

BOOK HARVEST
AUDITED FINANCIAL STATEMENTS
December 31, 2022 and 2021

BOOK HARVEST

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Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

Independent Auditor's Report

Board of Directors and Management
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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 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, including omissions, 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, 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.

Mark S. Danes, CPA, PLLC

May 11, 2023

Book Harvest
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,254,111	\$ 1,609,863
Investments	782,496	-
Promises to give	1,212,650	285,000
Accounts receivable	41,412	6,494
Book inventory	35,000	74,070
Security deposit	4,910	4,610
Beneficial interest in assets held by others	31,727	691,399
Right-of-use asset - office space	89,017	-
Right-of-use asset - copier	3,850	-
Property and equipment, net	13,749	-
 Total assets	 \$ 4,468,922	 \$ 2,671,436
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 51,848	\$ 29,330
Accrued expenses and payroll withholdings	56,362	29,528
Lease liability - office space	89,017	-
Lease liability - copier	3,850	-
Forgivable loan	-	167,547
 Total liabilities	 201,077	 226,405
 Net Assets		
Without donor restrictions		
Available for operations	1,961,686	591,220
Board-designated operating reserve	1,144,623	1,019,987
With donor restrictions	1,161,536	833,824
 Total net assets	 4,267,845	 2,445,031
 Total liabilities and net assets	 \$ 4,468,922	 \$ 2,671,436

See accompanying notes to financial statements.

Book Harvest
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Without donor restrictions		
Support and Revenue		
Contributions of financial assets	\$ 2,145,908	\$ 1,460,699
Contributions of nonfinancial assets	133,960	163,162
Return on beneficial interest on assets held by others	(110,022)	29,404
Return on investments	(17,504)	-
Other revenue	13,935	16,600
Net assets released from restrictions	1,996,809	533,033
Total support, revenue and reclassifications	4,163,086	2,202,898
 Expenses		
Program services		
Early Literacy	544,794	533,399
Book Access: Book Bank	459,841	303,529
Book Access: Community Programming	646,707	293,829
Communications	68,865	111,672
Events	237,487	77,127
Special Initiatives	115,002	69,771
Management and General	359,504	166,995
Fundraising	235,784	128,992
Total expenses	2,667,984	1,685,314
Change in net assets without donor restrictions	1,495,102	517,584
 With donor restrictions		
Support and Revenue		
Contributions	2,324,521	583,824
Net assets released from restrictions	(1,996,809)	(533,033)
Change in net assets with donor restrictions	327,712	50,791
 Change in net assets	1,822,814	568,375
 Beginning net assets	2,445,031	1,876,656
 Ending net assets	\$ 4,267,845	\$ 2,445,031

See accompanying notes to financial statements.

Book Harvest
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Early Literacy	Book Access: Book Bank	Book Access: Community Programming	Communications	Events	Special Initiatives	Management and General	Fundraising	Total
Salaries and wages	\$ 301,054	\$ 116,803	\$ 125,130	\$ 27,352	\$ 123,697	\$ 57,488	\$ 223,334	\$ 166,462	\$ 1,141,320
Retirement plan	43,927	15,691	19,474	3,889	12,814	6,772	30,201	14,243	147,011
Other employee benefits	4,295	2,863	2,863	716	-	1,432	1,432	716	14,317
Payroll taxes	22,486	8,482	9,229	1,986	9,326	4,265	16,178	12,525	84,477
Professional fees	4,101	3,848	78,390	2,071	68,216	173	50,775	3,104	210,678
Office expenses	26,464	5,999	5,848	1,762	2,268	2,590	3,565	10,243	58,739
Information technology	19,455	7,544	6,685	1,430	1,640	8,120	1,830	4,594	51,298
Occupancy	31,265	30,456	14,783	8,489	10,748	5,510	11,842	16,510	129,603
Travel	1,394	2,420	5,264	38	3,361	50	1,851	840	15,218
Meetings	7,746	2,137	2,923	1,193	1,598	657	5,700	1,161	23,115
Insurance	1,310	873	973	268	-	387	337	218	4,366
Books / incentives	21,260	230,903	326,975	3,029	1,178	-	-	-	583,345
Supplies	37,503	29,458	44,708	11,118	2,205	7,795	3,428	3,791	140,006
Grants to others	18,460	-	-	-	-	-	-	-	18,460
Miscellaneous	4,074	2,364	3,462	5,524	436	19,763	9,031	1,377	46,031
	<u>\$ 544,794</u>	<u>\$ 459,841</u>	<u>\$ 646,707</u>	<u>\$ 68,865</u>	<u>\$ 237,487</u>	<u>\$ 115,002</u>	<u>\$ 359,504</u>	<u>\$ 235,784</u>	<u>\$ 2,667,984</u>

See accompanying notes to financial statements.

