

AMERICAN PROMISE EDUCATION FUND, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN PROMISE EDUCATION FUND, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



Mission Statement

To educate, empower, and inspire Americans about the essential role of citizen-led Constitutional amendments in shaping our republican democracy and how a 28th Amendment to address the undue influence of money, corporations, unions and superPACs in our political process can secure the rights of individual citizens and the interests of the nation for generations to come.

AMERICAN PROMISE EDUCATION FUND, INC.

REPORT FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Promise Education Fund, Inc.
Concord, Massachusetts

We have audited the accompanying financial statements of American Promise Education Fund, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Organization'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 Organization'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 American Promise Education Fund, Inc. as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
April 15, 2021

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 947,866	\$ 243,529
Contributions, Pledges and Grants Receivable, Current Portion	90,364	195,000
Prepaid Expenses and Deposits	10,877	10,201
Total Current Assets	<u>1,049,107</u>	<u>448,730</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Net of Current Portion	<u>67,500</u>	<u>152,500</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,116,607</u>	<u>\$ 601,230</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 94	\$ 56
Accrued Payroll and Related Costs	6,914	-
Due to Affiliate	<u>143,035</u>	<u>34,409</u>
Total Current Liabilities	<u>150,043</u>	<u>34,465</u>
<u>TOTAL LIABILITIES</u>	<u>150,043</u>	<u>34,465</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	541,940	47,505
Net Assets With Donor Restrictions	<u>424,624</u>	<u>519,260</u>
Total Net Assets	<u>966,564</u>	<u>566,765</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,116,607</u>	<u>\$ 601,230</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	<u>WITHOUT</u>	<u>WITH</u>		<u>WITHOUT</u>	<u>WITH</u>	
	<u>DONOR</u>	<u>DONOR</u>		<u>DONOR</u>	<u>DONOR</u>	
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	<u>TOTAL</u>	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 860,164	\$ 240,000	\$ 1,100,164	\$ 716,806	\$ 331,000	\$ 1,047,806
Paycheck Protection Program Grant	77,500	-	77,500	-	-	-
Conference Registrations and Sponsorships	-	-	-	45,452	-	45,452
Donated Services	157,357	-	157,357	91,200	-	91,200
Other Income	294	-	294	466	-	466
<i>Reclassifications of Net Assets - Released from Restriction:</i>						
Satisfaction of Time and Purpose Restrictions	334,636	(334,636)	-	181,740	(181,740)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,429,951</u>	<u>(94,636)</u>	<u>1,335,315</u>	<u>1,035,664</u>	<u>149,260</u>	<u>1,184,924</u>
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	700,303	-	700,303	832,986	-	832,986
Administrative	101,650	-	101,650	100,213	-	100,213
Fund Raising	133,563	-	133,563	93,622	-	93,622
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>935,516</u>	<u>-</u>	<u>935,516</u>	<u>1,026,821</u>	<u>-</u>	<u>1,026,821</u>
<u>CHANGE IN NET ASSETS</u>	<u>494,435</u>	<u>(94,636)</u>	<u>399,799</u>	<u>8,843</u>	<u>149,260</u>	<u>158,103</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>47,505</u>	<u>519,260</u>	<u>566,765</u>	<u>38,662</u>	<u>370,000</u>	<u>408,662</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 541,940</u>	<u>\$ 424,624</u>	<u>\$ 966,564</u>	<u>\$ 47,505</u>	<u>\$ 519,260</u>	<u>\$ 566,765</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Comparative Totals for 2019)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 275,173	\$ 49,745	\$ 67,572	\$ 392,490	\$ 355,198
Payroll Taxes	23,673	4,533	5,816	34,022	29,795
Employee Benefits	14,902	2,191	3,579	20,672	12,270
Professional and Liability Insurance	3,812	1,610	482	5,904	4,134
Professional Services	75,142	20,784	5,672	101,598	40,607
Donated Services	133,057	6,075	18,225	157,357	91,200
Communications and Marketing	124,284	270	18,408	142,962	149,297
National Citizen Leadership Conference	-	-	-	-	84,355
Occupancy	46,660	8,487	9,494	64,641	58,446
Program Supplies, Activities and Expenses	2,614	-	1,642	4,256	171,884
General Supplies and Expenses	364	1,166	2,428	3,958	5,894
Travel Expenses	622	-	209	831	21,322
Licenses, Registrations and Memberships	-	6,789	36	6,825	2,419
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 700,303</u>	<u>\$ 101,650</u>	<u>\$ 133,563</u>	<u>\$ 935,516</u>	<u>\$ 1,026,821</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Salaries and Wages	\$ 269,803	\$ 55,714	\$ 29,681	\$ 355,198
Payroll Taxes	22,613	4,719	2,463	29,795
Employee Benefits	6,885	3,825	1,560	12,270
Professional and Liability Insurance	2,671	1,196	267	4,134
Professional Services	21,668	16,486	2,453	40,607
Donated Services	72,960	3,648	14,592	91,200
Communications and Marketing	134,323	748	14,226	149,297
National Citizen Leadership Conference	84,259	-	96	84,355
Occupancy	44,727	7,800	5,919	58,446
Program Supplies, Activities and Expenses	151,847	180	19,857	171,884
General Supplies and Expenses	1,025	2,531	2,338	5,894
Travel Expenses	20,205	947	170	21,322
Licenses, Registrations and Memberships	-	2,419	-	2,419
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	<u>\$ 832,986</u>	<u>\$ 100,213</u>	<u>\$ 93,622</u>	<u>\$ 1,026,821</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 399,799	\$ 158,103
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Non-Cash Contribution (See Note 10)	-	(55,000)
<i>(Increase) Decrease in Current Assets:</i>		
Contributions, Pledges and Grants Receivable	104,636	(159,500)
Prepaid Expenses and Deposits	(676)	(10,201)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	38	(821)
Accrued Payroll and Related Costs	6,914	-
Due to Affiliate	108,626	(11,761)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Non-Current	85,000	62,500
Net Adjustment	304,538	(174,783)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>704,337</u>	<u>(16,680)</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>704,337</u>	<u>(16,680)</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>243,529</u>	<u>260,209</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 947,866</u>	<u>\$ 243,529</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND AFFILIATIONS

