

**KRAMDEN INSTITUTE, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2022 and 2021**

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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, 2022 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, 2022, 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 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2021, 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  
December 20, 2023

**KRAMDEN INSTITUTE, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 and 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
Current Assets		
Cash and Cash Equivalents	\$ 765,711	\$ 868,408
Cash and Cash Equivalents - Restricted	40,000	47,950
Investments	605,070	4,860
Unconditional Promises to Give, Net	54,336	108,626
Donations - Receivable	14,450	7,997
Grants Receivable - Restricted	36,000	42,500
Inventory	595,124	1,187,778
Total Current Assets	2,110,691	2,268,119
Property and Equipment, Net	2,461,330	2,388,773
Other Assets		
Long-term unconditional promises to give, net	30,382	80,721
Total Other Assets	30,382	80,721
<b>TOTAL ASSETS</b>	<b>\$ 4,602,403</b>	<b>\$ 4,737,613</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accounts Payable	\$ 2,876	\$ -
Accrued Expenses	17,824	17,431
Refundable Advance	40,000	80,000
Current Portion of Long-Term Debt	37,585	35,292
Total Current Liabilities	98,285	132,723
Long-term Debt		
Note Payable	1,300,806	1,325,808
Total Liabilities	1,399,091	1,458,531
Net Assets		
Without Donor Restrictions	3,082,594	2,939,286
With Donor Restrictions	120,718	339,796
Total Net Assets	3,203,312	3,279,082
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,602,403</b>	<b>\$ 4,737,613</b>

See Accompanying Notes and Independent Auditors' Report

**KRAMDEN INSTITUTE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS**  
**FOR THE YEAR ENDED 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
<b>REVENUES</b>				
Contributions - Cash	\$ 559,465	\$ 36,000	\$ 595,465	\$ 1,213,373
Contributions - In-kind	700,055	-	700,055	1,256,899
Program Related Sales	1,254,901	-	1,254,901	930,932
Net Investment Return	3,476	-	3,476	1,007
Other Income	30,988	-	30,988	5,683
Total Revenue and Support	<u>2,548,885</u>	<u>36,000</u>	<u>2,584,885</u>	<u>3,407,894</u>
Net Assets Released from Restrictions	<u>255,078</u>	<u>(255,078)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program Services	2,239,163	-	2,239,163	1,158,493
Supporting Services				
General and Administrative	341,012	-	341,012	321,163
Fund Raising Expenses	95,480	-	95,480	99,502
Total Expenses	<u>2,675,655</u>	<u>-</u>	<u>2,675,655</u>	<u>1,579,158</u>
<b>OTHER REVENUE (EXPENSES)</b>				
Gain on Sale of Asset	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>143,308</u>	<u>(219,078)</u>	<u>(75,770)</u>	<u>1,828,736</u>
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>2,939,286</u>	<u>339,796</u>	<u>3,279,082</u>	<u>1,450,346</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 3,082,594</u>	<u>\$ 120,718</u>	<u>\$ 3,203,312</u>	<u>\$ 3,279,082</u>

See Accompanying Notes and Independent Auditors' Report.

**KRAMDEN INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (75,770)	\$ 1,828,736
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Cash Provided by Operating Activities		
Donated Inventory	592,654	(826,088)
Depreciation	66,633	43,302
(Gain) Loss on Sale of Assets	(15,000)	-
Investment (Gain) Loss, Unrealized and Realized	(697)	242
(Increase) Decrease in Unconditional Promised to Give	104,629	(146,809)
(Increase) Decrease in Donations Receivable	(6,453)	37,933
(Increase) Decrease in Grants Receivable - Restricted	6,500	(22,500)
Decrease in Security Deposit	-	11,485
Increase in Refundable Advance	(40,000)	80,000
Increase (Decrease) in Accounts Payable	2,876	-
Increase (Decrease) in Credit Cards Payable	-	(6,319)
Increase (Decrease) in Accrued Expenses	393	(6,111)
	<b>635,765</b>	<b>993,871</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Proceeds from the sale of equipment	15,000	-
Purchase of Investments	(599,513)	-
Purchase of Property and Equipment	(139,190)	(995,411)
	<b>(723,703)</b>	<b>(995,411)</b>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(22,709)	(26,400)
	<b>(22,709)</b>	<b>(26,400)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(110,647)</b>	<b>(27,940)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>916,358</b>	<b>944,298</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 805,711</b>	<b>\$ 916,358</b>
<b>RECONCILIATION OF CASH</b>		
Cash and cash equivalents	\$ 765,711	\$ 868,408
Cash and cash equivalents - Restricted	40,000	47,950
	<b>\$ 805,711</b>	<b>\$ 916,358</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 47,205	\$ -

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

**KRAMDEN INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<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	\$ 1,292,710	\$ -	\$ -	\$ 1,292,710
Wages	623,862	111,974	63,986	799,822
Taxes - Payroll	48,089	8,631	4,932	61,652
Volunteer Event Support	8,206	-	-	8,206
Employee Benefits	38,892	6,981	3,988	49,861
Computer Refurbish Supplies	25,812	-	-	25,812
Postage, Shipping and Delivery	26,938	6,734	-	33,672
Training	25,705	-	-	25,705
Bank Fees	-	22,951	-	22,951
Depreciation Expense	-	66,633	-	66,633
Travel and Meeting Expenses	11,011	2,753	-	13,764
Computer Distribution	21,872	-	-	21,872
Utilities	13,032	858	430	14,320
Retirement Expense	12,134	2,178	1,244	15,556
Professional Services	-	22,973	-	22,973
Temporary Staff	24,900	-	-	24,900
Insurance	-	13,409	-	13,409
Interest Expense	-	47,205	-	47,205
Advertising	14,281	-	-	14,281
Telephone	-	4,102	-	4,102
Supplies	30,706	-	-	30,706
Equipment Rental & Maintenance	1,451	-	-	1,451
Dues	-	2,582	-	2,582
Volunteer Appreciation	1,638	-	-	1,638
Internet and Software	14,325	14,325	-	28,650
Other Payroll Expenses	-	5,908	-	5,908
Printing and Copying	2,434	-	-	2,434
Board Meeting Expenses	-	725	-	725
Small Equipment	359	90	-	449
Fundraising Expense	-	-	20,900	20,900
Bad Debt Expense	806	-	-	806
<b>TOTAL</b>	<b>\$ 2,239,163</b>	<b>\$ 341,012</b>	<b>\$ 95,480</b>	<b>\$ 2,675,655</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.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**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 or deferred revenue.

