

**KRAMDEN INSTITUTE, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2021 and 2020**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Kramden Institute, Inc.  
Durham, North Carolina

### **Opinion**

We have audited the accompanying financial statements of Kramden Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, cash flows, functional expenses and related notes to the financial statements for the year then ended.

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, 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kramden Institute, Inc. 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 Kramden Institute, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 Kramden Institute, Inc.'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 Kramden Institute, Inc.'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.

## **Report on Summarized Comparative Information**

We have previously audited Kramden Institute, Inc.'s 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2020, 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  
May 10, 2022

**KRAMDEN INSTITUTE, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 and 2020**

**ASSETS**

	<b>2021</b>	<b>2020</b>
Current Assets		
Cash and Cash Equivalents	\$ 868,408	\$ 895,610
Cash and Cash Equivalents - Restricted	47,950	48,688
Investments	4,860	5,103
Unconditional Promises to Give, Net	189,347	42,538
Donations - Receivable	7,997	45,930
Grants Receivable - Restricted	42,500	20,000
Inventory	1,187,778	361,690
Total Current Assets	2,348,840	1,419,559
Property and Equipment, Net	2,388,773	49,163
Other Assets		
Security Deposits	-	11,485
Total Other Assets	-	11,485
<b>TOTAL ASSETS</b>	<b>\$ 4,737,613</b>	<b>\$ 1,480,207</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Credit Cards Payable	\$ -	\$ 6,319
Accrued Expenses	17,431	23,542
Refundable Advance	80,000	-
Current Portion of Long-Term Debt	35,292	-
Total Current Liabilities	132,723	29,861
Long-term Debt		
Note Payable	1,325,808	-
Total Liabilities	1,458,531	29,861
Net Assets		
Without Donor Restrictions	2,939,286	1,339,120
With Donor Restrictions	339,796	111,226
Total Net Assets	3,279,082	1,450,346
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,737,613</b>	<b>\$ 1,480,207</b>

See Accompanying Notes and Independent Auditors' Report

**KRAMDEN INSTITUTE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
<b>REVENUES</b>				
Contributions - Cash	\$ 899,195	\$ 314,178	\$ 1,213,373	\$ 453,941
Contributions - In-kind	1,256,899	-	1,256,899	535,088
Program Related Sales	930,932	-	930,932	953,905
Net Investment Return	1,007	-	1,007	4,576
Other Income	5,683	-	5,683	119,602
Total Revenue and Support	<u>3,093,716</u>	<u>314,178</u>	<u>3,407,894</u>	<u>2,067,112</u>
Net Assets Released from Restrictions	<u>85,608</u>	<u>(85,608)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program Services	1,158,493	-	1,158,493	1,361,632
Supporting Services				
General and Administrative	321,163	-	321,163	205,265
Fund Raising Expenses	99,502	-	99,502	87,656
Total Expenses	<u>1,579,158</u>	<u>-</u>	<u>1,579,158</u>	<u>1,654,553</u>
Loss on Sale of Asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total Expenses and Losses	<u>1,579,158</u>	<u>-</u>	<u>1,579,158</u>	<u>1,684,553</u>
CHANGE IN NET ASSETS	<u>1,600,166</u>	<u>228,570</u>	<u>1,828,736</u>	<u>382,559</u>
NET ASSETS BEGINNING OF YEAR	<u>1,339,120</u>	<u>111,226</u>	<u>1,450,346</u>	<u>1,067,787</u>
NET ASSETS END OF YEAR	<u>\$ 2,939,286</u>	<u>\$ 339,796</u>	<u>\$ 3,279,082</u>	<u>\$ 1,450,346</u>

See Accompanying Notes and Independent Auditors' Report.

