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**AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

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DECEMBER 31, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
America's Promise – The Alliance for Youth
Washington, DC

We have audited the accompanying financial statements of America's Promise – The Alliance for Youth (America's Promise Alliance), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 America's Promise Alliance as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fairfax, Virginia
July 6, 2021

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 427,815	\$ 2,527,723
Pledges receivable, net	278,539	432,937
Prepaid expenses and other assets	178,768	160,019
Investments	4,166,391	4,031,060
Furniture and equipment, net	<u>245,912</u>	<u>309,039</u>
TOTAL ASSETS	<u>\$ 5,297,425</u>	<u>\$ 7,460,778</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 396,236	\$ 249,123
Balance due to grantees in future years	40,500	550,573
Loss on sublease liability	14,716	195,526
Refundable deposits	25,734	25,734
Deferred rent	426,303	576,546
Capital lease obligations	<u>21,914</u>	<u>7,134</u>
TOTAL LIABILITIES	<u>\$ 925,403</u>	<u>\$ 1,604,636</u>
NET ASSETS		
Without donor restrictions	\$ 2,288,768	\$ 879,558
With donor restrictions	<u>2,083,254</u>	<u>4,976,584</u>
TOTAL NET ASSETS	<u>\$ 4,372,022</u>	<u>\$ 5,856,142</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,297,425</u>	<u>\$ 7,460,778</u>

The accompanying notes are an integral part of these financial statements.

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 3,628,345	\$ 1,557,074	\$ 5,185,419	\$ 1,081,851	\$ 4,948,864	6,030,715
Contracts	3,500	-	3,500	214,931	-	214,931
Other income	-	-	-	2,000	-	2,000
Net assets released from restrictions:						
Program restrictions	4,025,404	(4,025,404)	-	6,980,145	(6,980,145)	-
Time restrictions	425,000	(425,000)	-	110,000	(110,000)	-
Total Revenue and Support	<u>\$ 8,082,249</u>	<u>\$ (2,893,330)</u>	<u>\$ 5,188,919</u>	<u>\$ 8,388,927</u>	<u>\$ (2,141,281)</u>	<u>\$ 6,247,646</u>
EXPENSES AND LOSSES						
Program Services:						
Young. Employed. Successful.	\$ 998,926	\$ -	\$ 998,926	\$ 825,132	\$ -	\$ 825,132
Every School Healthy	602,745	-	602,745	1,239,947	-	1,239,947
GradNation	539,288	-	539,288	1,020,715	-	1,020,715
Power of Youth Challenge	225,387	-	225,387	196,325	-	196,325
How Learning Happens	1,147,262	-	1,147,262	688,188	-	688,188
Youth Voices	146,567	-	146,567	-	-	-
Anti-Racism Alliance	97,033	-	97,033	-	-	-
State of Young People	-	-	-	1,094,861	-	1,094,861
Other Program Services	1,081,299	-	1,081,299	1,757,976	-	1,757,976
Total Program Services	<u>\$ 4,838,507</u>	<u>\$ -</u>	<u>\$ 4,838,507</u>	<u>\$ 6,823,144</u>	<u>\$ -</u>	<u>\$ 6,823,144</u>
Supporting Services:						
General and Administrative	\$ 1,157,357	\$ -	\$ 1,157,357	\$ 1,446,786	\$ -	\$ 1,446,786
Fundraising	787,788	-	787,788	561,381	-	561,381
Total Supporting Services	<u>\$ 1,945,145</u>	<u>\$ -</u>	<u>\$ 1,945,145</u>	<u>\$ 2,008,167</u>	<u>\$ -</u>	<u>\$ 2,008,167</u>
Total Expenses	<u>\$ 6,783,652</u>	<u>\$ -</u>	<u>\$ 6,783,652</u>	<u>\$ 8,831,311</u>	<u>\$ -</u>	<u>\$ 8,831,311</u>
CHANGE IN NET ASSETS FROM OPERATIONS	\$ 1,298,597	\$ (2,893,330)	\$ (1,594,733)	\$ (442,384)	\$ (2,141,281)	\$ (2,583,665)
OTHER ACTIVITIES						
Non-operating investment income	\$ 111,228	\$ -	\$ 111,228	\$ 659,222	\$ -	\$ 659,222
Loss on disposal of equipment	(615)	-	(615)	(564)	-	(564)
CHANGE IN NET ASSETS	\$ 1,409,210	\$ (2,893,330)	\$ (1,484,120)	\$ 216,274	\$ (2,141,281)	\$ (1,925,007)
NET ASSETS - BEGINNING OF YEAR	879,558	4,976,584	5,856,142	663,284	7,117,865	7,781,149
NET ASSETS - END OF YEAR	<u>\$ 2,288,768</u>	<u>\$ 2,083,254</u>	<u>\$ 4,372,022</u>	<u>\$ 879,558</u>	<u>\$ 4,976,584</u>	<u>\$ 5,856,142</u>

