

AMERICAN PROMISE EDUCATION FUND, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022 (AS RESTATED)

Smith  Sullivan
& Brown PC

CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 302  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, 2023 AND 2022 (AS RESTATED)



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, 2023 AND 2022 (AS RESTATED)

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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 Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

Other Matter

As further discussed in Note 5, the Organization has restated its 2022 financial statements to properly present the net asset classification of a change in donor intent.

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audits.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
September 9, 2024

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022 (AS RESTATED)

ASSETS

	<u>2023</u>	<u>2022</u> <u>(AS RESTATED)</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,503,728	\$ 1,161,343
Contributions, Pledges and Grants Receivable, Net	170,788	451,898
Prepaid Expenses and Deposits	4,561	66
Total Current Assets	<u>1,679,077</u>	<u>1,613,307</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Net of Discount	<u>104,213</u>	<u>282,178</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,783,290</u>	<u>\$ 1,895,485</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 3,643	\$ 105
Accrued Payroll and Related Costs	52,183	24,560
Due to Affiliate	425,306	177,699
Total Current Liabilities	<u>481,132</u>	<u>202,364</u>
<u>TOTAL LIABILITIES</u>	<u>481,132</u>	<u>202,364</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	896,914	922,118
Net Assets With Donor Restrictions	405,244	771,003
Total Net Assets	<u>1,302,158</u>	<u>1,693,121</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,783,290</u>	<u>\$ 1,895,485</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (AS RESTATED)

	2023			2022 (AS RESTATED)		
	<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	\$ 1,706,107	\$ 365,213	\$ 2,071,320	\$ 1,187,008	\$ 57,931	\$ 1,244,939
Donated Services	161,562	-	161,562	175,960	-	175,960
Other Income	353	-	353	221	-	221
<i>Reclassifications of Net Assets - Released from Restrictions:</i>						
Change in Donor Intention	-	-	-	(250,000)	(100,000)	(350,000)
Satisfaction of Time and Purpose Restrictions	730,972	(730,972)	-	512,103	(512,103)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>2,598,994</u>	<u>(365,759)</u>	<u>2,233,235</u>	<u>1,625,292</u>	<u>(554,172)</u>	<u>1,071,120</u>
<u>FUNCTIONAL EXPENSES:</u>						
Program Services	1,752,101	-	1,752,101	1,321,706	-	1,321,706
Administrative	580,280	-	580,280	321,307	-	321,307
Fund Raising	291,817	-	291,817	259,249	-	259,249
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>2,624,198</u>	<u>-</u>	<u>2,624,198</u>	<u>1,902,262</u>	<u>-</u>	<u>1,902,262</u>
<u>CHANGE IN NET ASSETS</u>	<u>(25,204)</u>	<u>(365,759)</u>	<u>(390,963)</u>	<u>(276,970)</u>	<u>(554,172)</u>	<u>(831,142)</u>
<u>NET ASSETS - BEGINNING OF YEAR (AS RESTATED)</u>	<u>922,118</u>	<u>771,003</u>	<u>1,693,121</u>	<u>1,199,088</u>	<u>1,325,175</u>	<u>2,524,263</u>
<u>NET ASSETS - END OF YEAR (AS RESTATED)</u>	<u>\$ 896,914</u>	<u>\$ 405,244</u>	<u>\$ 1,302,158</u>	<u>\$ 922,118</u>	<u>\$ 771,003</u>	<u>\$ 1,693,121</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Comparative Totals for 2022)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2023</u>	<u>2022</u>
Salaries and Wages	\$ 766,454	\$ 268,184	\$ 147,036	\$ 1,181,674	\$ 768,645
Payroll Taxes	64,490	22,248	12,595	99,333	65,359
Employee Benefits	32,236	9,825	6,793	48,854	21,778
Professional and Liability Insurance	3,122	2,017	807	5,946	5,452
Professional Services	72,200	174,306	34,438	280,944	201,995
Donated Services	136,050	17,273	8,239	161,562	175,960
Communications and Marketing	148,070	4,336	13,050	165,456	224,850
National Citizen Leadership Conference	260,742	-	-	260,742	158,638
Lobbying	91,012	-	-	91,012	80,000
Occupancy	16,366	4,926	3,369	24,661	18,976
Events, Activities and Expenses	10,500	-	37,968	48,468	46,652
General Supplies and Expenses	70,190	30,612	15,104	115,906	74,747
Staff Development	39,989	30,445	508	70,942	22,637
Loss on Uncollectible Pledges	-	6,706	-	6,706	-
Travel Expenses	39,878	9,314	791	49,983	27,842
Licenses, Registrations and Memberships	<u>802</u>	<u>88</u>	<u>11,119</u>	<u>12,009</u>	<u>8,731</u>
Total Functional Expenses	<u>\$ 1,752,101</u>	<u>\$ 580,280</u>	<u>\$ 291,817</u>	<u>\$ 2,624,198</u>	<u>\$ 1,902,262</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<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	\$ 483,392	\$ 142,575	\$ 142,678	\$ 768,645
Payroll Taxes	41,329	11,850	12,180	65,359
Employee Benefits	16,233	4,286	1,259	21,778
Professional and Liability Insurance	2,680	1,708	1,064	5,452
Professional Services	108,797	76,365	16,833	201,995
Donated Services	123,282	35,593	17,085	175,960
Communications and Marketing	207,452	295	17,103	224,850
National Citizen Leadership Conference	158,638	-	-	158,638
Lobbying	80,000	-	-	80,000
Occupancy	12,430	2,851	3,695	18,976
Events, Activities and Expenses	16,497	-	30,155	46,652
General Supplies and Expenses	44,954	14,761	15,032	74,747
Staff Development	-	22,637	-	22,637
Travel Expenses	25,814	753	1,275	27,842
Licenses, Registrations and Memberships	<u>208</u>	<u>7,633</u>	<u>890</u>	<u>8,731</u>
Total Functional Expenses	<u>\$ 1,321,706</u>	<u>\$ 321,307</u>	<u>\$ 259,249</u>	<u>\$ 1,902,262</u>

