

**AMERICAN PROMISE, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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**AMERICAN PROMISE, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



**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.*

AMERICAN PROMISE, INC.  
REPORT FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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, 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, 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, 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, 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, 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, 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, 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, INC.

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

ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 571,438	\$ 428,155
Contributions, Pledges and Grants Receivable	298,429	49,000
Due from Affiliate	30,546	143,035
Prepaid Expenses	225	3,732
Total Current Assets	<u>900,638</u>	<u>623,922</u>
<u>NON-CURRENT ASSETS:</u>		
Grants Receivable, Net of Current Portion	<u>17,000</u>	<u>30,000</u>
<u>TOTAL ASSETS</u>	<u>\$ 917,638</u>	<u>\$ 653,922</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	88,657	15,685
Accrued Payroll and Related Costs	45,103	3,795
Total Current Liabilities	<u>133,760</u>	<u>19,480</u>
<u>TOTAL LIABILITIES</u>	<u>133,760</u>	<u>19,480</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	468,878	559,442
Net Assets With Donor Restrictions	315,000	75,000
Total Net Assets	<u>783,878</u>	<u>634,442</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 917,638</u>	<u>\$ 653,922</u>

AMERICAN PROMISE, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u>	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>						
<i>Support and Revenues:</i>						
Gifts, Grants and Contributions	\$ 587,520	\$ 285,000	\$ 872,520	\$ 854,930	\$ 100,000	\$ 954,930
Donated Services	32,160	-	32,160	37,230	-	37,230
Merchandise Sales	-	-	-	451	-	451
<i>Reclassifications of Net Assets - Released from Restriction:</i>						
Satisfaction of Time Restrictions	45,000	(45,000)	-	40,000	(40,000)	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>664,680</u></b>	<b><u>240,000</u></b>	<b><u>904,680</u></b>	<b><u>932,611</u></b>	<b><u>60,000</u></b>	<b><u>992,611</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>						
Program Services	406,954	-	406,954	204,816	-	204,816
Administrative	127,305	-	127,305	102,641	-	102,641
Fund Raising	220,985	-	220,985	126,456	-	126,456
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>755,244</u></b>	<b><u>-</u></b>	<b><u>755,244</u></b>	<b><u>433,913</u></b>	<b><u>-</u></b>	<b><u>433,913</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>(90,564)</u></b>	<b><u>240,000</u></b>	<b><u>149,436</u></b>	<b><u>498,698</u></b>	<b><u>60,000</u></b>	<b><u>558,698</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>559,442</u></b>	<b><u>75,000</u></b>	<b><u>634,442</u></b>	<b><u>60,744</u></b>	<b><u>15,000</u></b>	<b><u>75,744</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 468,878</u></b>	<b><u>\$ 315,000</u></b>	<b><u>\$ 783,878</u></b>	<b><u>\$ 559,442</u></b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 634,442</u></b>

AMERICAN PROMISE, 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>2021</u>	<u>2020</u>
Salaries and Wages	\$ 105,999	\$ 55,131	\$ 108,172	\$ 269,302	\$ 182,761
Payroll Taxes	9,130	4,824	9,353	23,307	16,029
Employee Benefits	9,226	1,689	4,985	15,900	10,502
Professional Services	104,821	42,978	23,702	171,501	53,723
Donated Services	23,898	3,782	4,480	32,160	37,230
Communications and Marketing	109,921	2,216	36,838	148,975	80,695
National Citizen Leadership Conference	28,214	-	-	28,214	-
Occupancy	2,351	1,056	2,146	5,553	30,790
Program Supplies, Activities, and Expenses	1,621	-	14,652	16,273	1,730
General Supplies and Expenses	6,931	5,171	13,402	25,504	6,833
Travel Expenses	3,278	10	2,366	5,654	1,590
Licenses, Registrations and Memberships	502	8,371	18	8,891	8,447
Insurance	<u>1,062</u>	<u>2,077</u>	<u>871</u>	<u>4,010</u>	<u>3,583</u>
<b>Total Functional Expenses</b>	<b><u>\$ 406,954</u></b>	<b><u>\$ 127,305</u></b>	<b><u>\$ 220,985</u></b>	<b><u>\$ 755,244</u></b>	<b><u>\$ 433,913</u></b>



