

KRAMDEN INSTITUTE
FINANCIAL REPORT
DECEMBER 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Kramden Institute, Inc. (a nonprofit organization) as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, cash flows, and related notes to the financial statements for the years 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.

Basis for Qualified Opinion on 2013 Financial Statements

The entity did not record the value of inventory. These values should be recorded in order to conform with accounting principles generally accepted in the United States of America. The entity did not take a physical inventory at December 31, 2013. We were unable to obtain sufficient appropriate audit evidence about inventory amounts or quantities by other auditing procedures.

Qualified Opinion on Summarized 2013 Financial Statements

We have previously audited Kramden Institute, Inc.'s 2013 financial statements, and we expressed a qualified opinion on those audited financial statements in our report dated September 5, 2014. In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Kramden Institute, Inc. as of December 31, 2013, 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.

Opinion on 2014 Financial Statements

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, 2014, 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.

Gospodarich & Decker, C.P.A., P.A.

August 19, 2015

KRAMDEN INSTITUTE, INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 and 2013

ASSETS

	2014	(Restated) 2013
Current Assets		
Cash and cash equivalents	\$ 253,212	\$ 221,301
Inventory	196,890	-
Investments	3,494	10,781
Donations - Receivable	61,105	42,419
Prepaid Expenses	9,041	-
Total Current Assets	523,742	274,501
Property and Equipment, Net	49,203	35,938
Other Assets		
Security Deposits	2,444	2,444
Total Other Assets	2,444	2,444
TOTAL ASSETS	\$ 575,389	\$ 312,883

LIABILITIES AND NET ASSETS

Current liabilities		
Credit Cards Payable	\$ 8,031	\$ 4,926
Accrued Expenses	16,366	10,034
Total Current Liabilities	24,397	14,960
Total Liabilities	24,397	14,960
Net Assets		
Temporarily Restricted Net Assets	6,667	-
Unrestricted Net Assets	544,325	297,923
Total Net Assets	550,992	297,923
TOTAL LIABILITIES AND NET ASSETS	\$ 575,389	\$ 312,883

See Accompanying Notes and Auditors' Report

KRAMDEN INSTITUTE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Totals</u>	<u>(Restated) 2013 Totals</u>
UNRESTRICTED NET ASSETS				
REVENUES				
Contributions - Cash	404,432	\$ 10,000	\$ 414,432	\$ 303,711
Contributions - In-kind	403,207	-	403,207	348,493
Program Related Sales	185,635	-	185,635	137,243
Interest and dividend income	331	-	331	218
Realized and unrealized gains/losses	(7,395)	-	(7,395)	734
Other Income	-	-	-	-
Other Program Related Service Fees	1,100	-	1,100	4,479
Total Revenue and Support	<u>987,310</u>	<u>10,000</u>	<u>997,310</u>	<u>794,878</u>
Net Assets Released from Restrictions	<u>3,333</u>	<u>(3,333)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program Services	642,667	-	642,667	569,749
Supporting Services				
General and Administrative	76,240	-	76,240	113,028
Fund Raising Expenses	25,334	-	25,334	51,053
Total Expenses	<u>744,241</u>	<u>-</u>	<u>744,241</u>	<u>733,830</u>
CHANGE IN NET ASSETS	<u>246,402</u>	<u>6,667</u>	<u>253,069</u>	<u>61,048</u>
NET ASSETS BEGINNING OF YEAR	<u>297,923</u>	<u>-</u>	<u>297,923</u>	<u>236,875</u>
NET ASSETS END OF YEAR	<u>\$ 544,325</u>	<u>\$ 6,667</u>	<u>\$ 550,992</u>	<u>\$ 297,923</u>

See Accompanying Notes and Auditors' Report.