The accompanying notes are an integral part of these financial statements.

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Activities								Supporting Services			
	Young. Employed. Successful.	Every School Healthy	GradNation	Power of Youth Challenge	How Learning Happens	Youth Voices	Anit-Racism Alliance	Other Program Services	Total Program Activities	General and Administrative	Fundraising	Total
Salaries, benefits and taxes	\$ 424,306	\$ 251,090	\$ 270,437	\$ 81,357	\$ 447,590	\$ 64,471	\$ 68,652	\$ 148,065	\$ 1,755,968	\$ 1,166,536	\$ 414,319	\$ 3,336,823
Contracted services	552	66,629	1,104	16,894	1,518	138	3,036	630,000	719,871	355,977	132,591	1,208,439
Grants	-	29,000	-	-	19,500	-	-	-	48,500	-	-	48,500
Research	185,060	47,972	-	-	193,061	-	-	5,616	431,709	-	556	432,265
Communications and marketing	29,255	12,638	63,953	7,630	59,025	34,109	861	26,603	234,074	73,687	1,725	309,486
Supplies and materials	111	-	27	-	-	-	26	202,213	202,377	18,641	8,104	229,122
Office expenses	-	78	134	-	1,538	-	-	-	1,750	82,531	41	84,322
Travel	12,612	776	2,943	-	19,441	-	-	57	35,829	2,574	84	38,487
Conferences, conventions and meetings	29,623	19,955	1,612	50,160	49,610	22,185	656	-	173,801	13,538	5,382	192,721
Facilities	-	-	-	-	-	-	-	-	-	713,468	-	713,468
Other	81	-	-	-	-	-	-	-	81	39,978	685	40,744
Depreciation	-	-	-	-	-	-	-	-	-	149,275	-	149,275
Allocation of common costs	317,326	174,607	199,078	69,346	355,979	25,664	23,802	68,745	1,234,547	(1,458,848)	224,301	-
Total Expenses	\$ 998,926	\$ 602,745	\$ 539,288	\$ 225,387	\$ 1,147,262	\$ 146,567	\$ 97,033	\$ 1,081,299	\$ 4,838,507	\$ 1,157,357	\$ 787,788	\$ 6,783,652

The accompanying notes are an integral part of these financial statements.

