Payable	19,764	783
Net Cash Provided by Operating Activities	649,076	553,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(28,692)	(2,419)
Net Cash Used by Investing Activities	(28,692)	(2,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	287,200	-
Net Cash Provided by Financing Activities	287,200	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	907,584	550,919
Cash and Cash Equivalents - Beginning of Year	2,645,853	2,094,934
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,553,437	\$ 2,645,853

See accompanying Notes to Financial Statements.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 30 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 28 books in 2020 and acquired 30 new manuscripts by authors from around the world. We reached 740,000 readers with outstanding contemporary literature, achieving over \$4.3 million in book sales. Our staff quickly pivoted to the new virtual events sphere, and our authors participated in over 130 virtual events in 2020.

Graywolf experienced a transformative year as an organization in 2020, and recommitted to a culture of equity, inclusivity, and transparency through an update to our strategic plan. The New Chapter Campaign, a \$3 million creative investment campaign begun in 2017 to raise funds for future publishing operations and strategic investments, has reached \$2.7 million as of January 2021. It is due to both extraordinary sales revenue and strong contributed revenue that Graywolf is once again able to board designate funds for future operations at the end of 2020.

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.

**GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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.

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, 2020 and 2019, Graywolf held funds at a local financial institution in excess of federally insured limits.

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, 2020 and 2019, 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 \$585,830 and \$1,215,765 at December 31, 2020 and 2019, 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 \$629,784 and \$762,786 at December 31, 2020 and 2019, 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

Deferred Sales Revenue

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 \$426,581 and \$387,383 as of December 31, 2020 and 2019, respectively.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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;
- 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.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$70,830 and \$53,574 was recorded for the years ended December 31, 2020 and 2019, respectively.

Shipping and Handling Costs

Shipping and handling costs are charged to operations as they are incurred. Shipping and handling expense was \$169,220 and \$219,674 for the years ended December 31, 2020 and 2019, 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.

Reclassifications

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

Subsequent Events

Graywolf has evaluated the effect that subsequent events would have on the financial statements through March 30, 2021, which is the date financial statements were available to be issued.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020, 99% of sales were made through FSG and accounts receivable of \$884,479 was due from FSG at December 31, 2020. In 2019, 99% of sales were made through FSG and accounts receivable of \$865,835 was due from FSG at December 31, 2019.

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, 2020, contributions receivable from two individual donors accounted for approximately 41% of outstanding contributions. As of December 31, 2019, contribution receivable from three individual donors accounted for approximately 54% 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>2020</u>	<u>2019</u>
2020	\$ -	\$ 378,609
2021	385,970	364,870
2022	276,249	250,524
2023	22,562	39,164
2024	10,000	-
2025	-	-
Total Pledges Receivable	<u>694,781</u>	<u>1,033,167</u>
Allowance for Doubtful Pledges Receivable	(6,856)	-
Discounted to Net Present Value at 4%	<u>(3,544)</u>	<u>(37,770)</u>
Net Pledges Receivable	684,381	995,397
Current Portion	<u>392,471</u>	<u>378,609</u>
Long-Term Portion	<u>\$ 291,910</u>	<u>\$ 616,788</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, 2020 and 2019, the allowance for doubtful pledges was \$6,856 and \$-0-, respectively.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 PROPERTY AND EQUIPMENT

Graywolf owned the following assets as of December 31:

	2020	2019
Furniture and Equipment	\$ 116,861	\$ 88,170
Leasehold Improvements	85,995	85,995
Database and Website	148,147	148,147
Total	351,003	322,312
Less: Accumulated Depreciation	(301,231)	(263,501)
Total Equipment	\$ 49,772	\$ 58,811

Depreciation expense of \$37,731 and \$34,840 was recorded for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

Net assets without donor restrictions – board-designated as of December 31, 2020 and 2019 were \$3,762,000 and \$3,122,000, 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.

**GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to the Passage of Time:		
New Chapter Campaign	\$ 671,381	\$ 984,672
Time Restricted Organizational Support	61,451	77,499
Subtotal	732,832	1,062,171
Subject to Expenditure for Specified Purpose:		
Support of Specified Titles	70,000	70,000
Endowment Earnings	4,143	3,102
Subtotal	74,143	73,102
Endowment	100,000	100,000
Total	\$ 906,975	\$ 1,235,273

NOTE 7 ENDOWMENT FUNDS

Description

The endowment fund consists 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.

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, the 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

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition by Type of Fund

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	4,143	4,143
Total	<u>\$ -</u>	<u>\$ 104,143</u>	<u>\$ 104,143</u>
<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount to be maintained in perpetuity by donor	\$ -	\$ 100,000	\$ 100,000
Accumulated investment gains	-	3,102	3,102
Total	<u>\$ -</u>	<u>\$ 103,102</u>	<u>\$ 103,102</u>

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2018	\$ -	\$ 102,578	\$ 102,578
Investment Return	-	524	524
December 31, 2019	-	103,102	103,102
Investment Return	-	1,041	1,041
December 31, 2020	<u>\$ -</u>	<u>\$ 104,143</u>	<u>\$ 104,143</u>

NOTE 8 COST OF GOODS SOLD

The reconciliation of cost of goods sold was as follows:

	<u>2020</u>	<u>2019</u>
Beginning Inventory	\$ 546,415	\$ 438,146
Production Cost	942,362	940,485
Other Cost of Sales and Adjustments	106,485	(1,053)
Goods Available-for-Sale	<u>1,595,262</u>	<u>1,377,578</u>
Less: Ending Inventory	514,584	546,415
Cost of Goods Sold	<u>\$ 1,080,678</u>	<u>\$ 831,163</u>

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 LEASED FACILITIES AND EQUIPMENT

Rental commitments under noncancelable leases for office space and equipment in effect at December 31, 2020, totaled \$17,411. The lease of the Minneapolis, Minnesota office is for a term of 60 months, expiring June 30, 2021. The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 17,411

Rental expense of \$70,301 and \$69,652 as recorded for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 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, 2020 and 2019. Retirement expense of \$52,315 and \$46,533 was recorded for the years ended December 31, 2020 and 2019, respectively.

NOTE 11 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, 2020 is \$319,650.

NOTE 12 RELATED PARTY TRANSACTIONS

Contribution revenues from members of the board of directors and employees totaled \$89,114 and \$249,559 during the years ended December 31, 2020 and 2019, respectively. Board member contributions receivable as of December 31, 2020 and 2019 were 138,692 and \$154,979, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY

Graywolf monitors and reports the liquidity required to meet operating needs on a monthly basis. At December 31, 2020 and 2019, Graywolf has \$4,656,872 and \$3,717,603, 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, \$3,762,000 and \$3,122,000 are board-designated for future periods as of December 31, 2020 and 2019 respectively.

GRAYWOLF PRESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)

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, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and Equivalents	\$ 3,553,437	\$ 2,645,853
Accounts Receivable (Net of Discount)	886,035	867,028
Grants Receivable Due in One Year or Less	139,452	133,207
Pledges Receivable Due in One Year or Less	392,471	378,609
Less: Reserves on Returns	(140,380)	(133,992)
Less: Restricted Assets		
Endowed Cash	(104,143)	(103,102)
Purpose Restricted Contributions Receivables	(70,000)	(70,000)
Total	<u>\$ 4,656,872</u>	<u>\$ 3,717,603</u>

NOTE 14 LOAN FORGIVENESS

On April 7, 2020, Graywolf received a loan totaling \$287,200 to fund payroll, rental and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). On November 10, 2020, the SBA processed Graywolf's PPP Loan forgiveness application and Graywolf was notified that the PPP Loan qualified for full forgiveness. The loan forgiveness has been recorded as Grants from Governmental Agencies on the statements of activities.