KRAMDEN INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 and 2013

	2014	(Restated) 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 253,069	\$ 61,048
Adjustments to Reconcile Increase in Net Assets		
To Cash Provided by Operating Activities		
Donated Inventory	(196,890)	-
Depreciation	7,999	585
Investment gains, unrealized and realized	7,395	(734)
Reinvested dividends	(108)	-
(Increase)/Decrease in Pledges Receivable	(18,686)	(41,419)
(Increase)/Decrease in Prepaid Expenses	(9,041)	-
Increase/(Decrease) in Accounts Payable	-	-
Increase/(Decrease) in Credit Cards Payable	3,105	1,860
Increase/(Decrease) in Accrued Expenses	6,332	9,557
NET CASH PROVIDED BY OPERATING ACTIVITIES	53,175	30,897
INVESTING ACTIVITIES		
Purchase of Investments	-	(10,047)
Purchase of Property and Equipment	(21,264)	(36,523)
NET CASH USED BY INVESTING ACTIVITIES	(21,264)	(46,570)
INCREASE (DECREASE) IN CASH	31,911	(15,673)
CASH AT BEGINNING OF YEAR	221,301	236,974
CASH AT END OF YEAR	\$ 253,212	\$ 221,301

See Accompanying Notes and Auditors' Report

KRAMDEN INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Computer Refurbishing / Surplus Sales</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	
Advertising	\$ 5,065	\$ -	\$ -	\$ 5,065
Depreciation expense	-	7,999	-	7,999
Board meeting expenses	-	570	-	570
Computer refurbish supplies	49,059	-	-	49,059
In-kind computer refurbish supplies	206,317	-	-	206,317
Professional services	-	6,100	-	6,100
Equipment rental & maintenance	922	-	-	922
Postage, shipping and delivery	7,401	1,850	-	9,251
Printing and copying	784	-	-	784
Supplies	3,958	-	-	3,958
Computer distribution	644	-	-	644
Fundraising expense	-	-	1,453	1,453
Insurance	-	3,640	-	3,640
Dues	-	1,300	-	1,300
Training	3,716	-	-	3,716
Office lease	84,314	5,559	2,780	92,653
Volunteer appreciation	1,668	-	-	1,668
Volunteer event support	30,951	-	-	30,951
Travel and meeting expenses	9,321	2,330	-	11,651
Taxes - payroll	14,276	2,562	1,464	18,302
Employee benefits	10,428	1,872	1,070	13,370
Other payroll expenses	-	739	-	739
Temporary staff	15,459	-	-	15,459
Miscellaneous	8,603	-	-	8,603
Telephone	-	1,862	-	1,862
Bank Fees	-	6,618	-	6,618
Internet	651	649	-	1,300
Utilities	11,941	787	394	13,122
Wages	177,189	31,803	18,173	227,165
TOTAL	\$ 642,667	\$ 76,240	\$ 25,334	\$ 744,241

See Accompanying Notes and Auditors' Report.

KRAMDEN INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>(Restated) Total</u>
	<u>Computer Refurbishing / Surplus Sales</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	
Advertising	\$ 782	\$ -	\$ -	\$ 782
Depreciation expense	-	585	-	585
Board meeting expenses	-	410	-	410
Computer refurbish supplies	35,853	-	-	35,853
In-kind computer refurbish supplies	348,493	-	-	348,493
Professional services	-	5,145	-	5,145
Equipment rental & maintenance	1,001	-	-	1,001
Postage, shipping and delivery	6,511	1,629	-	8,140
Printing and copying	305	-	-	305
Supplies	1,013	-	-	1,013
Computer distribution	926	-	-	926
Fundraising expense	-	-	4,462	4,462
Insurance	-	2,155	-	2,155
Dues	-	1,090	-	1,090
Training	237	-	-	237
Office lease	23,590	15,727	-	39,317
Volunteer appreciation	1,129	-	-	1,129
Volunteer event support	20,812	-	-	20,812
Travel and meeting expenses	8,698	2,174	-	10,872
Taxes - payroll	8,030	5,954	3,709	17,693
Employee benefits	5,182	1,421	1,701	8,304
Other payroll expenses	-	709	-	709
Temporary staff	6,013	-	-	6,013
Miscellaneous	6,723	-	-	6,723
Telephone	-	1,728	-	1,728
Bank Fees	-	3,297	-	3,297
Internet	580	579	-	1,159
Utilities	5,626	3,751	-	9,377
Wages	88,245	66,674	41,181	196,100
TOTAL	<u>\$ 569,749</u>	<u>\$ 113,028</u>	<u>\$ 51,053</u>	<u>\$ 733,830</u>