American Promise Education Fund, Inc., (the “Education Fund”, “APEF” or the “Organization”) was incorporated on July 10, 2015 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). American Promise Education Fund, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Affiliations:

American Promise, Inc. (“API”) was incorporated on July 13, 2015 as a Massachusetts nonprofit corporation organized to promote social welfare within the meaning of IRC Section 501(c)(4), including but not limited to, promoting ideas and solutions, including one or more Constitutional amendments, to secure and advance Constitutional rights of human beings and equal representation and responsibility of citizens in effective self-government and democracy.

While closely connected, the Organizations operate independently, and since neither Organization controls the other, consolidated financial statements are not presented. As disclosed in Note 6, the Organizations have entered into a cost-sharing agreement.

NOTE 2 PROGRAM SERVICES

American Promise Education Fund, Inc. educates, empowers, and inspires Americans about the essential role of citizen-led Constitutional amendments in shaping our republican democracy and how a 28th Amendment to address the undue influence of money, corporations, unions and superPACs in our political process can secure the rights of individual citizens and the interests of the nation for generations to come.

In collaboration with American Promise, Inc., American Promise Education Fund, Inc. focuses its civic education programs in four areas:

National Citizen Leadership Conferences:

American Promise’s National Citizen Leadership Conference (NCLC), held annually in Washington, D.C., convenes more than 300 citizen leaders from all 50 states, business leaders, youth delegations, topic experts, democracy reform organizations, Republican and Democratic members of Congress, and leaders from every major organization working on the 28th Amendment. Through keynote addresses, expert panels, workshops, and networking opportunities, NCLC offers attendees the chance to share knowledge, lessons, strategies and new skills to strengthen civic courage and improve collaboration.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 2 *(Continued)*

Writing the 28th Amendment Program:

American Promise's *Writing The 28th Amendment* program serves to educate on, stimulate conversations about, and vet key principles for establishing a sound Constitutional foundation for democracy reform. The program brings cross-partisan citizen volunteers together with Constitutional and legal experts to better explain and understand these principles. Through a series of town hall style events across the country and an online town hall experience, citizens learn about key principles from a variety of perspectives, the potential impacts of incorporating principles into a Constitutional amendment, and then contribute their thoughts on the foundational issues that matter to them.

Citizen Empowerment:

American Promise's empowerment programming focuses on collaborating with partner organizations and community groups in locales across the nation, to bring together citizens of all backgrounds to learn about the principles of democracy, the impact of money in politics on a range of issues, and the role of citizen-led Constitutional amendments in shaping our republican democracy to the people's will. The empowerment programming provides trainings, resources and convenings for citizen leaders to grow their civic engagement through starting or joining a local American Promise Chapter or joining an American Promise National Network or Team. With ongoing support from American Promise staff, members of Chapters and Networks connect with and educate their communities and peers about the issues and the amendment solution.

