

KRAMDEN INSTITUTE, INC.

FINANCIAL REPORT

DECEMBER 31, 2020 and 2019

C O N T E N T S

| | Page |
|--|------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| Statements of financial position | 3 |
| Statements of activities and changes in net assets | 4 |
| Statements of cash flows | 5 |
| Statement of functional expenses – December 31, 2020 | 6 |
| Statement of functional expenses – December 31, 2019 | 7 |
| Notes to financial statements | 8-16 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kramden Institute, Inc.
4915 Prospectus Drive, Suite J
Durham, NC 27713

We have audited the accompanying statement of financial position of Kramden Institute, Inc. (a nonprofit organization), as of December 31, 2020 and the related statements of activities, cash flows, functional expenses and related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kramden Institute, Inc., as of December 31, 2020, 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.

Adoption of New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Effective, January 1, 2020, Kramden Institute, Inc. adopted this standard. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Kramden Institute, Inc.'s 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 27, 2021

KRAMDEN INSTITUTE, INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

ASSETS

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Current Assets | | |
| Cash and Cash Equivalents | \$ 895,610 | \$ 498,075 |
| Cash and Cash Equivalents - Restricted | 48,688 | 70,000 |
| Inventory | 361,690 | 385,115 |
| Investments | 5,103 | 3,723 |
| Unconditional Promises to Give, Net | 42,538 | - |
| Donations - Receivable | 45,930 | 16,830 |
| Grants Receivable - Restricted | 20,000 | 65,000 |
| Total Current Assets | 1,419,559 | 1,038,743 |
| Property and Equipment, Net | 49,163 | 46,060 |
| Other Assets | | |
| Security Deposits | 11,485 | 11,485 |
| Total Other Assets | 11,485 | 11,485 |
| TOTAL ASSETS | \$ 1,480,207 | \$ 1,096,288 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| Current Liabilities | | |
| Credit Cards Payable | \$ 6,319 | \$ 4,106 |
| Accrued Expenses | 23,542 | 24,395 |
| Total Current Liabilities | 29,861 | 28,501 |
| Total Liabilities | 29,861 | 28,501 |
| Net Assets | | |
| Without Donor Restrictions | 1,339,120 | 932,787 |
| With Donor Restrictions | 111,226 | 135,000 |
| Total Net Assets | 1,450,346 | 1,067,787 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,480,207 | \$ 1,096,288 |

See Accompanying Notes and Independent Auditors' Report

KRAMDEN INSTITUTE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2020 Totals</u> | <u>2019 Totals</u> |
|---------------------------------------|---------------------------------------|------------------------------------|------------------------|------------------------|
| REVENUES | | | | |
| Contributions - Cash | \$ 340,253 | \$ 113,688 | \$ 453,941 | \$ 357,484 |
| Contributions - In-kind | 535,088 | - | 535,088 | 725,430 |
| Program Related Sales | 953,905 | - | 953,905 | 935,394 |
| Net Investment Return | 4,576 | - | 4,576 | 1,051 |
| Other Income | 119,602 | - | 119,602 | 3,645 |
| Total Revenue and Support | <u>1,953,424</u> | <u>113,688</u> | <u>2,067,112</u> | <u>2,023,004</u> |
| Net Assets Released from Restrictions | <u>137,462</u> | <u>(137,462)</u> | <u>-</u> | <u>-</u> |
| EXPENSES | | | | |
| Program Services | 1,361,632 | - | 1,361,632 | 1,420,565 |
| Supporting Services | | | | |
| General and Administrative | 205,265 | - | 205,265 | 180,025 |
| Fund Raising Expenses | 87,656 | - | 87,656 | 68,330 |
| Total Expenses | <u>1,654,553</u> | <u>-</u> | <u>1,654,553</u> | <u>1,668,920</u> |
| Loss on Sale of Asset | <u>30,000</u> | <u>-</u> | <u>30,000</u> | <u>-</u> |
| Total Expenses and Losses | <u>1,684,553</u> | <u>-</u> | <u>1,684,553</u> | <u>1,668,920</u> |
| CHANGE IN NET ASSETS | <u>406,333</u> | <u>(23,774)</u> | <u>382,559</u> | <u>354,084</u> |
| NET ASSETS BEGINNING OF YEAR | <u>932,787</u> | <u>135,000</u> | <u>1,067,787</u> | <u>713,703</u> |
| NET ASSETS END OF YEAR | <u>\$ 1,339,120</u> | <u>\$ 111,226</u> | <u>\$ 1,450,346</u> | <u>\$ 1,067,787</u> |

See Accompanying Notes and Independent Auditors' Report.

