



Financial Statements

for

BOOK HARVEST

Years Ended December 31, 2024 and 2023
with Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Book Harvest
Durham, North Carolina

Opinion

We have audited financial statements of Book Harvest (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS 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 the Organization'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 the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2025 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
June 4, 2025

BOOK HARVEST

Statements of Financial Position

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (as restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,037,785	\$ 3,150,021
Grants receivable	498,173	1,317,236
Investments	1,567,406	808,229
Book inventory	189,616	483,411
Sales tax receivable	<u>15,796</u>	<u>38,462</u>
Total current assets	5,308,776	5,797,359
Property and equipment:		
Office furniture and equipment	80,167	36,363
Vehicles	72,198	72,198
Lease upfit	<u>304,360</u>	<u>-</u>
	456,725	108,561
Less: accumulated depreciation	<u>53,680</u>	<u>16,149</u>
Total property and equipment, net	403,045	92,412
Other assets:		
Right of use assets (ROU) - operating leases	1,191,515	1,337,630
Beneficial interest in assets held by others	3,115	35,042
Security deposit	<u>4,910</u>	<u>4,910</u>
Total other assets	<u>1,199,540</u>	<u>1,377,582</u>
Total assets	<u>\$ 6,911,361</u>	<u>\$ 7,267,353</u>

See accompanying notes.

BOOK HARVEST

Statements of Financial Position, continued

December 31, 2024 and 2023

	<u>2024</u>	2023 <u>(as restated)</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 9,210	\$ 156,753
Accrued payroll and payroll withholdings	83,475	59,230
Operating lease liabilities	164,355	134,193
Deferred revenue	<u>12,521</u>	<u>-</u>
Total current liabilities	269,561	350,176
Noncurrent liabilities:		
Operating lease liabilities	<u>1,039,081</u>	<u>1,203,437</u>
Total liabilities	1,308,642	1,553,613
Net assets:		
Without donor restrictions	4,738,286	4,443,180
With donor restrictions	<u>864,433</u>	<u>1,270,560</u>
Total net assets	<u>5,602,719</u>	<u>5,713,740</u>
Total liabilities and net assets	<u>\$ 6,911,361</u>	<u>\$ 7,267,353</u>

See accompanying notes.

BOOK HARVEST

Statement of Activities

Year ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 1,650,567	\$ -	\$ 1,650,567
Foundation grants	1,184,913	320,000	1,504,913
Government grants	465,652	1,000,000	1,465,652
Investment income	176,269	-	176,269
Contributions of nonfinancial assets	39,670	-	39,670
Other revenue	409,726	-	409,726
Net assets released from restrictions	<u>1,726,127</u>	<u>(1,726,127)</u>	<u>-</u>
Total revenues and other support	5,652,924	(406,127)	5,246,797
Expenses:			
Program services:	3,757,506	-	3,757,506
Supporting services:			
Management and general	938,585	-	938,585
Fundraising	<u>661,727</u>	<u>-</u>	<u>661,727</u>
Total supporting services	<u>1,600,312</u>	<u>-</u>	<u>1,600,312</u>
Total expenses	<u>5,357,818</u>	<u>-</u>	<u>5,357,818</u>
Changes in net assets	295,106	(406,127)	(111,021)
Net assets, beginning of year (restated)	<u>4,443,180</u>	<u>1,270,560</u>	<u>5,713,740</u>
Net assets, end of year	<u>\$ 4,738,286</u>	<u>\$ 864,433</u>	<u>\$ 5,602,719</u>

See accompanying notes.

BOOK HARVEST

Statement of Activities

Year ended December 31, 2023, as restated

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 1,155,264	\$ 1,000,000	\$ 2,155,264
Foundation grants	372,318	1,649,900	2,022,218
Government grants	888,856	-	888,856
Investment income	136,047	-	136,047
Contributions of nonfinancial assets	14,774	-	14,774
Other revenue	6,503	-	6,503
Net assets released from restrictions	<u>2,540,876</u>	<u>(2,540,876)</u>	<u>-</u>
Total revenues and other support	5,114,638	109,024	5,223,662
Expenses:			
Program services	2,674,601	-	2,674,601
Supporting services:			
Management and general	612,811	-	612,811
Fundraising	<u>369,028</u>	<u>-</u>	<u>369,028</u>
Total supporting services	<u>981,839</u>	<u>-</u>	<u>981,839</u>
Total expenses	<u>3,656,440</u>	<u>-</u>	<u>3,656,440</u>
Changes in net assets	1,458,198	109,024	1,567,222
Net assets, beginning of year	<u>2,984,982</u>	<u>1,161,536</u>	<u>4,146,518</u>
Net assets, end of year	<u>\$ 4,443,180</u>	<u>\$ 1,270,560</u>	<u>\$ 5,713,740</u>

See accompanying notes.