AMERICAN PROMISE, 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	\$ 68,155	\$ 45,824	\$ 68,782	\$ 182,761
Payroll Taxes	5,932	4,141	5,956	16,029
Employee Benefits	4,851	2,010	3,641	10,502
Professional Services	19,335	20,300	14,088	53,723
Donated Services	27,255	4,275	5,700	37,230
Communications and Marketing	62,629	6,520	11,546	80,695
Occupancy	14,015	7,950	8,825	30,790
Program Supplies, Activities, and Expenses	88	-	1,642	1,730
General Supplies and Expenses	90	1,317	5,426	6,833
Travel Expenses	1,368	12	210	1,590
Licenses, Registrations and Memberships	-	8,447	-	8,447
Insurance	<u>1,098</u>	<u>1,845</u>	<u>640</u>	<u>3,583</u>
<b>Total Functional Expenses</b>	<b><u>\$ 204,816</u></b>	<b><u>\$ 102,641</u></b>	<b><u>\$ 126,456</u></b>	<b><u>\$ 433,913</u></b>

AMERICAN PROMISE, INC.

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

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 149,436	\$ 558,698
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Non-Cash Contribution (See Note 6)	-	(306,333)
<i>(Increase) Decrease in Current Assets:</i>		
Contributions, Pledges and Grants Receivable	(249,429)	(44,000)
Due from Affiliate	112,489	(108,626)
Prepaid Expenses	3,507	10,185
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	72,972	5,497
Accrued Payroll and Related Costs	41,308	3,795
<i>(Increase) Decrease in Non-Current Assets:</i>		
Grants Receivable, Net of Current Portion	13,000	(20,000)
Net Adjustment	(6,153)	(459,482)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>143,283</u></b>	<b><u>99,216</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Repayments of Related Party Notes	-	(4,334)
Net Cash Flows from Financing Activities	-	(4,334)
<b><u>NET INCREASE IN CASH BALANCES</u></b>	<b><u>143,283</u></b>	<b><u>94,882</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>428,155</u></b>	<b><u>333,273</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 571,438</u></b>	<b><u>\$ 428,155</u></b>

AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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 28<sup>th</sup> 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 28<sup>th</sup> 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.

AMERICAN PROMISE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

*(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 28<sup>th</sup> Amendment.

*Congressional Initiatives:*

American Promise works with Democrat, Republican, and Independent members of Congress to grow cross-partisan support for a 28<sup>th</sup> 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 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, Inc. continued to 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 2021, the Organization expanded its fundraising capabilities by hiring additional fundraising staff, developing systems as well as making investments in communication materials for the 2021 launch of the Keep the Promise Campaign, a three-year, \$20 million growth campaign set to complete in 2023. This phase of the campaign resulted in an elevated level of fundraising costs relative to the overall budget, while programming continued to be 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.

AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(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 Codification*<sup>TM</sup>, 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, 2021 and 2020, net assets with donor restrictions and related amounts released from restriction represented multi-year pledges with inherent time restrictions.

**Contributions, Pledges and Grants 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 each respective 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.

AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 3 (Continued)

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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 Codification*<sup>TM</sup>, 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 Codification*<sup>TM</sup>, 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.

AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 3 (Continued)

As further discussed in Notes 2 and 9, in 2020 and 2021, API increased resources allocated to fundraising 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 years ended December 31, 2021 and 2020 are 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 IRC Section 501(c)(4). 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, 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 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>2021</u>	<u>2020</u>
CEO Salary (See Note 6)	\$17,500	\$23,750
Professional Services	<u>14,660</u>	<u>13,480</u>
Total	<u>\$32,160</u>	<u>\$37,230</u>

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 \$17,500 and \$23,750, based on 14% and 19% of a salaried position for the years ended December 31, 2021 and 2020, respectively.

AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(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 allowed 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, 2021 and 2020, gifts (including the above noted loan forgiveness) from the Co-Founder and a number of his family members accounted for approximately 50% and 65%, 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, 2021 and 2020, the Organization's balance in excess of the FDIC insured limits was \$260,648 and \$117,080, respectively.



AMERICAN PROMISE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

*(Continued)*

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 previous years, 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 monthly 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. In June 2021, the monthly fee increased to \$1,500, which continues to be shared with APEF.

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, 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.

AMERICAN PROMISE, INC.  
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*(Continued)*

NOTE 10    *(Continued)*

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$571,438	\$ 428,155
Due from Affiliate	30,546	143,035
Contributions, Pledges and Grants Receivable	<u>315,429</u>	<u>79,000</u>
Total Financial Assets	917,413	650,190
Less Amounts Not Available to be Used Within One Year:		
Non-Current Grants Receivable	<u>(17,000)</u>	<u>(30,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$900,413</u>	<u>\$ 620,190</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 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 25, 2022, the date which the financial statements were available for issue and noted no events which met the criteria for disclosure.