KRAMDEN INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 and 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (Decrease) in Net Assets | \$ 382,559 | \$ 354,084 |
| Adjustments to Reconcile Increase (Decrease) in Net Assets To Cash Provided by Operating Activities | | |
| Donated Inventory | 23,425 | (133,597) |
| Depreciation | 12,309 | 12,030 |
| (Gain) Loss on Sale of Assets | 30,000 | - |
| Investment (Gain) Loss, Unrealized and Realized | (1,387) | 1,803 |
| Reinvested Dividends | 6 | (142) |
| (Increase) Decrease in Unconditional Promised to Give | (42,538) | 7,843 |
| (Increase) Decrease in Pledges Receivable | (29,100) | (9,344) |
| (Increase) Decrease in Grants Receivable | 45,000 | (65,000) |
| Increase (Decrease) in Credit Cards Payable | 2,213 | (1,995) |
| Increase (Decrease) in Accrued Expenses | (853) | 1,493 |
| | 421,634 | 167,175 |
| INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | (45,411) | (7,540) |
| | (45,411) | (7,540) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 376,223 | 159,635 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 568,075 | 408,440 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 944,298 | \$ 568,075 |
| RECONCILIATION OF CASH | | |
| Cash and cash equivalents | \$ 895,610 | \$ 498,075 |
| Cash and cash equivalents - Restricted | 48,688 | 70,000 |
| | \$ 944,298 | \$ 568,075 |

See Accompanying Notes and Independent Auditors' Report

KRAMDEN INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total</u> |
|-------------------------------------|-------------------------|-----------------------------------|----------------------------|---------------------|--------------|
| | <u>Tech Programs</u> | <u>General and Administrative</u> | <u>Fund Raising</u> | | |
| In-kind Computer Refurbish Supplies | \$ 558,512 | \$ - | \$ - | \$ 558,512 | |
| Wages | 457,876 | 82,182 | 46,962 | 587,020 | |
| Office Lease | 133,866 | 8,826 | 4,413 | 147,105 | |
| Taxes - Payroll | 35,585 | 6,387 | 3,650 | 45,622 | |
| Volunteer Event Support | 2,590 | - | - | 2,590 | |
| Employee Benefits | 29,536 | 5,300 | 3,029 | 37,865 | |
| Computer Refurbish Supplies | 36,529 | - | - | 36,529 | |
| Postage, Shipping and Delivery | 22,810 | 5,702 | - | 28,512 | |
| Training | 5,874 | - | - | 5,874 | |
| Bank Fees | - | 48,875 | - | 48,875 | |
| Depreciation Expense | - | 12,309 | - | 12,309 | |
| Travel and Meeting Expenses | 2,348 | 587 | - | 2,935 | |
| Computer Distribution | 1,054 | - | - | 1,054 | |
| Utilities | 10,250 | 675 | 338 | 11,263 | |
| Retirement Expense | 10,433 | 1,873 | 1,070 | 13,376 | |
| Professional Services | - | 10,800 | - | 10,800 | |
| Insurance | - | 11,421 | - | 11,421 | |
| Miscellaneous | 27,276 | - | - | 27,276 | |
| Advertising | 6,780 | - | - | 6,780 | |
| Telephone | - | 3,761 | - | 3,761 | |
| Supplies | 13,842 | - | - | 13,842 | |
| Equipment Rental & Maintenance | 1,826 | - | - | 1,826 | |
| Dues | - | 1,899 | - | 1,899 | |
| Volunteer Appreciation | 706 | - | - | 706 | |
| Internet and Software | 2,398 | 2,399 | - | 4,797 | |
| Other Payroll Expenses | - | 1,922 | - | 1,922 | |
| Printing and Copying | 371 | - | - | 371 | |
| Board Meeting Expenses | - | 55 | - | 55 | |
| Small Equipment | 1,170 | 292 | - | 1,462 | |
| Fundraising Expense | - | - | 28,194 | 28,194 | |
| TOTAL | <u>\$ 1,361,632</u> | <u>\$ 205,265</u> | <u>\$ 87,656</u> | <u>\$ 1,654,553</u> | |

See Accompanying Notes and Independent Auditors' Report.