**KRAMDEN INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 1,828,736	\$ 382,559
Adjustments to Reconcile Increase (Decrease) in Net Assets To Cash Provided by Operating Activities		
Donated Inventory	(826,088)	23,425
Depreciation	43,302	12,309
(Gain) Loss on Sale of Assets	-	30,000
Investment (Gain) Loss, Unrealized and Realized	242	(1,387)
Reinvested Dividends	-	6
(Increase) Decrease in Unconditional Promised to Give	(146,809)	(42,538)
(Increase) Decrease in Pledges Receivable	37,933	(29,100)
(Increase) Decrease in Grants Receivable	(22,500)	45,000
Decrease in Security Deposit	11,485	-
Increase in Refundable Advance	80,000	-
Increase (Decrease) in Credit Cards Payable	(6,319)	2,213
Increase (Decrease) in Accrued Expenses	(6,111)	(853)
	<b>993,871</b>	<b>421,634</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(995,411)	(45,411)
	<b>(995,411)</b>	<b>(45,411)</b>
<b>FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(26,400)	(45,411)
	<b>(26,400)</b>	<b>(45,411)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(27,940)</b>	<b>376,223</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>944,298</b>	<b>568,075</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 916,358</b>	<b>\$ 944,298</b>
<b>RECONCILIATION OF CASH</b>		
Cash and cash equivalents	\$ 868,408	\$ 895,610
Cash and cash equivalents - Restricted	47,950	48,688
	<b>\$ 916,358</b>	<b>\$ 944,298</b>

**See Accompanying Notes and Independent Auditors' Report**

**KRAMDEN INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<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	\$ 430,812	\$ -	\$ -	\$ 430,812	
Wages	464,148	83,307	47,605	595,060	
Office Lease	56,971	3,756	1,878	62,605	
Taxes - Payroll	36,910	6,625	3,786	47,321	
Volunteer Event Support	2,158	-	-	2,158	
Employee Benefits	31,098	5,581	3,189	39,868	
Computer Refurbish Supplies	12,481	-	-	12,481	
Postage, Shipping and Delivery	15,206	3,802	-	19,008	
Training	4,554	-	-	4,554	
Bank Fees	-	30,815	-	30,815	
Depreciation Expense	-	43,302	-	43,302	
Travel and Meeting Expenses	3,858	964	-	4,822	
Utilities	12,653	833	417	13,903	
Retirement Expense	10,477	1,880	1,075	13,432	
Professional Services	-	43,932	-	43,932	
Insurance	-	17,371	-	17,371	
Interest Expense	-	38,139	-	38,139	
Property Taxes	-	19,853	-	19,853	
Miscellaneous	32,393	-	-	32,393	
Advertising	3,391	-	-	3,391	
Telephone	-	4,093	-	4,093	
Supplies	11,660	-	-	11,660	
Equipment Rental & Maintenance	1,552	-	-	1,552	
Dues	-	2,425	-	2,425	
Volunteer Appreciation	1,468	-	-	1,468	
Internet and Software	8,456	8,456	-	16,912	
Other Payroll Expenses	-	3,238	-	3,238	
Printing and Copying	964	-	-	964	
Board Meeting Expenses	-	345	-	345	
Small Equipment	9,783	2,446	-	12,229	
Fundraising Expense	-	-	41,552	41,552	
Bad Debt Expense	7,500	-	-	7,500	
<b>TOTAL</b>	<u>\$ 1,158,493</u>	<u>\$ 321,163</u>	<u>\$ 99,502</u>	<u>\$ 1,579,158</u>	

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	
<b>TOTAL</b>	<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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

**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.

Cash, Cash Equivalents and Restricted Cash

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.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

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.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Entity determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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, 2021 and 2020**

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

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

The Entity reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

**KRAMDEN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

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

Revenue and Revenue Recognition

Revenue is recognized from the sale of donated surplus equipment when the sale is complete. Special events revenue is recorded equal to the fair value of direct benefits to donors, and contribution revenue for the difference. With the exception of training programs that span several months, which are transferred over the period of class enrollment, all services are transferred at a point in time.

The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at December 31, 2021, contributions approximating \$80,000, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The total conditional contributions, depend on computer distribution levels in specific years and other conditions.

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.

Advertising

Costs associated with advertising are charged to expense as incurred. Advertising expenses were \$3,391 and \$6,780, for the years ended December 31, 2021 and 2020, respectively.

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

**KRAMDEN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

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

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.