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Activities							Supporting Services			
	Young. Employed. Successful.	Every School Healthy	GradNation	Power of Youth Challenge	How Learning Happens	State of Young People	Other Program Services	Total Program Activities	General and Administrative	Fundraising	Total
Salaries, benefits and taxes	\$ 371,569	\$ 431,287	\$ 401,917	\$ 47,237	\$ 228,062	\$ 53,892	\$ 97,752	\$ 1,631,716	\$ 1,431,289	\$ 128,148	\$ 3,191,153
Contracted services	7,500	426,850	253,160	83,427	4,331	41,475	575,770	1,392,513	256,982	98,104	1,747,599
Grants	80,000	19,044	34,800	-	150,000	-	10,000	293,844	-	-	293,844
Research	41,158	47,401	4,655	-	171,729	41,826	84,487	391,256	-	-	391,256
Communications and marketing	191,802	98,588	124,815	47,286	39,594	221,807	1,715	725,607	3,071	9,999	738,677
Supplies and materials	755	3,990	7,090	3,554	1,896	585	14,868	32,738	32,327	-	65,065
Office expenses	3,953	3,422	4,573	-	3,304	330	13,400	28,982	81,341	5,857	116,180
Travel	23,865	50,151	48,070	-	11,426	297,121	14,364	444,997	27,729	3,025	475,751
Conferences, conventions and meetings	34,977	34,969	66,239	36	25,553	353,091	2,299	517,164	11,117	195,555	723,836
Facilities	-	-	-	-	-	-	-	-	743,717	-	743,717
Other	206	-	-	-	-	-	1,977	2,183	69,761	907	72,851
Depreciation	-	-	-	-	-	-	183,227	183,227	88,155	-	271,382
Allocation of common costs	69,347	124,245	75,396	14,785	52,293	84,734	758,117	1,178,917	(1,298,703)	119,786	-
Total Expenses	\$ 825,132	\$ 1,239,947	\$ 1,020,715	\$ 196,325	\$ 688,188	\$ 1,094,861	\$ 1,757,976	\$ 6,823,144	\$ 1,446,786	\$ 561,381	\$ 8,831,311

The accompanying notes are an integral part of these financial statements.

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	\$ (1,484,120)	\$ (1,925,007)
Adjustments to reconcile change in net assets to net cash flows - operating activities:		
Depreciation	149,275	271,382
Discount for present value of pledges receivable	(2,074)	(1,136)
Net realized and unrealized gains on investments	(67,058)	(571,060)
Loss on disposal of equipment	615	564
Changes in Assets and Liabilities:		
Pledges receivable	156,472	4,570,973
Prepaid expenses and other assets	(18,749)	(16,019)
Accounts payable and accrued expenses	147,113	(239,852)
Balance due to grantees in future years	(510,073)	(770,356)
Deferred revenue	-	(165,912)
Loss on sublease liability	(180,810)	(91,553)
Deferred rent	(150,243)	(122,519)
Net Cash Flows - Operating Activities	<u>\$ (1,959,652)</u>	<u>\$ 939,505</u>
CASH FLOWS - INVESTING ACTIVITIES		
Purchases of investments	\$ (5,515,429)	\$ (1,350,109)
Proceeds from sales of investments	5,447,156	2,219,947
Purchases of furniture and equipment	(62,879)	(91,688)
Net Cash Flows - Investing Activities	<u>\$ (131,152)</u>	<u>\$ 778,150</u>
CASH FLOWS - FINANCING ACTIVITIES		
Principal payments on capital lease obligation	\$ (9,104)	\$ (20,687)
Net Cash Flows - Financing Activities	<u>\$ (9,104)</u>	<u>\$ (20,687)</u>
NET CHANGE IN CASH	\$ (2,099,908)	\$ 1,696,968
CASH, BEGINNING OF YEAR	<u>2,527,723</u>	<u>830,755</u>
CASH, END OF YEAR	<u>\$ 427,815</u>	<u>\$ 2,527,723</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 1,422</u>	<u>\$ 2,672</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITY		
Equipment acquired under capital lease obligations	<u>\$ 23,884</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization

America's Promise - The Alliance for Youth (America's Promise Alliance or The Alliance) is the driving force behind a nationwide movement to improve the lives and futures of America's young people. By bringing together hundreds of national nonprofits, businesses, community and civic leaders, educators, citizens, and young people, the Alliance does what no single organization can do on its own: catalyze action on a scale that reaches millions of young people.

Our work is rooted in the belief that every young person deserves to succeed, and every adult is responsible for making that happen. Our campaigns and initiatives align organizations behind a common vision for a better future and bold goals to reach it. Through this alignment, we spark and support collective action across organizations, communities, and individuals to overcome the barriers that stand in the way of young people's success. These efforts have reached millions of young people.