Investments

Investments consist of equity securities and certificates of deposit with original maturity dates over 90 days as described in Note 4. 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, 2022 and 2021**

**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, 2022 and 2021**

**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, 2022, contributions approximating \$40,000, 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 \$14,281 and \$3,391, for the years ended December 31, 2022 and 2021, 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, 2022 and 2021**

**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, 2022 and 2021:

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 805,711	\$ 916,358
Investments	605,070	4,860
Unconditional promises to give	84,718	189,347
Donations and grants receivables	<u>50,450</u>	<u>50,497</u>
Total financial assets	<u>1,545,949</u>	<u>1,161,062</u>
Less amounts not available to be used within one year:		
Contractual, donor-imposed or time restriction	<u>30,382</u>	<u>171,171</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,515,567</u>	<u>\$ 989,891</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 and a certificate of deposit.

**KRAMDEN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

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

Net assets with donor restrictions are available for the following purposes, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Education/Digital Literacy	\$ 36,000	\$ 55,000
Unconditional promise to give – Tech Scholars	16,619	25,619
Unconditional promises to give – Capital Campaign	68,099	163,728
TTB & STEAM Explorations	-	17,949
Internship/Northstar	-	35,000
TCF	-	12,500
Digital Inclusion	-	5,000
Tech Events	-	25,000
	<u>\$ 120,718</u>	<u>\$ 339,796</u>

Net assets released from net assets with donor restrictions, for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Met:		
Education/Digital Literacy	\$ 55,500	\$ 20,000
Tech Scholars Program	9,000	36,920
Capital Campaign	95,629	-
TTB & STEAM Explorations	17,949	25,000
Internship/Northstar	35,000	-
TCF – Education Programs	12,500	-
Digital Inclusion	5,000	3,688
Tech Events	25,000	-
	<u>\$ 255,078</u>	<u>\$ 85,608</u>

In 2022, contributions of \$57,150 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 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.

**KRAMDEN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

**NOTE 4 – INVESTMENTS**

The Entity's investments, as of December 31, 2022 consist of a certificate of deposit that is carried at cost plus accrued earnings which approximates fair value and unrestricted stocks. The maturity date of the certificate of deposit is April 6, 2023 at an interest rate of 1.00%. As of 2021, investments consist of unrestricted stocks and are recorded at market value and are summarized as follows:

	<u>2022</u>	<u>2021</u>
Cost	<u>\$ 603,622</u>	<u>\$ 4,109</u>
Fair Market Value	<u>\$ 605,070</u>	<u>\$ 4,860</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. The carrying value of investments in certificates of deposit, which consists of face value plus accrued earnings, approximates fair value based on current market rates for investments of similar size and remaining maturities, which represent Level II inputs.

**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.

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**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 promise 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, 2022 and 2021, the Entity had an uncollateralized unconditional promise to give from one company as follows:

Promises to give expected to be collected in:

	<u>2022</u>	<u>2021</u>
One to five years	\$ 89,625	\$ 194,125
Discount on promise	<u>(4,907)</u>	<u>(4,778)</u>
	<u>\$ 84,718</u>	<u>\$ 189,347</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% as of December 31, 2022 and 2021. Management believes that all unconditional promises to give are fully collectible; therefore, no allowance for doubtful accounts was recorded, as of December 31, 2022 and 2021.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture, Fixtures and Equipment	\$ 127,676	\$ 41,479
Land	522,850	522,850
Building	1,344,472	1,344,472
Building Improvements	497,153	494,159
Vehicles	<u>113,910</u>	<u>85,174</u>
	2,606,061	2,488,134
Accumulated Depreciation	<u>(144,731)</u>	<u>(99,361)</u>
	<u>\$2,461,330</u>	<u>\$2,388,773</u>

The depreciation expense, for the years ended December 31, 2022 and 2021, was \$66,633 and \$43,302, respectively.



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**NOTE 8 – CONCENTRATIONS**

The Entity maintains its cash and certificate of deposit accounts 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 \$1,174,591 in 2022 and \$620,609 in 2021.

**NOTE 9 - NOTE PAYABLE**

Note payable at December 31, 2022 consisted of the following:

	2022
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%.	\$ 1,338,391
Less current portion	(37,585)
	\$ 1,300,806

Future maturities of long-term debt are as follows:

2023	\$ 37,585
2024	38,921
2025	40,306
2026	1,221,579
	\$ 1,338,391

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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 ranged from \$9,602 to \$10,183 over the lease term. In addition to the facility rent, the Entity was assessed an amount for general overhead expenses which it paid on a pro-rata basis with the lease payment. The assessment was 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 year ended December 31, 2021, was \$62,605.

**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 2022 and 2021 was \$15,556 and \$13,432, 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, 2021, 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 as determined on the date of donation. For the year ended December 31, 2022 and 2021, donated materials totaled \$700,055 and \$1,256,899, 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 2019 through 2022.

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

Subsequent events were evaluated through December 20, 2023, which is the date the financial statements were available to be issued.