BOOK HARVEST

Statement of Functional Expenses

Year ended December 31, 2024

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,763,565	\$ 419,284	\$ 382,916	\$ 2,565,765
Books/incentives	838,070	-	-	838,070
Professional fees	132,500	174,474	3,852	310,826
Employee benefits	230,627	50,822	36,204	317,653
Supplies	181,085	19,837	6,127	207,049
Lease expense	152,894	90,929	66,658	310,481
Payroll taxes	132,365	34,516	28,823	195,704
Information technology	69,448	38,460	95,454	203,362
Marketing and outreach	10,292	23,903	12,106	46,301
Staff enrichment	67,125	10,588	10,700	88,413
Office expenses	45,341	18,377	4,480	68,198
Travel	88,820	5,915	3,820	98,555
Bright futures program	14,330	-	-	14,330
Insurance	21,702	12,254	10,157	44,113
Meetings	8,328	912	80	9,320
Depreciation	-	37,531	-	37,531
Miscellaneous	1,014	783	350	2,147
Total	<u>\$ 3,757,506</u>	<u>\$ 938,585</u>	<u>\$ 661,727</u>	<u>\$ 5,357,818</u>

See accompanying notes.

BOOK HARVEST

Statement of Functional Expenses

Year ended December 31, 2023

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,246,042	\$ 367,500	\$ 241,363	\$ 1,854,905
Books/incentives	379,611	-	42	379,653
Professional fees	214,070	79,927	4,410	298,407
Employee benefits	161,710	43,659	20,102	225,471
Supplies	198,211	-	7,163	205,374
Lease expense	110,911	27,495	20,277	158,683
Payroll taxes	91,156	27,500	21,055	139,711
Information technology	69,670	15,972	13,826	99,468
Marketing and outreach	47,931	7,652	13,470	69,053
Staff enrichment	41,242	13,947	8,434	63,623
Office expenses	25,871	3,788	7,498	37,157
Travel	28,668	3,744	3,607	36,019
Bright futures program	29,938	-	-	29,938
Insurance	15,733	4,926	3,631	24,290
Meetings	12,405	365	4,059	16,829
Depreciation	-	16,149	-	16,149
Miscellaneous	<u>1,432</u>	<u>187</u>	<u>91</u>	<u>1,710</u>
Total	<u>\$ 2,674,601</u>	<u>\$ 612,811</u>	<u>\$ 369,028</u>	<u>\$ 3,656,440</u>

See accompanying notes.

BOOK HARVEST

Statements of Cash Flows

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> (as restated)
Cash flows from operating activities:		
Changes in net assets	\$ (111,021)	\$ 1,567,222
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	37,531	16,149
Lease expense - operating leases	146,115	91,710
Realized gain on investments	(172,628)	(16,462)
Unrealized loss (gain) on investments	71,602	(71,099)
Changes in assets and liabilities:		
Grants receivable	841,729	(222,963)
Book inventory	293,795	(448,411)
Accounts payable	(147,543)	104,905
Accrued payroll and payroll withholdings	24,245	2,867
Deferred revenue	12,521	-
Operating lease liabilities	<u>(134,194)</u>	<u>(91,710)</u>
Net cash provided by operating activities	862,152	932,208
Cash flows from investing activities:		
Proceeds from sale of investments	958,736	31,708
Purchase of property and equipment	(348,162)	(94,810)
Purchase of investments	<u>(1,584,962)</u>	<u>(472,086)</u>
Net cash used in investing activities	<u>(974,388)</u>	<u>(535,188)</u>
Net (decrease) increase in cash and cash equivalents	(112,236)	397,020
Cash and cash equivalents, beginning of year	<u>3,150,021</u>	<u>2,753,001</u>
Cash and cash equivalents, end of year	\$ <u>3,037,785</u>	\$ <u>3,150,021</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 571	\$ 60

See accompanying notes.

