SHARPE PATEL CPA

BOOK HARVEST

FINANCIAL STATEMENTS

Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

BOOK HARVEST
Table of Contents

SHARPE PATEL CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Book Harvest
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of Book Harvest (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year 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 positions of Book Harvest as of December 31, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Book Harvest and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Book Harvest's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Book Harvest'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 Book Harvest'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2026 on our consideration of Book Harvest's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Book Harvest's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Book Harvest's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of the Organization as of and for the year ended December 31, 2024 were audited by another auditor, whose report dated June 4, 2025, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2024 is derived from those audited financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to the date of that report. In our opinion, the summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sharpe Patel PLLC

Raleigh, North Carolina
May 26, 2026

BOOK HARVEST
Statement of Financial Position
December 31, 2025
(With Comparative Totals for December 31, 2024)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,420,085	$ 3,037,785
Receivables	62,989	43,173
Grants receivable, current	739,199	455,000
Investments	1,563,879	1,567,406
Inventory	271,971	189,616
Sales tax receivable	43,358	15,796
Total current assets	7,101,481	5,308,776
Non-current assets:		
Grants receivable, net	4,609,338	-
Property and equipment, net	329,720	403,045
Right to use asset, net	1,012,963	1,191,515
Beneficial interest in assets held by others	-	3,115
Security deposit	4,910	4,910
Total non-current assets	5,956,931	1,602,585
Total assets	$ 13,058,412	$ 6,911,361
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 270,982	92,685
Current portion of lease liability	158,873	164,355
Deferred revenue	-	12,521
Total current liabilities	429,855	269,561
Long-term liabilities:		
Long-term portion of lease liability	880,355	1,039,081
Total long-term liabilities	880,355	1,039,081
Total liabilities	1,310,210	1,308,642
Net assets:		
With donor restriction	7,045,702	864,433
Without donor restrictions:	4,702,500	4,738,286
Total net assets	11,748,202	5,602,719
Total liabilities and net assets	$ 13,058,412	$ 6,911,361

The accompanying notes to the financial statements are an integral part of these statements.

BOOK HARVEST
Statement of Activities
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	$ 31,489	$ 3,798,987	$ 3,830,476	$ 1,650,567
Corporate grants	148,147	-	148,147	-
Foundation grants	768,717	6,650,793	7,419,510	1,504,913
Government grants	489,760	-	489,760	1,465,652
In-kind contributions	310,274	-	310,274	39,670
Net investment income	254,329	-	254,329	176,269
Other revenue	1,165,961	-	1,165,961	409,726
Total support and revenue	3,168,677	10,449,780	13,618,457	5,246,797
Net assets released from restriction	4,268,511	(4,268,511)	-	-
Total support, revenue, and net assets released from restriction	7,437,188	6,181,269	13,618,457	5,246,797
EXPENSES				
Program services	5,590,002	-	5,590,002	3,757,506
Management and general	1,351,499	-	1,351,499	938,585
Fundraising	627,543	-	627,543	661,727
Total expenses	7,569,044	-	7,569,044	5,357,818
Change in net assets	(131,856)	6,181,269	6,049,413	(111,021)
Beginning net assets, as previously reported	4,738,286	864,433	5,602,719	5,713,740
Prior period adjustment	96,070	-	96,070	-
Beginning net assets, as restated	4,834,356	864,433	5,698,789	5,713,740
Ending net assets	$ 4,702,500	$ 7,045,702	$11,748,202	$ 5,602,719

The accompanying notes to the financial statements are an integral part of these statements.

