FINANCIAL STATEMENTS

with

<u>INDEPENDENT AUDITORS' REPORT</u> YEARS ENDED DECEMBER 31, 2020 AND 2019



REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



Mission Statement

To empower, inspire, and organize Americans to win the cause of our time: the 28th Amendment.

This historic reform will rebalance our politics and government by putting the rights of individual citizens and the interests of the nation before the privileges of concentrated money, corporations, unions, political parties, and superPACs.

REPORT FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of American Promise, 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, 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.

Westborough, Massachusetts

Smith Sullivan , Brown, PC.

April 15, 2021

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

ASSETS

Cash \$ 428,155 \$ 333,273 Contributions, Pledges and Grants Receivable 49,000 5,000 Due from Affiliate 143,035 34,409 Prepaid Expenses 3,732 13,917 Total Current Assets 623,922 386,599 NON-CURRENT ASSETS: Grants Receivable, Net of Current Portion 30,000 10,000 LIABILITIES AND NET ASSETS CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 3,795 - Total Current Liabilities 3,795 - Related Party Notes Payable, Net of Current Portion - 2,84,667 TOTAL LIABILITIES: 19,480 30,188 NON-CURRENT LIABILITIES: Related Party Notes Payable, Net of Current Portion - 2,84,667 TOTAL LIABILITIES: 19,480 30,085 Net Assets Without Donor		<u>2020</u>	<u>2019</u>
Contributions, Pledges and Grants Receivable 49,000 5,000 Due from Affiliate 143,035 34,409 Prepaid Expenses 3,732 13,917 Total Current Assets 623,922 386,599 NON-CURRENT ASSETS: Grants Receivable, Net of Current Portion 30,000 10,000 TOTAL ASSETS CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744			
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TOTAL ASSETS \$ 396,599 LIABILITIES AND NET ASSETS CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: 19,480 320,855 Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	NON-CURRENT ASSETS:		
LIABILITIES AND NET ASSETS CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: 19,480 320,855 Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	Grants Receivable, Net of Current Portion	30,000	10,000
LIABILITIES AND NET ASSETS CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: 19,480 320,855 Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744		ф. (52.022	ф. 207. 5 00
CURRENT LIABILITIES: Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: . . Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	TOTAL ASSETS	\$ 653,922	\$ 396,599
Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: . . Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	<u>LIABILITIES AND NET ASSETS</u>		
Related Party Notes Payable, Current Portion \$ - \$ 26,000 Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: . . Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses 15,685 10,188 Accrued Payroll and Related Costs 3,795 - Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: - 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: . . Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744		\$ -	\$ 26,000
Total Current Liabilities 19,480 36,188 NON-CURRENT LIABILITIES: Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744		15,685	10,188
NON-CURRENT LIABILITIES: 284,667 Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Standard	Accrued Payroll and Related Costs	3,795	
Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Style="text-align: right;">Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	Total Current Liabilities	19,480	36,188
Related Party Notes Payable, Net of Current Portion - 284,667 TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Style="text-align: right;">Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	NON-CURRENT LIARII ITIES:		
TOTAL LIABILITIES 19,480 320,855 NET ASSETS: Style="text-align: right;">Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744		_	284,667
NET ASSETS: 559,442 60,744 Net Assets Without Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744			<u> </u>
Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	TOTAL LIABILITIES	19,480	320,855
Net Assets Without Donor Restrictions 559,442 60,744 Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744	NET ASSETS:		
Net Assets With Donor Restrictions 75,000 15,000 Total Net Assets 634,442 75,744		559 442	60 744
Total Net Assets 634,442 75,744		,	
TOTAL LIABILITIES AND NET ASSETS \$ 653,922 \$ 396,599			
	TOTAL LIABILITIES AND NET ASSETS	\$ 653,922	\$ 396,599