Book Harvest
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Early Literacy	Book Access: Book Bank	Book Access: Community Programming	Communications	Events	Special Initiatives	Management and General	Fundraising	Total
Salaries and wages	\$ 338,731	\$ 66,929	\$ 133,502	\$ 63,541	\$ 35,916	\$ 44,346	\$ 102,339	\$ 95,348	\$ 880,652
Retirement plan	11,408	2,919	4,671	2,048	1,104	1,264	4,317	3,275	31,006
Other employee benefits	2,882	1,014	1,014	507	254	-	507	254	6,432
Payroll taxes	25,639	4,960	10,052	4,780	2,707	3,392	8,058	7,254	66,843
Professional fees	36,211	990	1,090	8,195	5,208	17,500	22,985	1,778	93,956
Office expenses	11,015	2,685	2,688	2,421	1,393	115	1,557	6,242	28,115
Information technology	11,025	3,495	4,035	2,138	858	460	3,263	4,299	29,573
Occupancy	36,676	29,377	25,646	10,980	12,570	-	14,695	6,459	136,403
Travel	2,155	405	2,157	21	22	147	401	147	5,455
Meetings	7,361	839	4,702	192	1,839	539	2,493	698	18,663
Insurance	1,616	1,461	1,231	385	308	-	846	308	6,154
Books / incentives	6,222	172,762	98,207	-	0	-	-	-	277,192
Supplies	20,362	14,258	4,021	2,692	8,406	105	2,270	1,997	54,111
Grants to others	19,420	-	-	-	-	-	-	-	19,420
Miscellaneous	2,676	1,434	812	13,772	6,543	1,903	3,264	934	31,339
	<u>\$ 533,399</u>	<u>\$ 303,529</u>	<u>\$ 293,829</u>	<u>\$ 111,672</u>	<u>\$ 77,127</u>	<u>\$ 69,771</u>	<u>\$ 166,995</u>	<u>\$ 128,992</u>	<u>\$ 1,685,314</u>

See accompanying notes to financial statements.

Book Harvest
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 1,822,814	\$ 568,375
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	972
Loss (gain) on beneficial interest in assets held by others	110,022	(26,116)
Loss (gain) on investments	17,504	-
Forgiveness of debt	(167,547)	(163,385)
Changes in assets and liabilities:		
Promises to give	(927,650)	(49,963)
Accounts receivable	(34,918)	1,745
Book inventory	39,070	6,065
Security deposit	(300)	200
Accounts payable, accrued expenses and withholdings	49,352	21,140
Net cash provided by (used in) operating activities	908,347	359,033
Cash Flows From Investing Activities		
Purchase of investments	(800,000)	-
Transfer of assets from/to communitiy foundation	549,650	(311,000)
Proceeds from sale of investments	-	265
Cash paid for purchase of property and equipment	(13,749)	-
Net cash provided by (used in) investing activities	(264,099)	(310,735)
Cash Flows From Financing Activities		
Repayment of debt	-	(4,915)
Issuance of debt	-	167,547
Net cash provided by (used in) financing activities	-	162,632
Net increase (decrease) in cash and cash equivalents	644,248	210,930
Cash, cash equivalents and restricted cash at start of year	1,609,863	1,398,933
Cash, cash equivalents and restricted cash at end of year	\$ 2,254,111	\$ 1,609,863
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
Noncash Activity:		
Acquisition of right-of-use assets with lease liabilities	\$ 181,142	\$ -

See accompanying notes to financial statements.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 - Nature of Activities

Book Harvest (the Organization) was incorporated in the state of North Carolina in March 2011. The Organization's primary purpose is to collect and distribute new and gently used books to underprivileged children who have limited or no access to books.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions 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 subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be permanent in nature, whereby the donor have stipulated the funds be maintained in perpetuity.

Cash, Cash Equivalents and Restricted Cash

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.

The cash and cash equivalents accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may at times exceed the federally insured limits. At December 31, 2022, cash deposits totaling \$1,752,877 were not covered by the FDIC. The Organization has never experienced any losses in such accounts.

Book Inventory

Book inventory consists of books to be given away in furtherance of the Organization's mission. Book inventory is stated at the lower of cost or market value determined by the first-in, first-out method. Donated books are assigned a fair value of \$0.75 per book.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Receivables, Promises to Give and Revenue Recognition

Receivables and promises to give are stated at the amount management expects to collect from balances outstanding at year's end. The Organization uses the allowance method to determine uncollectible receivables and promises to give. The allowance is based on prior years' experience and management's analysis of specific amounts outstanding at year's end. For the years presented, no allowance was considered necessary.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed 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 statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment is stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are restricted contributions.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets (5-7 years). Maintenance, repairs and small equipment purchases are charged to expense when incurred. Betterments and renewals in excess of \$1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation amounts are removed and any gain or loss is recorded.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and classified as a public charity under 170(b)(1)(A)(vi). It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. It is responsible for unrelated business income, if any.