Citizen Connection Center:

American Promise's *Citizens Connection Center* is a one-stop interactive website for citizens, media, organizations, legislators and staff for education, resources, events, legislative developments, citizen story-telling, news, opinion pieces and more about the background and progress of the 28th Amendment.

Keep the Promise Campaign:

At the end of 2020, the Organization completed Phase 1 of its 3 Phase strategic plan. The Organization built the foundation, including the strategy, organizational structure, leadership team, programming, and citizen participation that will allow for rapidly building and expanding the skills and engagement of Americans as the Organization moves into Phase 2. In Phase 2, American Promise Education Fund will build capacity in its Empowerment and Communications departments, to replicate its statewide chapter model, engage a growing network of business leaders, fully implement initiatives designed to amplify the voices of the next generation and serve as a leader in the reform movement through partnerships, convenings and its National Citizen Leadership Conference. Ultimately these programs translate into citizens who, with training, communication resources and connectivity to a broad reform community, can engage effectively in their democracy and have a voice in the future direction and renewal of this nation.

During 2020 and in the lead up to Phase 2, set to be executed from 2021 through 2023, the Organization expanded its fundraising capabilities to launch the Keep the Promise Campaign, a three-year, \$20 million growth campaign beginning in 2021.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in the management's opinion, resulted on reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the year in which they become due and expenses and losses are recognized in the year in which the liability is incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports 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. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that is not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets without donor restrictions may include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

Contributions, Pledges and Grants Receivable:

Contributions, Pledges and Grants Receivable reflects the balances due on unconditional multi-year promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Management periodically reviews specific grants, pledge commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions of assets other than cash are reported at their estimated fair value. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions with the exception of conditional grants from governmental agencies, which are recognized as support without donor restrictions.

In 2017, the Education Fund received a grant of \$100,000 which was restricted for 2018 operations. The grant also provided for four additional annual installments of \$100,000, which are conditional upon the Organization's ability to raise funds in the amount of \$900,000 per year and programmatic accomplishments. Through December 31, 2020, the donor released the conditions for the second, third and fourth installments, which were received and recognized as support (\$100,000 in each year presented). As of December 31, 2020 and 2019, grant funding received for organizational support for the following year in the amount of \$100,000 is classified as donor restricted support and net assets, and the remaining conditional portion of the grant in the aggregate amount of \$100,000 and \$200,000, respectively, has not been recognized in the accompanying financial statements. The future support arising from this grant commitment will be recognized as the terms of the conditions are met.

Unconditional, multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Except as noted above, support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions expire, at which time the assets are reclassified to net assets without donor restrictions.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization, are recognized on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using space and time usage formulas. In the accompanying Statement of Functional Expenses, *Salaries and Wages*, *Payroll Taxes*, *Donated Services*, *Occupancy* and certain professional services and consulting fees have been allocated based upon management's estimates of time usage by functional category.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the nonexistence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

NOTE 4 CONTRIBUTIONS, PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2020 and 2019, the aggregate balance due on unconditional promises to give and grant commitments amounted to \$157,864 and \$347,500, respectively, of which amount \$90,364 and \$195,000 was classified as current with payment expected within the upcoming year. The non-current portion of these commitments are due in subsequent years as presented below. As of December 31, 2020 and 2019, one and two donor commitments represent approximately 79% and 83%, respectively, of the total outstanding balance.

<u>Year Contributions</u> <u>to be Paid</u>	<u>2020</u>	<u>2019</u>
December 31, 2021	\$ -	\$ 85,000
December 31, 2022	<u>67,500</u>	<u>67,500</u>
Total	<u>\$67,500</u>	<u>\$152,500</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions:

The following table summarizes the net assets with donor restrictions as of December 31, 2020 and 2019:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Time Restricted	\$357,864	\$477,500
National Citizen Leadership Conference	15,000	-
Program Activities - Texas	51,000	41,000
Program Activities - Oklahoma	<u>760</u>	<u>760</u>
Total	<u>\$424,624</u>	<u>\$519,260</u>

For the years presented, net assets were released from restriction for the following programs and purposes:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Lapse of Time Restrictions	\$334,636	\$162,500
Program Activities - Texas	-	10,000
Program Activities - Oklahoma	<u>-</u>	<u>9,240</u>
Total	<u>\$334,636</u>	<u>\$181,740</u>

NOTE 6 COST-SHARING ARRANGEMENT

Office space, staff, consultants, information technology and certain other expenditures of APEF are shared with API. In addition, the two Organizations co-host the *National Citizen Leadership Conference*. Accordingly, the two Organizations have a cost-sharing agreement. Pursuant to the agreement, APEF pays its proportionate share of the office lease, personnel costs and certain other shared expenses as these expenses are incurred. Payment for compensation of services which benefit both entities has been consolidated under API.