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

	2020		2019			
	WITHOUT	WITH		WITHOUT	WITH	
	<u>DONOR</u> RESTRICTIONS	<u>DONOR</u> RESTRICTIONS	TOTAL	<u>DONOR</u> RESTRICTIONS	<u>DONOR</u> RESTRICTIONS	TOTAL
	KESTRICTIONS	RESTRICTIONS	IOIAL	KESTRICTIONS	RESTRICTIONS	IOTAL
SUPPORT, REVENUES AND RECLASSIFICATIONS:						
Support and Revenues:						
Gifts, Grants and Contributions	\$ 854,930	\$ 100,000	\$ 954,930	\$ 316,808	\$ 15,000	\$ 331,808
Conference Registrations and Sponsorships	-	-	-	9,290	-	9,290
Donated Services	37,230	-	37,230	28,800	-	28,800
Merchandise Sales	451	-	451	6,174	-	6,174
Reclassifications of Net Assets - Released from Restriction:						
Satisfaction of Time Restrictions	40,000	(40,000)				
TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS	932,611	60,000	992,611	361,072	15,000	376,072
FUNCTIONAL EXPENSES:						
Program Services	204,816	-	204,816	306,834	-	306,834
Administrative	102,641	-	102,641	104,754	-	104,754
Fund Raising	126,456		126,456	76,805		76,805
TOTAL FUNCTIONAL EXPENSES	433,913		433,913	488,393		488,393
CHANGE IN NET ASSETS	498,698	60,000	558,698	(127,321)	15,000	(112,321)
NET ASSETS - BEGINNING OF YEAR	60,744	15,000	75,744	188,065		188,065
NET ASSETS - END OF YEAR	\$ 559,442	\$ 75,000	\$ 634,442	\$ 60,744	\$ 15,000	\$ 75,744

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

(With Summarized Comparative Totals for 2019)

					ΓAL
	<u>PROGRAM</u>	ADMINI-	<u>FUND</u>	<u>FUNCTIONA</u>	L EXPENSES
	<u>SERVICES</u>	<u>STRATIVE</u>	RAISING	<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 68,155	\$ 45,824	\$ 68,782	\$ 182,761	\$ 145,834
Payroll Taxes	5,932	4,141	5,956	16,029	12,314
Employee Benefits	4,851	2,010	3,641	10,502	6,953
Professional Services	19,335	20,300	14,088	53,723	40,908
Donated Services	27,255	4,275	5,700	37,230	28,800
Communications and Marketing	62,629	6,520	11,546	80,695	123,143
National Citizen Leadership Conference	-	-	-	-	27,873
Occupancy	14,015	7,950	8,825	30,790	28,562
Program Supplies, Activities, and Expenses	88	-	1,642	1,730	43,073
General Supplies and Expenses	90	1,317	5,426	6,833	6,336
Travel Expenses	1,368	12	210	1,590	11,793
Licenses, Registrations and Memberships	-	8,447	-	8,447	9,834
Insurance	1,098	1,845	640	3,583	2,970
Total Functional Expenses	<u>\$ 204,816</u>	\$ 102,641	\$ 126,456	\$ 433,913	\$ 488,393

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

	PROGRAM SERVICES	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	TOTAL FUNCTIONAL EXPENSES
Salaries and Wages	\$ 66,967	\$ 50,747	\$ 28,120	\$ 145,834
Payroll Taxes	5,751	4,239	2,324	12,314
Employee Benefits	2,411	3,046	1,496	6,953
Professional Services	15,342	16,151	9,415	40,908
Donated Services	18,144	3,168	7,488	28,800
Communications and Marketing	112,434	5,257	5,452	123,143
National Citizen Leadership Conference	27,873	-	-	27,873
Occupancy	17,517	6,743	4,302	28,562
Program Supplies, Activities, and Expenses	28,034	351	14,688	43,073
General Supplies and Expenses	515	2,731	3,090	6,336
Travel Expenses	10,779	868	146	11,793
Licenses, Registrations and Memberships	-	9,834	-	9,834
Insurance	1,067	1,619	284	2,970
Total Functional Expenses	\$ 306,834	\$ 104,754	\$ 76,805	\$ 488,393