BOOK HARVEST

Notes to the Financial Statements

1. Description 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.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Organization in the preparation of its financial statements.

Cash and Cash Equivalents

As a general rule, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There was no restricted cash for the periods presented.

Investments

Investments are reported at their fair values in the statements of financial position. Fair value is based on quoted market prices when available. Gains and losses on the sale of investments are determined on the first-in, first-out basis. The Organization has a policy that all donated securities are to be sold upon receipt of donation and donated stock is valued at fair market value at the date of the donation.

Grants Receivable

Accounts receivable consists primarily of grant revenue. All amounts are considered collectible therefore an allowance is not deemed necessary.

Book Inventory

Book inventory consists of books to be given away in furtherance of the Organization's mission. At December 31, 2024 and 2023, purchased books are assigned a fair value of \$3.95 and \$4.65 per book, respectively. At December 31, 2024 and 2023, donated books are assigned a fair value of \$0.75 per book.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased and fair market value if donated. Depreciation has been calculated using the straight-line method. A capitalization threshold of \$1,000 is utilized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

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

Leases

Lease 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, measured on a discounted basis. The Organization determines if an arrangement is, or contains, a lease at inception of the agreement, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization has made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term. All other leases, are classified as either finance or operating leases.

Operating leases are included in operating lease ROU assets, and operating lease liabilities (current and non-current) in the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease, and are reduced by any lease incentives.

As most of the Organization's leases do not provide an implicit rate, the Organization has made an accounting policy election to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases, continued

Lease agreements with lease and non-lease components are generally accounted for separately based upon the standalone price of the separate lease and non-lease components at the commencement date of the lease. The non-lease components generally relate to the separate payments made to the lessor based on the lessor's property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common area maintenance costs associated with the property. The non-lease components are variable in nature and are recorded in variable lease expense in the period incurred.

Net Assets

The Organization follows standard for external financial reporting by not-for-profit organizations that requires its resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. Accordingly, net assets of the Organization and changes therein may be classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Contributed Non-Financial Assets

The Organization receives various contributed non-financial assets which primarily consist of books for various literacy programs. These contributions are valued and reported at estimated fair value.

Functional Allocation of Expenses

The costs of providing the program and supporting services of the Organization have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by the Organization's management. Expenses allocated are based on time and effort or square footage depending on the type of expense.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). The Organization files information returns in the U.S. Federal jurisdiction.

Subsequent Events

Management of the Organization has evaluated subsequent events for accounting and disclosure requirements through June 4, 2025, which is the date the financial statements were available to be issued.

3. Concentration of Credit Risk

The Organization maintains cash balances at a financial institution located in Durham, North Carolina. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 and 2023, the amount of uninsured deposits totaled \$406,415 and \$1,439,589, respectively.

4. Investments

The Organization held the following investments at December 31, 2024:

	<u>Historical Cost</u>	<u>Market Value</u>
Equities	\$ 1,370,613	\$ 1,351,877
Mutual funds	822	822
Fixed income	170,000	170,000
Alternative assets	<u>44,349</u>	<u>44,707</u>
Total	<u>\$ 1,585,784</u>	<u>\$ 1,567,406</u>

The Organization held the following investments at December 31, 2023:

	<u>Historical Cost</u>	<u>Market Value</u>
Mutual funds	\$ 519,342	\$ 553,736
Exchange traded funds	245,241	247,568
Equities	<u>6,850</u>	<u>6,925</u>
Total	<u>\$ 771,433</u>	<u>\$ 808,229</u>

BOOK HARVEST

Notes to the Financial Statements, continued

4. Investments, continued

Investment income consists of the following for the year ending December 31:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 75,247	\$ 48,486
Realized gain on sale of investments	172,626	16,462
Unrealized gain (loss) on investments	<u>(71,604)</u>	<u>71,099</u>
Total	<u>\$ 176,269</u>	<u>\$ 136,047</u>

5. 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). The Fund consists of socially responsible investments with approximately 65% in equity securities and 35% in fixed income securities. These investments are reported at fair market value. The portfolio is considered to be a Level 2 item in the fair value hierarchy described in Note 6. In this case, investments are held in a pool of publicly traded assets. The pool of assets is valued based on the net asset value of the shares held by the pool. The Organization values its portion of the pool based on its respective percentage of the asset pool's total value.

