

**BOOK HARVEST**  
AUDITED FINANCIAL STATEMENTS  
December 31, 2021 and 2020

# BOOK HARVEST

## Contents

	Page
Independent Auditor's Report .....	3-4
Financial Statements	
Statements of Financial Position .....	5
Statements of Activities.....	6
Statements of Functional Expenses .....	7-8
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10-16

# 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, 2021 and 2020, 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, 2021 and 2020, 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

April 4, 2022

Book Harvest  
**Statements of Financial Position**  
December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,609,863	\$ 1,398,933
Investments	-	265
Promises to give	285,000	235,037
Accounts receivable	6,494	8,239
Book inventory	74,070	80,135
Security deposit	4,610	4,810
Beneficial interest in assets held by others	691,399	354,283
Property and equipment, net	-	972
 Total assets	 \$ 2,671,436	 \$ 2,082,674
 <b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 29,330	\$ 3,743
Accrued expenses and payroll withholdings	29,528	33,975
Forgivable loan	167,547	168,300
 Total liabilities	 226,405	 206,018
 Net Assets		
Without donor restrictions		
Available for operations	591,220	412,937
Board-designated operating reserve	1,019,987	680,686
With donor restrictions	833,824	783,033
 Total net assets	 2,445,031	 1,876,656
 Total liabilities and net assets	 \$ 2,671,436	 \$ 2,082,674

See accompanying notes to financial statements.

**Book Harvest**  
**Statements of Activities**  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Without donor restrictions</b>		
Support and Revenue		
Contributions and grants	\$ 1,623,861	\$ 1,662,091
Return on beneficial interest on assets held by others	29,404	33,873
Other revenue	16,600	12,159
Net assets released from restrictions	533,033	114,538
Total support, revenue and reclassifications	2,202,898	1,822,661
Expenses		
Program services		
Early Literacy	533,399	474,008
Books On Break	-	349,544
Book Access: Book Bank	303,529	191,080
Book Access: Community Programming	293,829	125,502
Communications	111,672	-
Events	77,127	97,859
Special Initiatives	69,771	18,770
Management and General	166,995	149,251
Fundraising	128,992	113,536
Total expenses	1,685,314	1,519,550
Change in net assets without donor restrictions	517,584	303,111
<b>With donor restrictions</b>		
Support and Revenue		
Contributions	583,824	718,495
Net assets released from restrictions	(533,033)	(114,538)
Change in net assets with donor restrictions	50,791	603,957
Change in net assets	568,375	907,068
Beginning net assets	1,876,656	969,588
Ending net assets	\$ 2,445,031	\$ 1,876,656

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**  
**Statement of Functional Expenses**  
For the Year Ended December 31, 2020

	Book Babies	Books On Break	Community Book Bank	Community Engagement	Events	Special Initiatives	Management and General	Fundraising	Total
Salaries and wages	\$ 300,912	\$ 87,826	\$ 56,401	\$ 83,837	\$ 63,092	\$ 14,305	\$ 107,859	\$ 90,068	\$ 804,301
Retirement plan	7,595	2,296	1,533	2,156	1,627	410	3,123	2,544	21,284
Other employee benefits	1,554	1,554	1,243	777	466	-	311	311	6,217
Payroll taxes	21,453	6,621	4,246	6,352	4,801	1,094	8,194	6,873	59,634
Professional fees	64,053	58,791	900	2,035	9,545	2,400	17,429	2,246	157,399
Office expenses	6,007	8,171	1,753	1,061	704	27	811	4,364	22,900
Information technology	3,401	3,682	1,999	1,463	1,090	391	1,406	2,484	15,916
Occupancy	31,182	17,512	33,687	17,294	7,610	-	7,373	3,809	118,467
Travel	2,687	525	185	442	77	3	318	65	4,303
Meetings	3,529	1,446	304	216	391	35	929	202	7,052
Insurance	1,102	1,639	882	551	331	-	220	220	4,946
Books / incentives	23,049	136,958	81,142	4,469	-	104	-	-	245,721
Supplies	6,964	21,175	5,523	779	404	-	413	196	35,454
Miscellaneous	518	1,349	1,281	4,068	7,721	-	865	154	15,956
	<u>\$ 474,008</u>	<u>\$ 349,544</u>	<u>\$ 191,080</u>	<u>\$ 125,502</u>	<u>\$ 97,859</u>	<u>\$ 18,770</u>	<u>\$ 149,251</u>	<u>\$ 113,536</u>	<u>\$ 1,519,550</u>

See accompanying notes to financial statements.



