

AMERICAN PROMISE EDUCATION FUND, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

AMERICAN PROMISE EDUCATION FUND, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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, 2021 AND 2020

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1 - 2
Statements of Financial Position as of December 31, 2021 and 2020.....	3
Statements of Activities for the Years Ended December 31, 2021 and 2020.....	4
Statement of Functional Expenses for the Year Ended December 31, 2021..... (With Summarized Comparative Totals for 2020)	5
Statement of Functional Expenses for the Year Ended December 31, 2020.....	6
Statements of Cash Flows for the Years Ended December 31, 2021 and 2020.....	7
Notes to Financial Statements.....	8 - 16



80 Flanders Road, Suite 200 Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of American Promise Education Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Promise Education Fund, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 American Promise Education Fund, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 American Promise Education Fund, 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 auditor's 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.

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

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 American Promise Education Fund, 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 American Promise Education Fund, 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.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 25, 2022

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,168,132	\$ 947,866
Contributions, Pledges and Grants Receivable, Current Portion	744,547	90,364
Prepaid Expenses and Deposits	215	10,877
Total Current Assets	<u>1,912,894</u>	<u>1,049,107</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Net of Discount	<u>656,858</u>	<u>67,500</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,569,752</u>	<u>\$ 1,116,607</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 386	\$ 94
Accrued Payroll and Related Costs	14,557	6,914
Due to Affiliate	<u>30,546</u>	<u>143,035</u>
Total Current Liabilities	<u>45,489</u>	<u>150,043</u>
<u>TOTAL LIABILITIES</u>	<u>45,489</u>	<u>150,043</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	1,199,088	541,940
Net Assets With Donor Restrictions	<u>1,325,175</u>	<u>424,624</u>
Total Net Assets	<u>2,524,263</u>	<u>966,564</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,569,752</u>	<u>\$ 1,116,607</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	<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	\$ 1,476,973	\$ 1,285,357	\$ 2,762,330	\$ 860,164	\$ 240,000	\$ 1,100,164
Paycheck Protection Program Grant	77,500	-	77,500	77,500	-	77,500
Donated Services	164,196	-	164,196	157,357	-	157,357
Other Income	453	-	453	294	-	294
<i>Reclassifications of Net Assets - Released from Restriction:</i>						
Satisfaction of Time and Purpose Restrictions	384,806	(384,806)	-	334,636	(334,636)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>2,103,928</u>	<u>900,551</u>	<u>3,004,479</u>	<u>1,429,951</u>	<u>(94,636)</u>	<u>1,335,315</u>
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	1,074,894	-	1,074,894	700,303	-	700,303
Administrative	130,042	-	130,042	101,650	-	101,650
Fund Raising	241,844	-	241,844	133,563	-	133,563
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>1,446,780</u>	<u>-</u>	<u>1,446,780</u>	<u>935,516</u>	<u>-</u>	<u>935,516</u>
<u>CHANGE IN NET ASSETS</u>	<u>657,148</u>	<u>900,551</u>	<u>1,557,699</u>	<u>494,435</u>	<u>(94,636)</u>	<u>399,799</u>
<u>NET ASSETS - BEGINNING 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>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,199,088</u>	<u>\$ 1,325,175</u>	<u>\$ 2,524,263</u>	<u>\$ 541,940</u>	<u>\$ 424,624</u>	<u>\$ 966,564</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Totals for 2020)

	<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>2021</u>	<u>2020</u>
Salaries and Wages	\$ 388,538	\$ 57,261	\$ 109,173	\$ 554,972	\$ 392,490
Payroll Taxes	34,020	4,952	9,434	48,406	34,022
Employee Benefits	21,130	1,638	4,846	27,614	20,672
Professional and Liability Insurance	3,185	1,654	579	5,418	5,904
Professional Services	120,677	38,557	19,814	179,048	101,598
Donated Services	141,630	6,441	16,125	164,196	157,357
Communications and Marketing	189,639	400	49,067	239,106	142,962
National Citizen Leadership Conference	111,133	-	-	111,133	-
Occupancy	8,887	1,051	2,259	12,197	64,641
Program Supplies, Activities and Expenses	23,862	-	14,652	38,514	4,256
General Supplies and Expenses	25,286	6,314	13,493	45,093	3,958
Loss on Uncollectible Pledges	-	5,000	-	5,000	-
Travel Expenses	5,931	10	2,366	8,307	831
Licenses, Registrations and Memberships	976	6,764	36	7,776	6,825
Total Functional Expenses	<u>\$ 1,074,894</u>	<u>\$ 130,042</u>	<u>\$ 241,844</u>	<u>\$ 1,446,780</u>	<u>\$ 935,516</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<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	\$ 275,173	\$ 49,745	\$ 67,572	\$ 392,490
Payroll Taxes	23,673	4,533	5,816	34,022
Employee Benefits	14,902	2,191	3,579	20,672
Professional and Liability Insurance	3,812	1,610	482	5,904
Professional Services	75,142	20,784	5,672	101,598
Donated Services	133,057	6,075	18,225	157,357
Communications and Marketing	124,284	270	18,408	142,962
Occupancy	46,660	8,487	9,494	64,641
Program Supplies, Activities and Expenses	2,614	-	1,642	4,256
General Supplies and Expenses	364	1,166	2,428	3,958
Travel Expenses	622	-	209	831
Licenses, Registrations and Memberships	<u>-</u>	<u>6,789</u>	<u>36</u>	<u>6,825</u>
Total Functional Expenses	<u>\$ 700,303</u>	<u>\$ 101,650</u>	<u>\$ 133,563</u>	<u>\$ 935,516</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 1,557,699	\$ 399,799
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Contributions, Pledges and Grants Receivable	(654,183)	104,636
Prepaid Expenses and Deposits	10,662	(676)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	292	38
Accrued Payroll and Related Costs	7,643	6,914
Due to Affiliate	(112,489)	108,626
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Net of Discount	(589,358)	85,000
Net Adjustment	(1,337,433)	304,538
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>220,266</u>	<u>704,337</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>220,266</u>	<u>704,337</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>947,866</u>	<u>243,529</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,168,132</u>	<u>\$ 947,866</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