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

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 558,698	\$ (112,321)
Adjustments to Reconcile the Above to Net Cash		
Provided (Used) by Operating Activities:		
Non-Cash Contribution (See Note 6)	(306,333)	_
(Increase) Decrease in Current Assets:		
Contributions, Pledges and Grants Receivable	(44,000)	(5,000)
Due from Affiliate	(108,626)	11,761
Other Receivables	-	6,896
Prepaid Expenses	10,185	(7,687)
Increase (Decrease) in Current Liabilities:	•	()
Accounts Payable and Accrued Expenses	5,497	(8,583)
Accrued Payroll and Related Costs	3,795	(9,576)
(Increase) Decrease in Non-Current Assets:		()
Grants Receivable, Net of Current Portion	(20,000)	(10,000)
Net Adjustment	(459,482)	(22,189)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	99,216	(134,510)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of Related Party Notes	(4,334)	(26,000)
Net Cash Flows from Financing Activities	(4,334)	(26,000)
The Cush Flows from Financing Flow vides		(==,===)
NET INCREASE (DECREASE) IN CASH BALANCES	94,882	(160,510)
CASH BALANCES - BEGINNING OF YEAR	333,273	493,783
CASH BALANCES - END OF YEAR	\$ 428,15 <u>5</u>	\$ 333,273

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND AFFILIATIONS

American Promise, Inc. ("API" or the "Organization") was incorporated on July 13, 2015 as a Massachusetts nonprofit corporation organized to promote social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code ("IRC"), 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. Contributions to API are not eligible as tax-deductible charitable donations.

Affiliated Organizations:

American Promise Education Fund, Inc.

American Promise Education Fund, Inc. ("APEF") 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 IRC. APEF 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.

While closely connected, the Organizations operate independently, and since neither Organization controls the other, consolidated financial statements are not presented. As disclosed in Note 4, the Organizations have entered into a cost-sharing agreement.

NOTE 2 PROGRAM SERVICES

American Promise, Inc. empowers, inspires, and organizes Americans to win the cause of our time: the 28th Amendment. This historic reform will rebalance our politics and government by putting the rights of individual citizens and the interests of the nation before the privileges of concentrated money, corporations, unions, political parties, and superPACs. American Promise leads the non-partisan, fifty-state campaign for the 28th Amendment so that people, not money, govern America.

American Promise, Inc. focuses its advocacy and organizing programs in the following five areas:

Citizen Empowerment:

American Promise's citizen empowerment programming focuses on building a distributed, decentralized network to support, connect and amplify cross-partisan local action by advocates to move forward the 28th Amendment in state and federal legislatures.

Pledge Campaign:

By securing pledges from candidates for office and incumbents to use their office to work for a 28th Amendment, American Promise is able to hold elected representatives to their word, to ensure that they represent the good of the country and the will of the people for big, real reform through the 28th Amendment, rather than do the bidding of big donors and special interests.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 2 (Continued)

State Initiatives:

American Promise provides legal expertise, organizing strategy and execution, and direct lobbying support for statewide ballot campaigns and local and state resolutions calling on Congress for a 28th Amendment.

Congressional Initiatives:

American Promise works with Democrat, Republican, and Independent members of Congress to grow cross-partisan support for a 28th Amendment.

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, Inc. will build capacity in its Empowerment, Communications, and Political departments, to mobilize and organize its state- and nation-wide membership to build the political will, advocacy, and campaigns necessary for the amendment to pass through Congress.

During 2020 and in the lead up to Phase 2, set to be executed from 2021 through 2023, the Organization expanded its fundraising capabilities by hiring additional fundraising staff, developing systems as well as making investments in communication materials to prepare for the 2021 launch of the Keep the Promise Campaign, a three-year, \$20 million growth campaign beginning in 2021. This phase of the campaign resulted in an increased level fundraising costs relative to the overall budget, while programming was reduced as a result of the COVID-19 impact (See Note 9).

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

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 CodificationTM, 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. As of and for the years ended December 31, 2020 and 2019, net assets with donor restrictions and related amounts released from restriction represented multi-year pledges with inherent time restrictions.

Contributions and Pledges Receivable:

Contributions and Pledges 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. For the years presented, the non-current portion of pledge commitments were due within two years of the statement of financial position date.

Management periodically reviews specific grants, 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

Contributions, Gifts and Grants:

As required by the FASB Accounting Standards CodificationTM, 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.

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 Services:

As required by the FASB Accounting Standards CodificationTM, 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.

Functional Expenses:

As required by the FASB Accounting Standards CodificationTM, 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, indirect costs of fund raising events, distribution of materials and other similar projects related to the procurement of funds.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 3 (Continued)

As further discussed in Notes 2 and 9, in 2020, API increased resources allocated to fundraising in preparation for the launch of the Keep the Promise Campaign while its direct programming capacity was decreased as a result of the pandemic. Accordingly, the functional allocation of expenses for the year ended December 31, 2020 is not indicative of the past or expected future trends.