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.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The table below represents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

Financial assets at year-end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 916,358	\$ 944,298
Investments	4,860	5,103
Unconditional promises to give	189,347	42,538
Donations and grants receivables	<u>50,497</u>	<u>65,930</u>
Total financial assets	<u>1,161,062</u>	<u>1,057,869</u>
Less amounts not available to be used within one year:		
Unconditional promises to give	<u>189,347</u>	<u>42,538</u>
Financial assets available to meet general and program expenditures within one year	<u>\$ 971,715</u>	<u>\$ 1,015,331</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, 2021 and 2020**

**NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes, as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Education/Digital Literacy	\$ 55,000	\$ 20,000
Unconditional promise to give – Tech Scholars	25,619	42,538
Unconditional promises to give – Capital Campaign	163,728	-
Camps	-	25,000
TTB & STEAM Explorations	17,949	-
Internship/Northstar	35,000	-
TCF	12,500	-
Tech Scholars Program	-	20,000
Digital Inclusion	5,000	3,688
Tech Events	<u>25,000</u>	<u>-</u>
	<u>\$ 339,796</u>	<u>\$ 111,226</u>

Net assets released from net assets with donor restrictions, for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions Met:		
Education/Digital Literacy	\$ 20,000	\$ 60,000
Camps	25,000	-
Box Truck	-	40,000
Game Design Lab	-	10,000
Tech Scholars Program	36,920	12,462
Digital Inclusion	3,688	-
Tech Events	<u>-</u>	<u>15,000</u>
	<u>\$ 85,608</u>	<u>\$ 137,462</u>

In 2021, contributions of \$753,453 for multiple programs were received and spent in the same year and are shown on the Statement of Activities as revenue without donor restrictions.

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.

**KRAMDEN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 and 2020**

**NOTE 4 – INVESTMENTS**

The Entity's investments, as of December 31, 2021 and 2020, consist of unrestricted stocks and are recorded at market value and are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cost	<u>\$ 4,109</u>	<u>\$ 4,109</u>
Fair Market Value	<u>\$ 4,860</u>	<u>\$ 5,103</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 GRANTS RECEIVABLE**

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, 2021 and 2020**

**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, 2021 and 2020, the Entity had an uncollateralized unconditional promise to give from one company as follows:

Promises to give expected to be collected in:

	<u>2021</u>	<u>2020</u>
One to five years	\$ 194,125	\$ 45,000
Discount on promise	<u>(4,778)</u>	<u>(2,462)</u>
	<u>\$ 189,347</u>	<u>\$ 42,538</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 3.5% and 3.25% as of December 31, 2021 and 2020, respectively. Management believes that all unconditional promises to give are fully collectible; therefore, no allowance for doubtful accounts was recorded, as of December 31, 2021 and 2020.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture, Fixtures and Equipment	\$ 41,479	\$ 20,049
Land	522,850	-
Building	1,344,472	-
Building Improvements	494,159	-
Leasehold Improvements	-	27,505
Vehicles	<u>85,174</u>	<u>85,174</u>
	2,488,134	132,728
Accumulated Depreciation	<u>(99,361)</u>	<u>(83,565)</u>
	<u>\$2,388,773</u>	<u>\$ 49,163</u>

The depreciation expense, for the years ended December 31, 2021 and 2020, was \$43,302 and \$12,309, respectively.



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**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 \$620,609 in 2021 and \$674,176 in 2020.

**NOTE 9 - NOTE PAYABLE**

Note payable at December 31, 2021 consisted of the following:

	<u>2021</u>
Note payable to Coastal Federal Credit Union, with 60 monthly payments of principal and interest of \$9,074 beginning April 1, 2021 and one final payment due on March 1, 2026. The note is secured by the land and building and carries an interest rate of 3.5%.	<u>\$ 1,361,100</u>
Less current portion	<u>(35,292)</u>
	<u>\$ 1,325,808</u>

Future maturities of long-term debt are as follows:

2022	\$ 35,292
2023	37,585
2024	38,921
2025	40,306
2026	<u>1,208,996</u>
	<u>\$ 1,361,100</u>

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**NOTE 10 – LEASE AGREEMENT**

The Entity had 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. The total rent expense and overhead expenses under their lease, for the years ended December 31, 2021 and 2020, was \$62,605 and \$147,105, respectively.

**NOTE 11 – 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 2021 and 2020 was \$13,432 and \$13,376, respectively.

**NOTE 12 – 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, 2020, from which the summarized information was derived.

**NOTE 13 – 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, 2021 and 2020, donated materials totaled \$1,256,899 and \$535,088, 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 14 – INCOME TAXES**

The Entity has open tax years with both the Internal Revenue Service and the North Carolina Department of Revenue from 2018 through 2021.

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**NOTE 15 – 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 16 – MANAGEMENT’S REVIEW AND SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 10, 2022, which is the date the financial statements were available to be issued.