**Book Harvest**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 568,375	\$ 907,068
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	972	-
Return on beneficial interest in assets held by others	(26,116)	(33,873)
Donated assets	-	(265)
Forgiveness of debt	(163,385)	-
Changes in assets and liabilities:		
Promises to give	(49,963)	(50,094)
Accounts receivable	1,745	(5,200)
Book inventory	6,065	(16,127)
Security deposit	200	(200)
Accounts payable, accrued expenses and withholdings	21,140	(18,803)
Net cash provided by (used in) operating activities	359,033	782,506
Cash Flows From Investing Activities		
Transfer of assets to communitiy foundation	(311,000)	(89,310)
Proceeds from sale of investments	265	4,734
Cash paid for purchase of property and equipment	-	(399)
Net cash provided by (used in) investing activities	(310,735)	(84,975)
Cash Flows From Financing Activities		
Repayment of debt	(4,915)	-
Issuance of debt	167,547	168,300
Net cash provided by (used in) financing activities	162,632	168,300
Net increase (decrease) in cash and cash equivalents	210,930	865,831
Cash, cash equivalents and restricted cash at start of year	1,398,933	533,102
Cash, cash equivalents and restricted cash at end of year	\$ 1,609,863	\$ 1,398,933
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

See accompanying notes to financial statements.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

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, 2021, cash deposits totaling \$1,266,833 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.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Non-Cash Contributions

Donated books, property, marketable securities and other non-cash donations are recorded as contributions at their estimated fair value as of the date of donation.

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.

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.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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. The ASU is effective for annual periods beginning after December 15, 2021. Management is evaluating the impact the update will have on the Organization's financial statements.

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 \$100,000 each at December 31, 2021. Most of the balances are expected to be collected within one year of the statement of financial position date.

Note 4 - Lease Agreements

In the fall of 2020, the Organization agreed to lease space under two arrangements that expire in December 2023. Future minimum lease payments for years 2022 and 2023 are \$91,260 annually.

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 \$31,006 and \$21,284 for the years ended December 31, 2021 and 2020, respectively.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

**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 - Forgivable Loans / Subsequent Events**

In April 2020, the Organization received a forgivable loan of \$168,300 under the Paycheck Protection Program (PPP) implemented by the Small Business Administration (SBA) with support from the U.S. Department of the Treasury. Most of the loan was formally forgiven in June 2021 and taken into revenue in the following month. The remaining balance of \$4,915 was paid back in July 2021.

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

**Note 9 - 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 4,740 and 4,460 volunteer hours for the years ended December 31, 2021 and 2020, respectively.

**Note 10 - Conditional Grants**

Seven grantors have made funds available totaling \$1,017,000 based on the Organization's ability to perform specific services in years 2021 through 2023. No portion of this amount has been reflected as revenue or net assets in the accompanying financial statements.

**Book Harvest**  
**Notes to Financial Statements**  
December 31, 2021 and 2020

Note 11 - 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 12 - Restricted Net Assets

Restricted net assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Passage of time:		
Promises to give	\$ 160,000	\$ 114,538
Specific purpose:		
Early Literacy	350,000	500,000
Scholarships	227,440	-
Events	96,384	93,495
Parental Programs and Partnership Development	<u>-</u>	<u>75,000</u>
	<u>\$ 833,824</u>	<u>\$ 783,033</u>

Net assets released from restrictions were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of time restrictions	\$ 114,538	\$ 179,076
Satisfaction of purpose restrictions:		
Early Literacy	250,000	-
Events	93,495	-
Parental Programs and Partnership Development	<u>75,000</u>	<u>-</u>
	<u>\$ 533,033</u>	<u>\$ 179,076</u>

Note 13 - Concentrations

The Organization received 31% of its revenue from one source in 2020. 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, 2021 and 2020

Note 14 - Subsequent Events

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of December 31, 2021 through April 4, 2022, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

Note 15 - 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:

	2021	2020
Cash and cash equivalents	\$ 1,609,863	\$ 1,398,933
Investments	-	265
Promises to give	285,000	235,037
Accounts receivable	6,494	8,239
Beneficial interest in assets held by others	691,399	354,283
Total financial assets	2,592,756	1,996,757
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	833,824	783,033
Less net assets with time restrictions to be met in less than a year	(160,000)	(114,538)
Board-designated operating reserve	1,019,987	680,686
	1,703,811	1,359,181
Financial assets available to meet general expenditures over the next twelve months	\$ 888,945	\$ 637,576

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds. At December 31, 2021, the money market balance was \$578,588. This balance may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. Additionally, the operating reserve consists of amounts held at the Triangle Community Foundation, as discussed in more detail in Note 7.