BOOK HARVEST
Statement of Functional Expenses
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025				2024
	Program Services	Management and General	Fundraising	Total Expenses	Total
Salaries and wages	$ 2,165,349	$ 725,062	$ 342,404	$ 3,232,814	$ 2,565,765
Books	1,779,173	8	574	1,779,755	838,070
Professional fees	104,207	246,157	38,040	388,404	310,826
Employee benefits	276,792	65,631	36,269	378,692	317,653
Supplies	282,908	30,729	7,016	320,652	207,049
Lease expense	179,100	84,875	63,974	327,949	310,481
Payroll taxes	175,409	36,673	25,486	237,568	195,704
Information technology	82,979	43,930	68,593	195,503	203,362
Marketing and outreach	54,891	44,003	8,335	107,229	46,301
Staff enrichment	37,692	18,661	8,161	64,513	88,413
Office expenses	233,614	20,970	12,430	267,015	68,198
Travel	51,569	20,458	4,308	76,335	98,555
Bright futures programs	15,052	-	-	15,052	14,330
Insurance	23,936	10,341	9,357	43,634	44,113
Program events	11,839	792	2,595	15,226	9,320
Grants to others	40,000	-	-	40,000	-
Depreciation	73,325	-	-	73,325	37,531
Miscellaneous	2,169	3,209	-	5,378	2,147
Total expenses	$ 5,590,002	$ 1,351,499	$ 627,543	$ 7,569,044	$ 5,357,818

BOOK HARVEST
Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,049,413	$ (111,021)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	73,325	37,531
Amortization of right of use assets	178,552	146,115
Realized gain on investments	13,466	(172,628)
Unrealized loss (gain) on investments	(159,441)	71,602
Changes in assets and liabilities that provided (used) cash:		
Grants receivable	(4,893,537)	841,729
Receivables	(19,816)	-
Other receivables	68,508	-
Inventory	(82,355)	293,795
Deferred revenue	(12,521)	12,521
Accounts payable and accrued expenses	178,297	(123,298)
Operating lease liabilities	(164,208)	(134,194)
Net cash provided (used) by operating activities	1,229,683	862,152
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	394,189	958,736
Purchase of investments	(241,572)	(1,584,962)
Purchases of property and equipment	-	(348,162)
Net cash provided (used) by investing activities	152,617	(974,388)
Net increase (decrease) in cash and cash equivalents	1,382,300	(112,236)
Cash and cash equivalents, beginning of year	3,037,785	3,150,021
Cash and cash equivalents, end of year	$ 4,420,085	$ 3,037,785
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	$ -	$ 571

The accompanying notes to the financial statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Book Harvest (the Organization) was incorporated in the state of North Carolina in March 2011. Since 2011, Book Harvest has provided more than 2 million books to families in North Carolina, ensuring that parents have the tools and power to ignite and strengthen their children's literacy. With programs that are grounded in evidence, Book Harvest believes that literacy starts at birth, at home, with parents, and with books.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without restrictions” and “net assets with restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues 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 only when the conditions on which they depend are substantially met. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Book Inventory
Inventory consists of donated books to be given away in furtherance of the Organization's mission. Donated books are recorded at fair value based on their estimated thrift store value. At December 31, 2025 and 2024, purchased books are assigned a fair value of $1.50 and $3.95 per book. At December 31, 2025 and 2024, donated books are assigned a fair value of $1.50 and $.75 per book. During December 31, 2025 and 2024, the total amount of donated books were $271,971 and $189,616, respectively.

Property and Equipment
Purchased and donated property and equipment with a cost of $1,000 or more with a life expectancy of more than one year are capitalized. Purchased property and equipment are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the various assets ranging from five to seven years. The estimated useful lives are as follows:

Vehicles	5 years
Lease upfit	6 years
Office furniture and equipment	7 years

Net Assets
Net assets and revenue are classified based on the existence or absence of donor- imposed restrictions. Accordingly, the net assets of the Organization and charges therein, are classified and reported as follows:

Net assets with restrictions – Net assets that are contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the actions of the Organization and /or the passage of time. Net assets with restrictions totaled $7,045,702 and $864,433 as of December 31, 2025 and 2024, respectively.

Net assets without restrictions – Consists of amounts that are available for use in carrying out the supporting activities of the Organization and not subject to donor-imposed stipulations. Net assets without restrictions totaled $4,702,500 and $4,738,286 as of December 31, 2025 and 2024, respectively.