For the years ended December 31, 2020 and 2019, APEF was obligated to reimburse API \$747,039 and \$913,911, respectively, for its proportionate share of the 2019 *National Citizen Leadership Conference*, personnel costs, consultants, occupancy and operating expenses of the total amount, the unpaid balance of \$143,035 and \$34,409 is reported as *Due to Affiliate* in the accompanying Statements of Financial Position and such amounts were paid in full shortly following each respective year end.

NOTE 7 DONATED GOODS AND SERVICES

For the years presented, the Organization recognized the following in-kind contributions in the accompanying financial statements:

<u>Description</u>	<u>2020</u>	<u>2019</u>
CEO Salary (See Note 10)	\$101,250	\$91,200
Professional Services	53,920	-
Membership Dues	<u>2,187</u>	<u>-</u>
Total	<u>\$157,357</u>	<u>\$91,200</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 8 CONTINGENCIES

Paycheck Protection Program:

The Organization received a loan in the amount of \$77,500 from Citizens Bank through the Paycheck Protection Program established by the U.S. CARES Act (the "PPP Loan") on April 23, 2020. The Organization has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. The Organization intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. The Organization expects to meet the requirements for loan forgiveness. The Organization must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration ("SBA") and then approved. To qualify for the simplified forgiveness application process, the Organization elected to use a 24-week covered period which expired on October 8, 2020. As of December 31, 2020, the Organization has incurred qualifying costs in the full amount of the loan, and therefore, has recognized grant revenue in the amount of \$77,500 in the accompanying Statement of Activities for the year then ended.

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization's financial position, change in net assets and cash flows. The Organization is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effected on the Organization's operations continue for an extended period of time, the Organization may have to seek alternative measures to finance its operation. There is no assurance these measures will be successful.

NOTE 9 CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at two institutions. All accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Although at times the balances in these accounts may exceed the federally insured limit, the Organization has never experienced any losses and Management considers credit risk on cash to be low. As of December 31, 2020, the Organization's balance in excess of the FDIC insured limits was \$672,679. As of December 31, 2019, the Organization did not have any cash balances in excess of the FDIC insured limits.

NOTE 10 RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

Donated Services:

The Organization's Co-Founder and President provides CEO services on a pro bono basis, which was recognized at \$101,250 and \$91,200, based on 81% and 76% of a salaried position for the years ended December 31, 2020 and 2019, respectively.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 10 (Continued)

Notes Payable:

In 2015 and 2016, the Organization's Co-Founder and President made two loans totaling \$55,000 to provide working capital during the Organization's start-up phase. The notes were non-interest bearing, unsecured and due upon demand. In 2019, the loan was converted to a contribution.

Gifts, Grants and Contributions:

For the years ended December 31, 2020 and 2019, gifts (including the above noted loan forgiveness) from the Co-Founder and a number of his family members accounted for approximately 53% and 44% respectively, of *Gifts, Grants and Contributions*. Future revenue of the Organization is expected to come from many additional sources.

NOTE 11 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as described in Note 2, as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, or because the governing board or management policy has set aside the funds for a specific use, when restricted by donors for purposes more limited than general expenditures, or when not convertible to cash within one year of the Statement of Financial Position date.

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 947,866	\$ 243,529
Gift and Grants Receivable	<u>157,864</u>	<u>347,500</u>
Total Financial Assets	1,105,730	591,029
Less Amounts Not Available to be Used Within One Year:		
Non-Current Grants Receivable	<u>(67,500)</u>	<u>(152,500)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,038,230</u>	<u>\$ 438,529</u>

As part of the Organization's liquidity management, the Board of Directors has a policy to structure the financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has a policy to maintain at minimum a three-month cash supply on hand at all times.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 12 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 15, 2021, the date which the financial statements were available for issue and noted the following events which met the criteria for disclosure:

Related Party Pledge Commitment:

The Organization's Co-Founder and CEO made a pledge commitment to APEF in the amount of \$350,000 as part of the launch of the *Keep the Promise* campaign to raise \$20 million from 2021 - 2023. The pledge will be paid in periodic installments totaling \$250,000 and \$100,000 for the years ended December 31, 2021 and 2022, respectively.