



Financial Statements

for

BOOK HARVEST

Year Ended December 31, 2023
with Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors and Management
Book Harvest
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited financial statements of Book Harvest (the Organization), which comprise the statement of financial position as of December 31, 2023, the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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, 2023, and the changes in its net assets, and its cash flows for the year 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 (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 Responsibility 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 federal and 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 federal 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 5, 2024 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 5, 2024

BOOK HARVEST

Statement of Financial Position

December 31, 2023

Assets

Current assets:	
Cash and cash equivalents	\$ 3,150,021
Grants receivable	1,233,386
Investments	808,229
Book inventory	<u>483,411</u>
Total current assets	5,675,047
Property and equipment:	
Office furniture and equipment	36,363
Vehicles	<u>72,198</u>
Total	108,561
Less accumulated depreciation	<u>16,149</u>
Net property and equipment	92,412
Other assets:	
Right of use asset (ROU) - operating leases	1,337,630
Beneficial interest in assets held by others	35,042
Security deposit	<u>4,910</u>
Total other assets	<u>1,377,582</u>
Total assets	<u>\$ 7,145,041</u>

See accompanying notes.

BOOK HARVEST

Statement of Financial Position, continued

December 31, 2023

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 156,753
Accrued payroll and payroll withholdings	59,230
Operating lease liability	<u>134,193</u>
Total current liabilities	350,176
Noncurrent liabilities:	
Operating lease liability	<u>1,203,437</u>
Total liabilities	1,553,613
Net assets:	
Without donor restrictions	4,320,868
With donor restrictions	<u>1,270,560</u>
Total net assets	<u>5,591,428</u>
Total liabilities and net assets	<u>\$ 7,145,041</u>

See accompanying notes.

BOOK HARVEST

Statement of Activities

Year ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,131,514	\$ 1,000,000	\$ 2,131,514
Foundation grants	282,318	1,649,900	1,932,218
Government grants	880,294	-	880,294
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	 4,992,326	 109,024	 5,101,350
Expenses:			
Program services:			
Durham Early Literacy	654,544	-	654,544
Durham Community-Wide Book Abundance	324,074	-	324,074
Durham School & Family Programs	600,034	-	600,034
Communications	324,268	-	324,268
Events	113,273	-	113,273
Special Initiatives & Expansive Programs	<u>658,408</u>	<u>-</u>	<u>658,408</u>
 Total 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	 981,839	 -	 981,839
 Total expenses	 3,656,440	 -	 3,656,440
 Changes in net assets	 1,335,886	 109,024	 1,444,910
Net assets, beginning of year (restated)	<u>2,984,982</u>	<u>1,161,536</u>	<u>4,146,518</u>
Net assets, end of year	<u>\$ 4,320,868</u>	<u>\$ 1,270,560</u>	<u>\$ 5,591,428</u>

See accompanying notes.

BOOK HARVEST

Statement of Functional Expenses

Year ended December 31, 2023

	<u>Durham Early Literacy</u>	<u>Durham Community- Wide Book Abundance</u>	<u>Durham School & Family Programs</u>	<u>Communications</u>	<u>Events</u>	<u>Special Initiatives and Expansion Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 356,834	\$ 122,267	\$ 203,918	\$ 187,235	\$ 60,600	\$ 315,188	\$ 367,500	\$ 241,363	\$ 1,854,905
Books/incentives	47,667	75,308	199,336	272	2,761	54,267	-	42	379,653
Professional fees	7,761	7,281	82,301	8,427	4,560	103,740	79,927	4,410	298,407
Employee benefits	58,781	14,257	28,751	19,705	8,232	31,984	43,659	20,102	225,471
Supplies	44,516	60,804	17,491	13,055	11,050	51,295	-	7,163	205,374
Lease expense	32,737	13,011	21,869	12,161	8,805	22,328	27,495	20,277	158,683
Payroll taxes	27,107	8,794	14,928	14,120	4,560	21,647	27,500	21,055	139,711
Information technology	14,548	8,584	15,806	17,915	1,687	11,130	15,972	13,826	99,468
Marketing and Outreach	801	584	-	39,505	6,121	920	7,652	13,470	69,053
Staff Enrichment	9,260	2,972	6,624	4,613	1,807	15,966	13,947	8,434	63,623
Office expenses	7,776	4,585	1,473	3,402	763	7,872	3,788	7,498	37,157
Travel	6,352	2,065	2,440	1,625	602	15,584	3,744	3,607	36,019
Bright futures program	29,938	-	-	-	-	-	-	-	29,938
Insurance	3,631	1,694	3,631	2,178	726	3,873	4,926	3,631	24,290
Meetings	6,747	810	1,372	2	981	2,493	365	4,059	16,829
Depreciation	-	-	-	-	-	-	16,149	-	16,149
Miscellaneous	88	1,058	94	53	18	121	187	91	1,710
Total	\$ 654,544	\$ 324,074	\$ 600,034	\$ 324,268	\$ 113,273	\$ 658,408	\$ 612,811	\$ 369,028	\$ 3,656,440

See accompanying notes.