AMERICAN PROMISE EDUCATION FUND, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (390,963)	\$ (831,142)
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Contributions, Pledges and Grants Receivable	282,110	292,649
Prepaid Expenses and Deposits	(4,495)	149
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	3,538	(281)
Accrued Payroll and Related Costs	27,623	10,003
Due to Affiliate	247,607	147,153
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Net of Discount	<u>176,965</u>	<u>374,680</u>
Net Adjustment	<u>733,348</u>	<u>824,353</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>342,385</u>	<u>(6,789)</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>342,385</u>	<u>(6,789)</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>1,161,343</u>	<u>1,168,132</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,503,728</u>	<u>\$ 1,161,343</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

NOTE 1 ORGANIZATION AND AFFILIATIONS

American Promise Education Fund, Inc., (the “Education Fund”, “APEF” or the “Organization”) was incorporated in July 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 also incorporated in July 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 the For Our Freedom 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”), typically 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 For Our Freedom 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. In 2023, we brought our NCLC programming to the American Democracy Summit in Los Angeles, where we were able to expand awareness of the For Our Freedom Amendment and deepen collaborations with other organizations committed to civic renewal.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(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 events - such as town-hall style forums across the country and other in-person and online civic experiences - 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. This program also produces educational content for general and legal audiences.

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 self-government, 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 volunteer group or joining an American Promise National Network or Team. With ongoing support from American Promise staff, members of volunteer groups and networks connect with and educate their communities and peers about the issues and the amendment solution.

Website & Action Center:

American Promise's website and Action Center are interactive resources for citizens, media, organizations, legislators and staff for education, information, events, legislative developments, citizen story-telling, news, opinion pieces and more about the background and progress of the For Our Freedom 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 2023, the third year of Phase 2, APEF continued to build capacity in its Programs and Communications departments, build state cohorts of volunteers, engage a growing network of business leaders, and 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 the process of representative self-government and have a voice in the future direction and renewal of this nation.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the American Promise Education Fund, Inc. have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (“GAAP”) and accordingly, reflect all significant receivables, payables and other liabilities.

Estimates:

The preparation of financial statements in conformity with GAAP 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 period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, has in management’s opinion, resulted in reliable and consistent financial reporting by the Organization.

Financial Statement Presentation:

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 defined below.