KRAMDEN INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total</u> |
|-------------------------------------|-------------------------|-----------------------------------|----------------------------|---------------------|--------------|
| | <u>Tech Programs</u> | <u>General and Administrative</u> | <u>Fund Raising</u> | | |
| In-Kind Computer Refurbish Supplies | \$ 591,832 | \$ - | \$ - | \$ 591,832 | |
| Wages | 414,130 | 74,330 | 42,475 | 530,935 | |
| Office Lease | 121,770 | 8,029 | 4,014 | 133,813 | |
| Taxes - Payroll | 32,686 | 5,867 | 3,352 | 41,905 | |
| Volunteer Event Support | 33,422 | - | - | 33,422 | |
| Employee Benefits | 25,380 | 4,554 | 2,603 | 32,537 | |
| Computer Refurbish Supplies | 53,915 | - | - | 53,915 | |
| Postage, Shipping and Delivery | 25,966 | 6,491 | - | 32,457 | |
| Training | 22,733 | - | - | 22,733 | |
| Bank Fees | - | 25,235 | - | 25,235 | |
| Depreciation Expense | - | 12,030 | - | 12,030 | |
| Travel and Meeting Expenses | 14,353 | 3,588 | - | 17,941 | |
| Utilities | 12,579 | 828 | 415 | 13,822 | |
| Retirement Expense | 9,252 | 1,661 | 949 | 11,862 | |
| Professional Services | - | 9,500 | - | 9,500 | |
| Insurance | - | 8,326 | - | 8,326 | |
| Miscellaneous | 8,644 | - | - | 8,644 | |
| Advertising | 4,342 | - | - | 4,342 | |
| Telephone | - | 3,863 | - | 3,863 | |
| Supplies | 10,376 | - | - | 10,376 | |
| Equipment Rental & Maintenance | 1,350 | - | - | 1,350 | |
| Dues | - | 2,610 | - | 2,610 | |
| Volunteer Appreciation | 1,882 | - | - | 1,882 | |
| Internet and Software | 1,816 | 1,817 | - | 3,633 | |
| Other Payroll Expenses | - | 1,634 | - | 1,634 | |
| Printing and Copying | 1,137 | - | - | 1,137 | |
| Board Meeting Expenses | - | 1,412 | - | 1,412 | |
| Small Equipment | 33,000 | 8,250 | - | 41,250 | |
| Fundraising Expense | - | - | 14,522 | 14,522 | |
| TOTAL | \$ 1,420,565 | \$ 180,025 | \$ 68,330 | \$ 1,668,920 | |

See Accompanying Notes and Independent Auditors' Report.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Kramden Institute, Inc. (“the Entity” or “the Institute”) is a not-for-profit organization whose mission is to provide technology tools and training to bridge the digital divide. The Institute does this by collecting, refurbishing and reusing computers, extending their useful lives while providing digital inclusion programming to low-income individuals and communities. The Entity was founded in November 2003 and is located in Durham, North Carolina.

The Entity receives its funding from a variety of sources including grants and donations.

Basis of Accounting

The financial statements for the Entity have been prepared on the accrual basis of accounting; whereby, income is recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Entity follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, “Not-for-Profit Entities.” Under FASB ASC 958, the Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As permitted by the statement, the Entity does not use fund accounting.

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 Entity. These net assets may be used at the discretion of the Entity’s management and board of directors.

Net Assets With Donor Restrictions – Net assets subject stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature: those restrictions will be met by actions of the Entity, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Support

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature 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, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Program related sales consist of revenue received from the sale of donated surplus items. Revenue is earned and recognized at the time of sale.

Investments

Investments consist of equity securities. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quotations for identical investments.

Inventory

Inventories consist of donated computer equipment and parts. Donated inventory is recorded at fair value on the date of donation using a base line valuation adjusted up or down according to average sales prices.