The Board of Directors of the Foundation has complete legal and fiduciary control of assets of the Fund, including, but not limited to, full authority and discretion as to investment and reinvestment of assets. The Fund and all funds therein shall be administered by the Foundation subject to its Charter and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without the approval of any trustee, custodian, or agent) such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

6. 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, 2024 and 2023. There were no transfers or reclassifications between Level 2 or Level 3 during the year ended December 31, 2024 and 2023.

BOOK HARVEST

Notes to the Financial Statements, continued

6. Fair Value Measurements, continued

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.

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:

	<u>Fair Value Measurement Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interests in assets held by others	\$ <u>3,115</u>	\$ <u>-</u>	\$ <u>3,115</u>	\$ <u>-</u>
Equities	1,351,877	1,351,877	-	-
Mutual funds	822	822	-	-
Fixed income	170,000	170,000	-	-
Alternative assets	<u>44,707</u>	<u>44,707</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,567,406</u>	<u>\$ 1,567,406</u>	<u>\$ -</u>	<u>\$ -</u>

BOOK HARVEST

Notes to the Financial Statements, continued

6. 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, 2023:

	<u>Fair Value Measurement Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interests in assets held by others	\$ <u>35,042</u>	\$ <u>-</u>	\$ <u>35,042</u>	\$ <u>-</u>
Mutual funds	553,736	553,736	-	-
Exchange traded funds	247,568	247,568	-	-
Equities	<u>6,925</u>	<u>6,925</u>	<u>-</u>	<u>-</u>
	<u>\$ 808,229</u>	<u>\$ 808,229</u>	<u>\$ -</u>	<u>\$ -</u>

7. Leases

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:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 146,115	\$ 91,710
Short term lease cost	<u>164,366</u>	<u>66,973</u>
Total lease cost	<u>\$ 310,481</u>	<u>\$ 158,683</u>

The weighted average remaining operating lease term was 4.09 and 6.96 years as of December 31, 2024 and 2023, respectively.

The weighted average discount rate for operating leases was 3.50% as of December 31, 2024 and 2023.

BOOK HARVEST

Notes to the Financial Statements, continued

7. Leases, continued

Maturities of operating lease liabilities as of December 31, 2024 are as follows:

Years ending December 31:

2025	\$ 203,157
2026	209,156
2027	212,146
2028	218,511
2029	225,066
Thereafter	<u>271,613</u>
Total lease payments	1,339,649
Less: imputed interest	<u>136,213</u>
	<u>\$ 1,203,436</u>

8. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Passage of time	\$ 27,500	\$ 1,109,000
Donor specified purpose	<u>836,933</u>	<u>161,560</u>
Total	<u>\$ 864,433</u>	<u>\$ 1,270,560</u>

9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time or other events specified by donors. Net assets released from restrictions for the year ended December 31 were:

	<u>2024</u>	<u>2023</u>
Passage of time	\$ 1,146,500	\$ 1,258,000
Donor specified purpose	<u>579,627</u>	<u>1,282,876</u>
Total	<u>\$ 1,726,127</u>	<u>\$ 2,540,876</u>

BOOK HARVEST

Notes to the Financial Statements, continued

10. Liquidity and Availability

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the Organization has adequate contributions to cover the programs that are being conducted. The programs are supported by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Donor's restrictions require resources to be used in a particular manner or in a future period, and therefore are not available for general expenditure. As part of the Organization's liquidity management, there are policies to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due.

The Organization's financial assets as of December 31, 2024 expected to be available within one year to meet cash needs for general expenditures comprise the following:

Cash and cash equivalents	\$ 3,037,785
Grants receivable	498,173
Investments	1,567,406
Sales tax receivable	<u>15,796</u>
Financial assets, at year end	5,119,160
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>864,433</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 4,254,727</u>

11. 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 year ended December 31, 2024 and 2023 totaled \$317,653 and \$225,470, respectively.