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

Net Assets With Donor Restrictions - Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. As of December 31, 2023 and 2022, the Organization has no net assets that are required to be maintained in perpetuity. The Organization’s unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

Contributions, Pledges and Grants Receivable:

Contributions, Pledges and Grants Receivable reflects the balances due on unconditional and 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. Amounts receivable from donors are evaluated yearly for collectability and an allowance for uncollectible pledges is recorded as necessary.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 3 (Continued)

Gifts, Grants and Contributions:

The Organization is the beneficiary of contributions in the form of grants from other organizations, donations of cash and financial assets from individuals and contributions of nonfinancial assets. Contributions, including promises to give, without donor conditions are recognized as revenue at their estimated fair value at the date of donation and classified as either with or without donor restrictions depending on the donor's stipulations or lack thereof. Unconditional, multi-year commitments are recognized in the year during which the initial commitment is made at the amount that the Organization reasonably expects to collect.

Conditional donations are those that have a measurable performance or other barrier and include a right of return of the assets or right of release of the donor from further obligation if the conditions are not met. Conditional donations are not recognized until the associated barriers are met. Any cash received before the conditions or barriers are met is reported as a refundable grant advance. When the conditions are met the revenue is reported as contributions without donor restrictions unless there are further restrictions over and above those associated with the donor conditions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions are met, at which time the net assets are reclassified to net assets without donor restrictions.

Donations of Nonfinancial Assets:

Contributed nonfinancial assets may include professional services, staff roles performed by volunteers and other non-cash donations, which are recorded at the respective fair value of the services received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. All such in-kind donations are without donor restrictions and APEF does not monetize its donations of nonfinancial assets.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. 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*, *Employee Benefits*, *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.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 3 (Continued)

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.

Reclassifications:

Certain amounts in the prior year information have been reclassified to conform to the current year presentation.

NOTE 4 CONTRIBUTIONS, PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2023 and 2022, the aggregate balance due on unconditional promises to give and grant commitments amounted to \$280,788 and \$736,898, respectively, of which amount \$170,788 and \$451,898 was classified as current with payment expected within the upcoming year. As of December 31, 2023 and 2022, the non-current portions of these commitments are discounted to present value using an effective rate of 4.55% and 2%, respectively, presented net of the unamortized discount and due in subsequent years as presented below.

<u>Year Contributions to be Paid</u>	<u>2023</u>	<u>2022</u>
December 31, 2023	\$ -	\$285,000
December 31, 2024	<u>110,000</u>	<u>-</u>
Total Amount Due	110,000	285,000
Less: Discount to Present Value	(4,787)	(2,822)
Less: Allowance for Doubtful Accounts	<u>(1,000)</u>	<u>-</u>
Contributions Receivable, Net	<u>\$104,213</u>	<u>\$282,178</u>

NOTE 5 NET ASSETS

Net Assets With Donor Restrictions:

The following table summarizes the net assets with donor restrictions as of December 31, 2023 and 2022:

<u>Nature of Restriction</u>	<u>2023</u>	<u>2022</u>
Time Restricted, Net of Discount	\$316,316	\$723,987
Program Activities - Texas	39,016	47,016
Program Activities - Fellowships	26,910	-
Program Activities - Young Americans	<u>23,002</u>	<u>-</u>
Total	<u>\$405,244</u>	<u>\$771,003</u>

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 5 (Continued)

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

<u>Nature of Restriction</u>	<u>2023</u>	<u>2022</u>
Lapse of Time Restrictions	\$697,884	\$500,294
Program Activities - Fellowships	23,090	-
Program Activities - Texas	8,000	11,809
Program Activities - Young Americans	1,998	-
Total	<u>\$730,972</u>	<u>\$512,103</u>

Net Assets Restatement:

In the course of the 2023 audit engagement, Management determined that the *Change in Donor Intention* reported in the Statement of Activities for the year ended December 31, 2022 (See Note 9) had been reported incorrectly. Accordingly, the 2022 Change in Net Assets and net asset composition has been restated as follows:

Originally, the full amount of the net asset adjustment was reported as a reduction of \$350,000 to net assets with donor restrictions. Upon further analysis, Management determined that the correct presentation is a reduction of \$100,000 to net assets with donor restrictions and a reduction of \$250,000 to net assets without donor restrictions. The following table summarizes these changes:

	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>
	<u>Net Assets</u>	<u>Restrictions</u>	<u>Restrictions</u>
Net Assets - January 1, 2022	\$2,524,263	\$1,199,088	\$1,325,175
Change in Net Assets - As Originally Reported	(831,142)	(26,970)	(804,172)
Adjustment to Properly Record			
Change in Donor Intention	-	(250,000)	250,000
Net Assets - December 31, 2022 As Restated	<u>\$1,693,121</u>	<u>\$ 922,118</u>	<u>\$ 771,003</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 events and conferences. 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, 2023 and 2022, APEF was obligated to reimburse API \$2,266,119 and \$1,677,590, respectively, for its proportionate share of events and conferences, personnel costs, consultants, occupancy and operating expenses. Of the total amount, the unpaid balance of \$425,306 and \$177,699 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, 2023 AND 2022 (AS RESTATED)

(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>2023</u>	<u>2022</u>
CEO Salary (See Note 9)	\$115,140	\$102,610
Professional Services	<u>46,422</u>	<u>73,350</u>
Total	<u>\$161,562</u>	<u>\$175,960</u>

For the years ended December 31, 2023 and 2022, contributed CEO salary is recognized at fair value based on the going market rate for a nonprofit Executive Director or CEO performing similar services.

Contributed professional services includes donated legal services, primarily legal writing and research, provided by a licensed attorney, donated CFO services provided by an outsourced executive, and donated management and program design consulting. These services are recognized at fair value based on current rates for similar services.

NOTE 8 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 not experienced any losses and Management considers credit risk on cash to be low. As of December 31, 2023 and 2022, the Organization's balance in excess of the FDIC insured limits was \$1,203,305 and \$800,183, respectively.

Support and Receivables:

As of December 31, 2023 and 2022, the balance due one and two multi-year grants represents 73% and 80% of total *Contributions, Pledges and Grants Receivable*, respectively.

NOTE 9 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 \$115,140 and \$102,610 based on 73% and 81% of a salaried position for the years ended December 31, 2023 and 2022, respectively.

Gifts, Grants and Contributions:

For the years ended December 31, 2023 and 2022, gifts from the Co-Founder and a number of his family members accounted for approximately 26% and 28% respectively, of *Gifts, Grants and Contributions*. Future revenue of the Organization is expected to come from many additional sources.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 9 (Continued)

In late 2021, an Officer made a personal pledge of \$350,000, which was recorded as an unconditional promise to give and a contribution with donor restrictions, due to the inherent time restriction implied with the timing of future payments. Subsequently, in 2022, the gift was converted to an intention to recommend grant funding from a donor-advised fund by the same donor. To properly reflect the conversion in funding sources, APEF recorded a *Change in Donor Intention* to remove the earlier \$350,000 pledge and then record a new unrestricted gift of \$250,000 which was received from the donor-advised fund. Any future similar gifts will be recognized as contribution support when received from the donor-advised fund. The change in the donor of record resulted in a change in the timing of the revenue recognition.

For the year ended December 31, 2023, gifts from other board members and immediate family members accounted for approximately 24% of *Gifts, Grants and Contributions*. There were no such concentrations for the year ended December 31, 2022. Future revenue of the Organization is expected to come from many additional sources.

NOTE 10 FACILITY USAGE AGREEMENTS

API and APEF occupy office space in the Town of Concord, Massachusetts under at-will Use Agreements which provide office space, shared electronic equipment and other office services. The Organization signed a six-month lease for the period of January 1, 2022 to June 30, 2022, under which the monthly fee for one office and storage space was \$1,500. This lease had an automatic six-month extension if neither party communicated a request for termination which extended the lease through December 31, 2022. The Organization signed another six-month lease for the period of January 1, 2023 to June 30, 2023, the monthly fee for two offices and storage space was \$2,910. This lease had an automatic six-month extension if neither party communicated a request for termination. Total occupancy expense under these agreements and reimbursable to API for the years ended December 31, 2023 and 2022 were \$24,661 and \$18,976, respectively.

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, 2023 and 2022, 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.

AMERICAN PROMISE EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022 (AS RESTATED)

(Continued)

NOTE 11 (Continued)

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$1,503,728	\$1,161,343
Contributions, Pledges and Grants Receivable	<u>275,001</u>	<u>734,076</u>
Total Financial Assets	1,778,729	1,895,419
Less Amounts Not Available to be Used Within One Year:		
Non-Current Contributions, Pledges and Grants Receivable	<u>(104,213)</u>	<u>(282,178)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$1,674,516</u>	<u>\$1,613,241</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 September 9, 2024, the date which the financial statements were available for issue, and noted no events which met the criteria for recognition or disclosure.