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 position made by the Organization is the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(4) 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 COST-SHARING ARRANGEMENT

Office space, staff, consultants, information technology and certain other expenditures of API are shared with APEF. 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, API 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.

A portion of these costs are charged to APEF on a monthly basis based upon management's analysis of specific tasks, scope of services and other allocation methods. 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 from Affiliate* in the accompanying Statements of Financial Position and such amounts were paid in full shortly following each respective year end.

NOTE 5 DONATED 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 6)	\$23,750	\$28,800
Professional Services	13,480	
Total	<u>\$37,230</u>	\$28,800

NOTE 6 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 \$23,750 and \$28,800, based on 19% and 24% of a salaried position for the years ended December 31, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 6 (Continued)

Notes Payable:

During 2015 and 2016, three loans totaling \$130,000 were made by the Organization's Co-Founder and President, which were unsecured, non-interest bearing and payable upon demand. On December 28, 2016, the three separate loans were combined into one promissory note in the amount of \$130,000, which was non-interest bearing and payable over a five-year period in monthly installments of \$2,166.67. The terms of the note allow the Organization to suspend payments for a six-month period once during the term of the loan, which would then extend the maturity date of the note for an additional six months. During 2017, API elected to suspend payments for four months, and the maturity date of the loan was extended to April 28, 2022. In early 2020, the lender allowed the Organization to defer payments in response to the Covid-19 pandemic, at which time the outstanding balance on the loan was \$56,333.

In 2018, the Organization received a loan in the amount of \$250,000 from Whaleback Partners, LLC, a non-affiliated company owned by the Organization's Co-Founder/President and a member of his immediate family. The loan was non-interest bearing and was originally structured to be repaid in 60 monthly installments of \$4,166.67 beginning on January 15, 2020. In January 2020, the loan was amended to extend the term for two additional years with payments commencing on January 1, 2022.

On December 4, 2020, each of the above lenders issued a full forgiveness on the outstanding loan balance in the aggregate amount of \$306,333, which amount has been recognized as a contribution without donor restrictions for the year ended December 31, 2020.

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 two-thirds and one-third, respectively, of *Gifts, Grants and Contributions*. Future revenue of the Organization is expected to come from many additional sources.

NOTE 7 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 \$117,080. As of December 31, 2019, the Organization did not have any cash balances in excess of the FDIC insured limits.

NOTE 8 OPERATING LEASE

API and APEF occupy office space in the City of Cambridge and the Town of Concord, Massachusetts under at-will Use Agreements which provide office space, shared electronic equipment and other office services. In the years presented, the combined cost ranged between \$7,080 - \$9,730 per month, a portion of which was reimbursed by APEF under the cost-sharing agreement previously discussed. During 2020, in response to the pandemic, the fee for the Concord space was reduced to \$1,400 with a corresponding decrease in amount of space rented, and in October 2020, the Cambridge lease expired and was not renewed. One agreement requires a deposit equal to one month's fee and last month's rent. These deposits are included within *Prepaid Expenses* in the accompanying Statements of Financial Position.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 9 CONTINGENCIES

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, COVID-19 impacted the Organization's ability to carry out its in person programming, including traveling to launch new, and support existing, chapters, and holding its annual National Citizen Leadership Conference and Citizen Lobby Days, while also leading to the departure of program staff to care for family. During this time, API's direct programming was reduced in comparison to increased efforts invested into fundraising, as previously discussed in Note 2.

As a result of the pandemic, 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. While the Organization is not able to estimate the length of severity of this outbreak and the related financial impact, API expects to resume its programming at increased levels and restoring a favorable distribution of resources in its programmatic capacity.

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 10 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	\$ 428,155	\$333,273
Due from Affiliate	143,035	34,409
Contributions and Grants Receivable	79,000	15,000
Total Financial Assets	650,190	382,682
Less Amounts Not Available to be Used Within One Year:		
Non-Current Grants Receivable	(30,000)	(10,000)
Financial Assets Available to Meet General		
Expenditures Within One Year	\$ 620,190	\$372,682

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Continued)

NOTE 10 (Continued)

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 11 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 API in the amount of \$350,000 to 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.