See Accompanying Notes and Auditors' Report.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Kramden Institute, Inc. (“the Entity” or “the Institute”) is a not-for-profit institution whose mission is to empower hardworking, less-advantaged students by giving them home computers, allowing them to bridge the digital divide and advance their achievement, strengthening their contribution to the community. The Institute does this by collecting, refurbishing, and reusing computers, extending their useful lives. 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 Kramden Institute, Inc. 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Entity does not use fund accounting.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of the donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions whose requirements are met in the same period as the contribution are reported as unrestricted contributions and net assets. Permanently restricted net assets are those contributions or other inflows of assets whose use by the Entity is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Entity.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES- Cont'd

Investments

Investments consist of certificates of deposit, equity securities and mutual fund investments. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quoted from 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 is 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 unrestricted net assets 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 temporarily restricted net assets to unrestricted net assets 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.

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.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES- Cont'd

Income Taxes

The Kramden Institute is a not-for-profit Entity 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.

Cash and Cash Equivalents

For purposes of the statement 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 have not provided for an allowance for uncollectible accounts.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

During the year ended December 31, 2014, the Entity received funds that are restricted for use in the Tech Scholars Program. As of December 31, 2014, \$3,333 had been used for the intended purpose.

NOTE 3 – INVESTMENTS

The Entity's investments as of December 31, 2014, consist of stocks and are recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Unrestricted:		
Stocks	<u>\$ 3,444</u>	<u>\$ 3,494</u>

The Entity's investments as of December 31, 2013, consist of stocks and are recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Unrestricted:		
Stocks	<u>\$ 3,336</u>	<u>\$ 10,781</u>

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 3 – INVESTMENTS-Cont'd

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2014 and 2013:

	2014	2013
	<u>Unrestricted</u>	<u>Unrestricted</u>
Dividends	\$ 108	\$ -
Unrealized gain (loss)	<u>(7,395)</u>	<u>734</u>
Total	<u>\$ (7,287)</u>	<u>\$ 734</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 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.

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Furniture, Fixtures and Equipment	\$ 9,018	\$ 12,198
Leasehold Improvements	27,505	27,505
Vehicles	<u>21,264</u>	<u>-</u>
	57,787	39,703
Accumulated Depreciation	<u>(8,584)</u>	<u>(3,765)</u>
	<u>\$ 49,203</u>	<u>\$ 35,938</u>

The depreciation expense for the years ended December 31, 2014 and 2013 was \$7,999 and \$585 respectively.

NOTE 5 - CONCENTRATIONS

The Entity maintains its cash account in a North Carolina commercial bank. Interest bearing accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Noninterest bearing accounts are completely insured. At December 31, 2014 and 2013 all cash accounts were considered unrestricted. At December 31, 2014 and 2013 total unrestricted cash and equivalents on deposit amounted to \$259,269 and \$230,449 respectively, resulting in \$9,500 in 2014 and \$0 in 2013 in excess of the FDIC insured amount.

NOTE 6 – LEASE AGREEMENT

The Entity has a non cancelable operating lease at its facility that expires February 28, 2019. The initial lease payment is for \$6,923 per month and increases each year of the lease. With the second amendment in 2013, the organization received a six month abatement on monthly rent. In addition, the Organization 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 expensed incurred by the landlord. The total rent expense and overhead expenses under their lease for the years ended December 31, 2014 and 2013 was \$92,653 and \$39,317 respectively.

Future minimum lease payments, by year and in the aggregate, under the noncancelable operating leases with remaining terms of one year or more are due as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2015	\$110,226
2016	112,346
2017	114,519
2018	116,747
2019	<u>19,520</u>
Total	<u>\$473,358</u>

KRAMDEN INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

NOTE 7 – 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, 2013, from which the summarized information was derived.

NOTE 8 – 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, 2014 and 2013, donated materials totaled \$403,207 and \$348,493, respectively.

A substantial number of volunteers donate significant amounts of their time in Kramden Institute'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 9 – INCOME TAXES

The Entity has open tax years with both the Internal Revenue Service and the North Carolina Department of Revenue from December 31, 2011 through December 31, 2013.

NOTE 10 –CORRECTION OF AN ERROR

In 2013, unused paid time off of \$8,991 was not recorded in the financial statements. This correction increased accrued expenses, program and supporting services expenses and decreased unrestricted net assets.

NOTE 11 –RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through August 19, 2015, which is the date the financial statements were available to be issued.