Property and Equipment

It is the Entity's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Entity reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Entity reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line or accelerated method over estimated useful lives of five to thirty-nine years.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Materials, Equipment and Services

Donated materials and equipment are recorded as contributions at their estimated fair market values at the date of receipt. No amounts are recorded for donated services, inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Entity's program services, fund-raising campaigns and management.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

| <u>Expenses</u> | <u>Method of Allocation</u> |
|--------------------------------|-----------------------------|
| Salaries and benefits | Time and effort |
| Office lease | Square footage occupied |
| Postage, shipping and delivery | Time and effort |
| Utilities | Square footage occupied |

Income Taxes

The Entity is a not-for-profit organization that is exempt from income taxes under Section 501(c) 3 of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Advertising

Costs associated with advertising are charged to expense as incurred. Advertising expenses were \$6,780 and \$5,574, for the years ended December 31, 2020 and 2019, respectively

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Entity considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donations Receivable

Donations receivable reflect unconditional promises to give which are expected to be received within 12 months. The Entity believes the receivables are fully collectible and, as such, has not provided an allowance for uncollectible accounts.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*, which amends the guidance in ASC 605, *Revenue Recognition*. The core principle of this new standard is to recognize revenue when control of the promised goods or services is transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. ASC 606 also requires additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new standard had no impact on the Entity's financial statement for the year ended December 31, 2020.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

| Financial assets at year-end: | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Cash and cash equivalents | \$ 944,298 | \$ 568,075 |
| Investments | 5,103 | 3,723 |
| Unconditional promises to give | 42,538 | - |
| Donations and grants receivables | <u>65,930</u> | <u>81,830</u> |
| Total financial assets | <u>1,057,869</u> | <u>653,628</u> |
| Less amounts not available to be used within one year: | | |
| Unconditional promises to give | <u>42,538</u> | <u>-</u> |
| Financial assets available to meet general and program expenditures within one year | <u>\$ 1,015,331</u> | <u>\$ 653,628</u> |

The Entity has certain donor-restricted assets limited to use which are designated for future education and program expenditures. These assets limited to use are more fully described in Note 3 and are not available for general expenditure within the next year but are available for program expenditure within the next year. As part of the Entity's liquidity management plan, excess cash is invested in short-term investments, including money market accounts.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes, as of December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Education/Digital Literacy | \$ 20,000 | \$ 60,000 |
| Unconditional promise to give – Tech Scholars | 42,538 | - |
| Box Truck | - | 40,000 |
| Camps | 25,000 | - |
| Game Design Lab | - | 10,000 |
| Tech Scholars Program | 20,000 | 10,000 |
| Digital Inclusion | 3,688 | - |
| Tech Events | - | 15,000 |
| | <u>\$ 111,226</u> | <u>\$ 135,000</u> |

Net assets released from net assets with donor restrictions, for the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|-------------------|-----------------|
| Education/Digital Literacy | \$ 60,000 | \$ - |
| Box Truck | 40,000 | - |
| Game Design Lab | 10,000 | - |
| Tech Scholars Program | 12,462 | 7,843 |
| Tech Events | 15,000 | - |
| | <u>\$ 137,462</u> | <u>\$ 7,843</u> |

In 2020, contributions of \$1,312 for digital inclusion and \$103,000 for Tech Scholars Program were received and spent in the same year and are shown on the Statement of Activities as revenue without donor restrictions.

In 2019, contributions of \$5,000 for digital literacy, \$35,750 for Tech Scholars Program, \$6,000 for Tech Trailblazers Program and \$23,450 for Tech Events were received and spent in the same year and are shown on the Statement of Activities as revenue without donor restrictions.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 4 – INVESTMENTS

The Entity's investments, as of December 31, 2020 and 2019, consist of unrestricted stocks and are recorded at market value and are summarized as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|-----------------|-----------------|
| Cost | <u>\$ 4,109</u> | <u>\$ 4,013</u> |
| Fair Market Value | <u>\$ 5,103</u> | <u>\$ 3,723</u> |

The Entity adopted FASB ASC 820-10 for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820-10 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets.

Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

The investments in stocks are measured at fair value on a recurring basis and are Level 1.

NOTE 5 – RESTRICTED CASH AND GRANTS RECEIVABLE

Restricted cash consists of funds that have donor or contractual restrictions for specific purposes that will be met in the next year. Restricted cash is reflected in net assets with donor restrictions.