(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 set the stage for rapidly building and expanding the skills and engagement of Americans as the Organization moved into Phase 2. In 2021, the first year of Phase 2, American Promise Education Fund continued to 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 2021, the Organization expanded its fundraising capabilities to launch the Keep the Promise Campaign, a three-year, \$20 million growth campaign beginning in 2021 and set to complete in 2023.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(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, 2021 AND 2020

(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 were conditional upon the Organization's ability to raise funds in the amount of \$900,000 per year and programmatic accomplishments. Through December 31, 2021, the donor released the conditions for the second, third and fourth installments, which were received and recognized as support (\$100,000 in each respective year). During 2021, the Education Fund received the fifth and final \$100,000 installment, which is restricted for organizational support for the following year and is classified as donor restricted support net assets with donor restrictions as of and for the year ended December 31, 2021.

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, 2021 AND 2020

(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 IRC Section 501(c)(3). 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, 2021 and 2020, the aggregate balance due on unconditional promises to give and grant commitments amounted to \$1,410,547 and \$157,864, respectively, of which amount \$744,547 and \$90,364 was classified as current with payment expected within the upcoming year. The non-current portion of these commitments are discounted to present value using an effective rate of 2%, presented net of the unamortized discount and due in subsequent years as presented below.

<u>Year Contributions</u> <u>to be Paid</u>	<u>2021</u>	<u>2020</u>
December 31, 2022	\$ -	\$67,500
December 31, 2023	406,000	-
December 31, 2024	260,000	-
Less: Discount to Present Value	(9,142)	-
Total	<u>\$656,858</u>	<u>\$67,500</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(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, 2021 and 2020:

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Time Restricted	\$1,268,172	\$357,864
National Citizen Leadership Conference	-	15,000
Program Activities - Texas	57,003	51,000
Program Activities - Oklahoma	-	760
Total	<u>\$1,325,175</u>	<u>\$424,624</u>

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

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Lapse of Time Restrictions	\$317,550	\$334,636
National Citizen Leadership Conference	15,000	-
Program Activities - Texas	2,256	-
State Chapter Program	<u>50,000</u>	<u>-</u>
Total	<u>\$384,806</u>	<u>\$334,636</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, 2021 and 2020, APEF was obligated to reimburse API \$1,244,167 and \$747,039, respectively, for its proportionate share of the 2021 *National Citizen Leadership Conference*, personnel costs, consultants, occupancy and operating expenses of the total amount, the unpaid balance of \$30,546 and \$143,035 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.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

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>2021</u>	<u>2020</u>
CEO Salary (See Note 10)	\$107,500	\$101,250
Professional Services	54,340	53,920
Membership Dues	<u>2,356</u>	<u>2,187</u>
Total	<u>\$164,196</u>	<u>\$157,357</u>

NOTE 8 CONTINGENCIES

Paycheck Protection Program:

The Organization has received two loans from Citizens Bank through the Paycheck Protection Program (“PPP”) established by the U.S. CARES Act. The Organization has elected to account for the expected forgivable portion of these loans as conditional grant commitments as permitted by the AICPA and then apply for forgiveness. 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 first loan, referred to as PPP-1, in the amount of \$77,500, was received on April 15, 2020. The second loan, referred to as PPP-2, also in the amount of \$77,500, was received on March 17, 2021. The Organization has elected to use a 24-week covered period for each loan, which expired on October 8, 2020 and September 1, 2021 for PPP-1 and PPP-2, respectively. On June 14, 2021, the SBA approved full forgiveness of PPP-1 and on October 27, 2021, the SBA approved full forgiveness of PPP-2. As of December 31, 2021 and 2020, the Organization has incurred \$77,500, respectively, of qualifying costs which have been recognized as grant income for the years 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.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 9 CONCENTRATIONS

Cash Balances:

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, 2021 and 2020, the Organization's balance in excess of the FDIC insured limits was \$892,145 and \$672,679, respectively.

Support and Receivables:

As of and for the year ended December 31, 2021, one multi-year grant represents approximately one-third of the total support, and the balance due on that commitment represents 54% of total *Contributions, Pledges and Grants Receivable*.

As of December 31, 2020, the balance due on one multi-year grant represents 79% of total *Contributions, Pledges and Grants Receivable*.

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 \$107,500 and \$101,250, based on 86% and 81% of a salaried position for the years ended December 31, 2021 and 2020, respectively.

Gifts, Grants and Contributions:

For the years ended December 31, 2021 and 2020, gifts from the Co-Founder and a number of his family members accounted for approximately 23% and 53% 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.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 11 *(Continued)*

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$1,168,132	\$ 947,866
Gift and Grants Receivable	<u>1,401,405</u>	<u>157,864</u>
Total Financial Assets	2,569,537	1,105,730
Less Amounts Not Available to be Used Within One Year:		
Non-Current Grants Receivable	<u>(656,858)</u>	<u>(67,500)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,912,679</u>	<u>\$1,038,230</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.

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 25, 2022, the date which the financial statements were available for issue and noted no events which met the criteria for disclosure.