Contributions and Grants
Contributions and grants received are recorded as support with or without restrictions depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due more than one year in the future are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restrictions that are met in the same period as receipt are reported as support without restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net asset without restrictions and are reported in the consolidated statements of changes in net assets as assets released from restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets and Services (Gifts In-Kind)
Donated materials, stock, furniture, equipment, and vehicles are recorded at their estimated fair value at date of receipt. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying statements of activities as contributions, memorials and bequests are offset by like amounts included in expenses.

The Organization reports the donations as support without restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization’s program services and fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

Functional Allocation of Expenses
The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Comprise activities that contribute to the Organization’s mission and consist of strengthening literacy skills and providing meals to under-served elementary school children.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support, and manage the Organization’s financial and budgetary functions. Fundraising expenses are the costs to solicit and obtain contributions and funding.

Income Taxes
The Organization is exempt from income taxes under Internal Revenue Code Section 50l(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. The Organization is not aware of any unrelated business income for the years ended December 31, 2025 and 2024.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2025 and 2024.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

The Organization uses advertising to promote its programs and fundraising events. The cost of advertising is expensed as incurred. The Organization incurred $107,229 and $46,301 in advertising costs for the years ended December 31, 2025 and 2024, respectively.

2. CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of America and accounts are insured by the Federal Deposit Insurance Corporations up to $250,000 at each financial institution. At December 31, 2025 and 2024, the Organization's cash deposits exceed the FDIC insured limits by approximately $2,526,521 and $406,415, respectively. Cash equivalents are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 for certain acts by the broker dealer.

3. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

In April 2017, the Organization transferred $200,000 to the Triangle Community Foundation (the Foundation) in exchange for future distributions of the non-endowment agency fund (the Fund). As of March 2025, the remaining fund assets valued at $3,115, were transferred out of TCF to J.P. Morgan for investment management and future distributions. These investments are reported at fair market value. See note 4 for a further description of these funds.

4. FAIR VALUE MEASUREMENTS

The Organization classifies its investments measured at fair value based on a hierarchy which is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024. There were no transfers or reclassifications between Level 2 or Level 3 during the year ended December 31, 2025 and 2024. Mutual funds, exchange traded funds, fixed assets, alternative assets, and equities are held in brokerage accounts and valued at readily available, quoted prices in principal active markets that are considered to be representative of fair value. The Organization classifies these investments within Level 1 of the valuation hierarchy.

The beneficial interests in assets held by others are valued by the Foundation using the most recent prices in sales of similar assets. The Organization classifies these investments within Level 2 of the valuation hierarchy.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. FAIR VALUE MEASUREMENTS (Continued)

The table below includes the major categorization for equity securities on the basis of the nature and risk of the investments at December 31, 2025:

	Level 1	Level 2	Level 3	Total
Beneficial interests in assets held by others	$ -	$ -	$ -	$ -
Equity securities	1,563,879	-	-	1,563,879
Total	$1,563,879	$ -	$ -	$1,563,879

The table below includes the major categorization for equity securities on the basis of the nature and risk of the investments at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Beneficial interests in assets held by others	$ -	$ 3,115	$ -	$ 3,115
Mutual funds	822	-	-	822
Fixed income	170,000	-	-	170,000
Alternative assets	44,707	-	-	44,707
Equity securities	1,351,877	-	-	1,351,877
Total	$1,567,406	$ 3,115	$ -	$1,570,521

5. INVESTMENTS INCOME

Investment income is comprised of the following for the year end December 31:

	2025	2024
Interest and dividends	$ 115,939	$ 75,247
Unrealized gain (loss)	159,441	(71,604)
Realized gain (loss)	(13,931)	172,626
Investment fees	(7,120)	-
Investment income, net	$ 254,329	$ 176,269

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2025 and 2024:

	2025	2024
Vehicles	$ 72,198	$ 72,198
Office furniture and equipment	80,167	80,167
Lease upfit	304,360	304,360
Total property and equipment	456,725	456,725
Less accumulated depreciation	(127,005)	(53,680)
Total property and equipment, net	$ 329,720	$ 403,045

Depreciation expense was $73,325 and $37,531 for the years ended December 31, 2025 and 2024, respectively.