Restricted grants receivable consists of grants that have been awarded but not received that are restricted for specific purposes that will be met in the next year. Restricted grants receivable is reflected in net assets with donor restrictions.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 6 – PROMISES TO GIVE

An unconditional promise to give is a promise to give that depends only on the passage of time or demand by the promisee for performance. The fair value of unconditional promises to give is measured on a nonrecurring basis using an income approach with estimates of future cash flows and based on previous experience (level 3 inputs).

At December 31, 2020 and 2019, the Entity had an uncollateralized unconditional promise to give from one company as follows:

Promises to give expected to be collected in:

| | <u>2020</u> | <u>2019</u> |
|---------------------|------------------|-------------|
| One to five years | \$ 45,000 | \$ - |
| Discount on promise | <u>(2,462)</u> | <u>-</u> |
| | <u>\$ 42,538</u> | <u>\$ -</u> |

Unconditional promises to give, due in more than one year, are recognized at fair value using present value techniques and a discount rate of 3.25%. Management believes that all unconditional promises to give are fully collectible; therefore, no allowance for doubtful accounts was recorded, as of December 31, 2020.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|------------------|------------------|
| Furniture, Fixtures and Equipment | \$ 20,049 | \$ 20,049 |
| Leasehold Improvements | 27,505 | 27,505 |
| Vehicles | 85,174 | 39,764 |
| Software | <u>-</u> | <u>30,000</u> |
| | 132,728 | 117,318 |
| Accumulated Depreciation | <u>(83,565)</u> | <u>(71,258)</u> |
| | <u>\$ 49,163</u> | <u>\$ 46,060</u> |

The depreciation expense, for the years ended December 31, 2020 and 2019, was \$12,309 and \$12,030, respectively.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 8 – CONCENTRATIONS

The Entity maintains its cash account in North Carolina commercial banks and a credit union. Interest bearing accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) and at the credit union by the National Credit Union Association (NCUA) up to \$250,000, per bank or credit union. Noninterest bearing accounts are completely insured. Amounts on deposit at a credit union exceed the NCUA insured amounts by \$674,176 in 2020 and \$322,413 in 2019.

NOTE 9 – LEASE AGREEMENT

The Entity has a non-cancelable operating lease for its facility that expired February 28, 2019. The lease was renewed in July 2019 with an expiration date of September 30, 2022. Monthly basic rent payments range from \$9,602 to \$10,183 over the lease term. In addition to the facility rent, the Entity is assessed an amount for general overhead expenses which it pays on a pro-rata basis with the lease payment. The assessment is adjusted periodically based on the actual expense incurred by the landlord. In 2021, the lease was terminated with an effective termination date of May 31, 2021 (See Note 15). The total rent expense and overhead expenses under their lease, for the years ended December 31, 2020 and 2019, was \$147,105 and \$133,813, respectively.

Future minimum lease payments under the noncancelable operating lease are as follows:

2021 \$ 67,683

NOTE 10 – RETIREMENT PLAN

The Entity has established a simple IRA plan covering eligible employees. The Entity makes matching contributions up to 3% of the qualified employee's compensation. The retirement expense for 2020 and 2019 was \$13,376 and \$11,862, respectively.

NOTE 11 – COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Entity's financial statements, for the year ended December 31, 2019, from which the summarized information was derived.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 and 2019

NOTE 12 – DONATED SERVICES AND MATERIALS

The value of donated materials is determined based upon the resale value of comparable used equipment. For the year ended December 31, 2020 and 2019, donated materials totaled \$535,088 and \$725,430, respectively.

A substantial number of volunteers donate significant amounts of their time in the Entity's program services. These donated hours are a necessary part of the Entity's activities since its services could not be sustained without such support. The services contributed do not enhance nonfinancial assets or require specialized skills; therefore, no dollar amounts have been reflected in the accompanying financial statements for these services.

NOTE 13 – INCOME TAXES

The Entity has open tax years with both the Internal Revenue Service and the North Carolina Department of Revenue from 2017 through 2020.

NOTE 14 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact financial performance. Other financial impacts could occur though such potential impact is unknown at this time.

NOTE 15 – MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through April 27, 2021, which is the date the financial statements were available to be issued.

In February 2021, the Entity purchased a building for \$1,850,000 and terminated their current office lease effective May 31, 2021. As part of the lease termination agreement, the entity incurred a termination fee of \$4,574.