No provision has been made for income taxes in the financial statements. Furthermore, the Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The IRS Form 990 and other tax returns generally remain subject to examination by the taxing authorities for three years after they are filed.

General Expenditures

The Organization considers the costs related to its normal activities to be general expenditures unless such costs are limited by the donors for specified, restricted purposes. Accordingly, the related resources for the latter have been excluded in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization had no Level 3 assets or liabilities for the years presented.

Marketing and Promotion

The Organization expenses marketing and promotion costs as they are incurred.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The allocation of salaries, wages, benefits and payroll taxes are based on time and effort studies of staff members. The remaining categories on the statements of functional expenses are allocated based on approximate direct usage.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions of Nonfinancial Assets

The Organization routinely receives nonfinancial assets to use as it sees fit. There is no set policy on whether such donated assets will be monetized or utilized in the Organization's activities. These decisions are made on a case-by-case basis. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

For the years ended December 31, 2022 and 2021, the Organization received 178,680 and 217,549, respectively, of gently used, donated books valued at \$.75/each (i.e., \$133,960 and \$163,162). This is based on donation value guides for tax-deductible items and it is towards the lower end of the spectrum to account for the variation in quality of the donations received.

Note 3 - Promises to Give

Promises to give represent consideration from various foundations, of which the Organization has an unconditional right to receive. The amounts due range up to \$667,000 each at December 31, 2022. Most of the balances are expected to be collected within one year of the statement of financial position date.

Note 4 - Investments

Investments are carried at fair value. The portfolio is considered to be a Level 1 item in the fair value hierarchy described in Note 2 above. Fair value by type of security at December 31, 2022 is detailed below:

Investment Categories:

Money market funds	\$ 498,889
Exchange Traded Funds	95,651
Mutual Funds	<u>187,956</u>
	<u>\$ 782,496</u>

Note 5 - Joint Project

The Organization has an oral agreement with a local government which allows the Organization to store some of its book inventory on the local government's property at no charge. No amount has been recognized in these financial statements for this donated space.

Note 6 - Employee Benefits

Effective March 2018, the Organization has a 403(b)-thrift plan that is available to its employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions amounted to \$29,456 and \$31,006 for the years ended December 31, 2022 and 2021, respectively.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 7 - 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. The portfolio is considered to be a Level 2 item in the fair value hierarchy described in Note 2 above. 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.

Note 8 - Donated Services

Donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP. However, a substantial number of volunteers have donated significant amounts of their time to the Organization. Management estimates that it received approximately 7,140 and 4,740 volunteer hours for the years ended December 31, 2022 and 2021, respectively.

Note 9 - Conditional Grants

Six grantors have made funds available totaling approximately \$700,000 based on the Organization's ability to perform specific services in years 2023 through 2025. No portion of this amount has been reflected as revenue or net assets in the accompanying financial statements.

Note 10 - Contingencies

Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Management is not aware of any disallowable costs or instances of noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.

Note 11 - Concentrations / Related Parties

The Organization received 45% of its revenue from one source in 2022, with half of that amount coming from an entity 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 Financial Statements
December 31, 2022 and 2021

Note 12 - Forgivable Loan

In February 2021, the Organization received a second forgivable loan of \$167,547 under the Paycheck Protection Program (PPP) at an interest rate of 1% per annum. Based on the SBA criteria and the loan agreement, the Organization expected the loan to be fully forgiven. No repayments were ever made. The entire loan was formally forgiven in March 2022 and was taken into revenue in 2022.

Note 13 - Restricted Net Assets

Restricted net assets consist of the following at December 31, 2021:

Passage of time:		
	Promises to give	\$ 160,000
Specific purpose:		
	Early Literacy	350,000
	Scholarships	227,440
	Events	96,384
	Parental Programs and Partnership Development	<u>-</u>
		<u>\$ 833,824</u>

Net assets released from restrictions were as follows for the year ended December 31, 2021:

Satisfaction of time restrictions		\$ 114,538
Satisfaction of purpose restrictions:		
	Early Literacy	250,000
	Events	93,495
	Parental Programs and Partnership Development	<u>75,000</u>
		<u>\$ 533,033</u>

For a more robust presentation of activities and balances for 2022, please refer to Appendix 1 below.

Note 14 - Reclassifications

Certain financial statement items in the prior year have been reclassified to conform with the current year presentation with no impact on the prior year's net assets or change in net assets.

Note 15 - New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. ASU 2016-02 changes how an entity reports and measures all leases of property, plant, and equipment. As allowed, the Organization adopted the standard on January 1, 2022 and elected not to apply its provisions to earlier periods.

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 15 - New Accounting Pronouncement (Continued)

The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration.