BOOK HARVEST

Statement of Cash Flows

Year ended December 31, 2023

Cash flows from operating activities:

Changes in net assets	\$ 1,444,910
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	16,149
Lease expense - operating lease	91,710
Realized gain on beneficial interest in assets held by others	(1,642)
Unrealized loss (gain) on beneficial interest in assets held by others	(1,605)
Realized loss (gain) on investments	(14,820)
Unrealized gain on investments	(69,494)
Changes in assets and liabilities:	
Accounts receivable	(525,613)
Promises to give	424,962
Book inventory	(448,411)
Accounts payable	104,905
Accrued payroll and payroll withholdings	2,867
Operating lease liability	<u>(91,710)</u>
Net cash provided by operating activities	932,208

Cash flows from investing activities:

Proceeds from sale of investments	31,708
Purchase of property and equipment	(94,810)
Purchase of investments	<u>(472,086)</u>
Net cash used in investing activities	<u>(535,188)</u>
Net increase in cash and cash equivalents	397,020

Cash and cash equivalents, beginning of year 2,753,001

Cash and cash equivalents, end of year \$ 3,150,021

Supplemental disclosures of cash flow information

Cash paid during the year for interest \$ 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. 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 \$4.65 per new book and \$0.75 per used book.

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. The useful lives adopted for the purposes of computing depreciation of property and equipment are between 5 and 7 years. A capitalization threshold of \$1,000 is utilized.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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. For all other leases, they 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 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.

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.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

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.

BOOK HARVEST

Notes to the Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management of the Organization has evaluated subsequent events through June 5, 2024, 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, 2023, the amount of uninsured deposits totaled \$1,439,589.

4. Investments

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>

Investment income consists of the following for the year ending December 31, 2023:

Interest and dividends	\$ 48,487
Realized gain on sale of investments	16,462
Unrealized gain (loss) on investments	<u>71,098</u>
Total	<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.

BOOK HARVEST

Notes to the Financial Statements, continued

5. Beneficial Interest in Assets Held by Community Foundation, continued

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

Mutual funds, exchange traded funds, 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.

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</u>	<u>Fair Value Measurement Using</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>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.

Lease expense for the year ended December 31, 2023, was \$158,682.

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

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

BOOK HARVEST

Notes to the Financial Statements, continued

7. Leases, continued

Maturities of operating lease liabilities as of December 31, 2023 were as follows:

<u>Years ending December 31:</u>	
2024	\$ 170,986
2025	203,157
2026	209,156
2027	212,146
2028	218,511
Thereafter	<u>496,679</u>
Total lease payments	1,510,635
Less: imputed interest	<u>173,005</u>
	<u>\$ 1,337,630</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 are restricted for the following purposes:

Book Harvest Inc.	\$ 1,094,000
Book Harvest Durham	<u>176,560</u>
Total	<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 totaled \$2,540,876 for the year ended December 31, 2023.

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.

BOOK HARVEST

Notes to the Financial Statements, continued

10. Liquidity and Availability, continued

The Organization's financial assets as of December 31, 2023 expected to be available within one year to meet cash needs for general expenditures comprise the following:

Cash and cash equivalents	\$ 3,150,021
Grants receivable	1,233,386
Investments	<u>808,229</u>
Financial assets, at year end	5,191,636
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>1,270,560</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 3,921,076</u>

11. Related Party Transaction

The Organization's received 20% of its support from a foundation 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's financial statements for the fiscal year ended December 31, 2022 have been restated. During the course of the current year audit procedures, management re-evaluated the reimbursement request for grant expenditures over the three-year grant period. Grant revenues, related receivables, and net assets were adjusted accordingly.

Net assets without donor restrictions at December 31, 2022 decreased from \$3,106,309 to \$2,984,982 and total net assets decreased from \$4,267,845 to \$4,146,518.

Accounts receivable decreased from to \$162,739 \$41,412 at December 31, 2022.

Grant revenues decreased from \$992,761 to \$871,434 for the year ending December 31, 2022.

BOOK HARVEST

Schedule of Expenditures of Federal and State Awards

December 31, 2023

Grantor/Pass - Through Grantor/Program Title	Federal Assistance Listing Number	Expenditures
<u>Federal programs:</u>		
<u>US Department of Education</u>		
North Carolina Department of Public Instruction FPMS-CRRSA ESSER II ELISS PRC 175	84.425D	\$ 486,641
<u>US Department of Treasury</u>		
City of Durham Coronavirus State and Local Fiscal Recovery Funds	21.027	130,707
Total expenditures of federal awards		\$ <u>617,348</u>
<u>State Programs:</u>		
<u>NC Department of Health & Human Service</u>		
The North Carolina Partnership for Children, Inc. Durham's Partnership for Children Smart Start		192,508
<u>NC Department of Health & Human Services</u>		
The North Carolina Partnership for Children, Inc. Wake County Smart Start		30,902
Total expenditures of state awards		\$ <u>223,410</u>

A. Yellow Book

The schedule of expenditures of federal and state awards includes the federal and state pass-through grant activity of Book Harvest and is presented on the accrual basis of accounting. In compliance with North Carolina General Statute 143C-6-23, 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 General Statute 143C-6-23.

**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***

Board of Directors
Book Harvest
Raleigh, 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 (the Organization), which comprise the Organization's statement of financial position as of December 31, 2023, 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 5, 2024.

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. 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 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*.

Board of Directors

Book Harvest

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, continued

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina

June 5, 2024