12. Related Party Transaction

The Organization's 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.

BOOK HARVEST

Notes to the Financial Statements, continued

13. Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform with the 2024 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.

14. Prior Period Adjustment

The Organization's financial statements for the year ended December 31, 2023 have been restated. During the course of the current year audit procedures, it was discovered that revenue from reimbursement grants were not recorded in the same period in which the expenses were incurred. Additionally, revenue from grants were not recorded in the same period in which the Organization was notified of the grant awards. Grant revenues, related receivables, and net assets were adjusted accordingly.

Net assets without donor restrictions at December 31, 2023, increased from \$4,320,868 to \$4,443,180 and total net assets increased from \$5,591,428 to \$5,713,740.

Grants receivable increased from to \$1,233,386 to \$1,355,698 at December 31, 2023.

Foundation grant revenues increased from \$1,932,218 to \$2,022,218 for the year ending December 31, 2023. This increase was due to two foundation grants of \$60,000 and \$30,000 being removed from 2024 and recorded in 2023.

Government grant revenues increased from \$880,294 to \$888,856 for the year ending December 31, 2023. This increase was due to one reimbursement grant of \$8,562 being removed from 2024 and recorded in 2023.

Contribution revenues increased from \$2,131,514 to \$2,155,264 for the year ending December 31, 2023. This increase was due to one contribution of \$23,750 being removed from 2024 and recorded in 2023.

BOOK HARVEST

Schedule of Expenditures of State Awards

December 31, 2024

<u>State Grantor/Pass - Through Grantor/Program Title</u>	<u>State Expenditures</u>
NC Office of State Budget and Management	\$ 462,459
<u>NC Department of Health & Human Service</u>	
The North Carolina Partnership for Children, Inc.	
Durham's Partnership for Children Smart Start	158,366
<u>NC Department of Health & Human Services</u>	
The North Carolina Partnership for Children, Inc.	
Wake County Smart Start	<u>111,820</u>
Total expenditures of state awards	\$ <u>732,645</u>

A. Yellow Book

The schedule of expenditures of state awards includes the state pass-through grant activity of Book Harvest and is presented on the accrual basis of accounting. In compliance with 09 NCAC 03M.0205, a nongovernmental entity that receives state or federal pass-through grant funds directly from a state agency must file annual reports to the Office of the State Auditor and to all state funding agencies. The State of North Carolina requires a yellow book audit if more than \$500,000 of state or federal pass-through funds are expended under 09 NCAC 3M.0205.

**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***

Independent Auditor's Report

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 (*Government Auditing Standards*), the financial statements of Book Harvest (the Organization), which comprise Book Harvest's statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

Board of Directors
Book Harvest
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, continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Book Harvest's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of finding and responses. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
June 4, 2025

BOOK HARVEST

Schedule of Findings and Responses

December 31, 2024

Financial Statement Findings

2024-001

Criteria

In accordance with generally accepted accounting principles in the United States of America (US GAAP), revenues are required to be recognized in the period in which they earned and realized using the accrual basis of accounting.

Condition

Grant revenues were recognized in a period other than when the promise to give was received for grant awards. Reimbursement grant revenues were recognized in a period other than when qualifying expenses were incurred and submitted for reimbursement.

Context

It was discovered that two grant revenue entries were recorded in 2024 for grants that had been awarded in 2023. Additionally, two grant revenue entries for reimbursable grants were recorded in 2024 for costs incurred in 2023.

Effect

Revenues relating to these grants were overstated in 2024 and understated in 2023.

Cause

The issue arose due to an insufficient understanding of revenue recognition principles under US GAAP by accounting staff.

BOOK HARVEST

Corrective Action Plan

December 31, 2024

Finding 2024-001

Recommendation

Book Harvest should review all grant awards and requests for reimbursements to determine revenue is recognized in the proper period in accordance with US GAAP.

Views of Responsible Officials and Planned Corrective Actions

Book Harvest agrees with the finding and has appointed a Senior Director of Finance who possesses the necessary skills, knowledge, and experience to develop and implement internal controls around grant revenue recognition to ensure that grants are properly recorded in accordance with US GAAP.

A handwritten signature in black ink that reads "Ginger Young". The signature is written in a cursive, flowing style.

Ginger Young, CEO