Right-of-use assets and lease liabilities (finance and operating) are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Management uses the Organization's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognizes the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, the short-term lease liabilities for the periods presented do not reflect the ongoing short-term lease commitments. The amounts involved are not considered material to the financial statements taken as a whole.

The Organization has recorded three operating right-of-use assets. The Organization has two lease agreements for office space at the same location with same landlord. Since both of these leases also expire on December 31, 2023, they have been combined for presentation purposes. The Organization also leases a copier machine and that agreement expires on May 31, 2024.

None of the leasing arrangements contain escalation provisions. The Organization calculates the lease liabilities using a discount rate of 4.62% for the office space and 4.39% for the copier. The rent expense for each was \$85,675 and \$2,601 for the year ended December 31, 2022, respectively.

The following is a maturity analysis of these operating lease arrangement with a reconciliation of the undiscounted cash flows:

Year ending December 31:

2023	\$	94,068
2024		1,170
		95,238
Less discount component		(2,371)
Lease liabilities - combined	\$	92,867

Book Harvest
Notes to Financial Statements
December 31, 2022 and 2021

Note 16 - Subsequent Events

In March 2023, the Organization entered into a seven-year lease that begins on January 1, 2024 of three spaces totaling 15,000 square feet at an initial cost of approximately \$200,000 per year with small increases each subsequent year.

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2022 through May 11, 2023, which is the date these financial statements were available to be issued, and has determined that there are no other subsequent events that require disclosure.

Note 17 - Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$635,000).

The following represents the Organization's financial assets at December 31:

	2022	2021
Cash and cash equivalents	\$ 2,254,111	\$ 1,609,863
Investments	782,496	-
Promises to give	1,212,650	285,000
Accounts receivable	41,412	6,494
Beneficial interest in assets held by others	<u>31,727</u>	<u>691,399</u>
Total financial assets	4,322,396	2,592,756
Less amounts not available to be used within one year:		
Beneficial interest in assets held by others	10,000	10,000
Net assets with donor restrictions	1,161,536	833,824
Less net assets with time restrictions to be met in less than a year	(433,000)	(160,000)
Board-designated operating reserve	<u>1,144,623</u>	<u>1,019,987</u>
	<u>1,883,159</u>	<u>1,703,811</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,439,237</u>	<u>\$ 888,945</u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds, which may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

[final page appears below]

Book Harvest Appendix 1: Restricted Net Assets Activity in 2022

	Balance at <u>12/31/2021</u>	<u>Contributions</u>	<u>Releases</u>	Balance at <u>12/31/2022</u>	<u>Notes</u>
Time restricted					
Dream Big 2022	\$ 96,384	\$ -	\$ (96,384)	\$ -	
United Way - Greater Triangle	60,000	100,000	(110,000)	50,000	
Wm R. Kenan Jr. Charitable Trust	-	1,000,000	(333,000)	667,000	
ZS Reynolds Foundation	100,000	-	(50,000)	50,000	For the 2 year grant for 2022 and 2023. Releasing the \$50K from 2022, the remaining \$50K to be released in 2023. The grant agreement from the Foundation says that the agreement was made November 2021, we received the 1st \$50K check in 1/2022.
Purpose Restricted					
Anna Reilly and Matt Cullinan Gift	-	750,000	(750,000)	-	For BH Inc.
Anna Reilly and Matt Cullinan Gift	-	250,000	(250,000)	-	For BH Durham
Anna Reilly and Matthew Cullinan Fund (ARC Fund) - Early Literacy	250,000	-	(250,000)	-	
Bastian Family Foundation - Early Literacy	100,000	-	(50,000)	50,000	For the 3 year grant for 2021,2022 and 2023. Releasing the \$50K from 2022, the remaining \$50K to be released in 2023.
Duke Energy Foundation	-	19,333	(19,333)	-	For Book Boxes in Bladen and Columbus county
Durham Merchants	-	9,500	(9,500)	-	For marketing campaign in 2022
Jandy Ammon	-	20,688	-	20,688	5 book boxes
JES Avanti	-	20,000	-	20,000	3 book boxes + 1 storywalk
Mebane Foundation	-	100,000	(45,505)	54,495	For Book Babies Class of 2024
Morgan Creek	-	10,000	-	10,000	Prek/K
Obar Fund - Scholarships	217,440	-	(31,600)	185,840	Annual admin and wages fee of \$13140 + actual payouts to families
PNC Grow Up Great	-	25,000	-	25,000	For Book Babies class of 2026
Yusko	-	20,000	(1,487)	18,513	Books from Birth
Yusko Fund - Scholarships	10,000	-	-	10,000	
	<u>\$ 833,824</u>	<u>\$ 2,324,521</u>	<u>\$ (1,996,809)</u>	<u>\$ 1,161,536</u>	