7. LEASE COMMITMENTS

Under ASC 842, if a contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The Organization leases office and retail space in Durham as well as a copier under non-cancelable operating leases. The Organization's operating leases do not contain any material restrictive covenants or residual value guarantees. The leases contain a termination option, where the right to terminate is held by either the Organization, the lessor or both parties.

The components of lease expense for the years ending December 31, were as follows:

	2025	2024
Operating lease cost	$ 199,698	$ 146,115
Short term lease cost	128,251	164,366
Total lease cost	$ 327,949	$ 310,481

7. LEASE COMMITMENTS (Continued)

The weighted average remaining operating lease term was 3.50 and 4.09 years as of December 31, 2025 and 2024, respectively.

The weighted average discount rate for operating leases was 3.50% as of December 31, 2025 and 2024

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2025 were as follows:

Year Ending	Principal	Interest	Total
2026	$ 158,873	$ 29,930	$ 188,803
2027	185,518	26,628	212,146
2028	198,602	19,908	218,510
2029	212,347	12,719	225,066
2030	226,781	5,037	231,818
Thereafter	30,842	58	39,795
Total	$ 1,012,963	$ 94,280	$ 1,116,138

8. NET ASSETS

Net assets with donor restrictions restricted at December 31 are restricted for the following:

	2025	2024
Passage of time	$ 280,000	$ 27,500
Donor specified purpose	6,765,702	836,933
Total	$ 7,045,702	$ 864,433

9. LIQUIDITY AND AVAILABLITY OF FUNDS

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in money market funds.

9. LIQUIDITY AND AVAILABLITY OF FUNDS (Continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

	2025	2024
Cash and cash equivalents	$ 4,420,085	$ 3,037,785
Receivables	62,989	43,173
Grants receivable, current	739,199	455,000
Other receivables	43,358	15,796
Investments	1,563,879	1,567,406
Less amounts not available to be used within one year:		
Accounts payable and accrued expenses	(270,982)	(92,685)
Donor restricted net assets	-	(864,433)
Total financial assets available to meet general expenditures and liabilities within the next 12 months	$ 6,558,528	$ 4,162,042

10. RETIREMENT BENEFITS

The Organization maintains a defined contribution plan for its employees. All full-time employees are eligible to participate in this plan after three months of service. The Organization contributes 3% of every eligible employee's base salary. The contributions for the years ended December 31, 2025 and 2024 totaled $85,513 and $70,160, respectively.

11. RELATED PARTY TRANSACTIONS

The Organization received 20% of its support from a donor-advised fund closely connected to a member of the Board of Directors of the Organization. A significant reduction in this level of support, if this were to occur, could have a significant impact on the Organization's programs and activities.

12. PRIOR PERIOD ADJUSTMENT

The Organization discovered during the current year that the 2021 financial statements required a correction to the previously stated financial statements. The adjustment was due to understated Employee Retention Tax Credit and resulted in prior period adjustment to net assets of $96,070. The adjustment resulted in an increase in net assets of $96,070.

13. IN-KIND DONATED SERVICES AND ASSETS

During the year ended December 31, 2025 and 2024, the in-kind contributions were as follows:

	2025	2024
Books	$ 305,115	$ 39,670
Other	5,159	-
	$ 310,274	$ 39,670

14. RECLASSIFICATIONS

Certain reclassifications have been made to the 2024 financial statements to conform with the 2025 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.

15. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 26, 2026, which is the date the financial statements were available to be issued.

SHARPE PATEL CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Book Harvest
Durham, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Book Harvest (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Book Harvest's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Book Harvest's internal control. Accordingly, we do not express an opinion on the effectiveness of Book Harvest' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Book Harvest's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
May 26, 2026