America's Promise Alliance is the product of the 1997 Presidents' Summit for America's Future, where Presidents Bill Clinton, George H.W. Bush, Jimmy Carter, Gerald Ford, and Nancy Reagan on behalf of Ronald Regan signed a Summit Declaration which acts as the guiding force for America's Promise Alliance (and was later signed by Presidents George W. Bush and Barack Obama). The founding chair of America's Promise Alliance was General Colin Powell; his wife Alma Powell succeeded him in that role and is now Chair Emeritus. Building on the legacy of General and Mrs. Powell, America's Promise Alliance is grounded in the framework of the Five Promises – caring adults, safe places, a healthy start, an effective education and opportunities to serve. America's Promise Alliance's operations are financed primarily through contributions and grants from corporations, private foundations and individuals.

Cash

Cash consists of demand deposits with financial institutions. Money market funds are included in investment accounts and are therefore excluded from cash, as these funds are considered part of America's Promise Alliance's overall investment strategy.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. Conditional promises to give are not included in support until the conditions of the promise are substantially met.

Investments

Investments consist of money market funds and equity, fixed-income, hedge, mutual and exchange-traded funds. Investments are recorded at fair value based on market prices provided by the custodians. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Investment income is reported as an increase in net assets without donor restrictions, unless restricted by donor or law.

Furniture and Equipment and the Related Accumulated Depreciation and Amortization

Furniture and equipment additions, in excess of \$5,000, are capitalized and carried at cost, if purchased, or at the estimated fair value at the date on which they were contributed. America's Promise Alliance depreciates all computers and office equipment using the straight-line method over the estimated useful lives of the assets (three to seven years). Leasehold improvements are amortized over the lease period or the useful lives of the improvements, whichever is shorter. Maintenance and repair costs are charged to expenses as incurred. Replacements and betterments are capitalized. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation or amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income.

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Balance Due to Regrantees in Future Years

America's Promise Alliance is both a grantee and grantor organization. As a grantor, America's Promise Alliance recognizes grant expense when America's Promise Alliance has awarded a grant and all conditions placed on the grantee are substantially met. Unpaid grants are reported as a balance due to regrantees in future years on the accompanying statements of financial position. Grant payments that will be issued in future years are recorded at the net present value of their estimated future cash flows.

Classification of Net Assets

America's Promise Alliance's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for the general support of America's Promise Alliance's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Revenue Recognition

America's Promise Alliance recognizes contributions and grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions and grants that are restricted by the donor as to time or purpose are reported as an increase in net assets with donor restrictions. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from contracts that provide for cost reimbursement are recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or services are provided. Revenue recognized in excess of cash received is reported as contracts receivable in the accompanying statements of financial position. Cash received in excess of recognized revenue is reported as deferred revenue in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates deemed to justify the benefits received by those programs and supporting services.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Allocation of Common costs	Time and effort

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1. **Organization and Summary of Significant Accounting Policies (Concluded)**

Measure of Operations

In its statements of activities, America's Promise Alliance includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services activities. Investment income, including realized and unrealized gains and losses, is recognized as a nonoperating activity.

New Accounting Pronouncements

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statements of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. America's Promise Alliance has adopted these provisions in 2019, however, there was no change to the way America's Promise Alliance presented its statement of cash flows in previous years.

FASB Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers, as amended*, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. America's Promise Alliance adopted ASC 606 in 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the America's Promise Alliance recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. America's Promise Alliance has adopted the provisions of ASU 2018-08 applicable to both grants and contributions received and to grants and contributions made in 2019. There was no effect on net assets in connection with the implementation of ASU 2018-08.

Note 2. **Pledges Receivable**

Pledges receivable are discounted to present value using a blended rate that contemplates each donor's estimated borrowing rate at the time the unconditional promise is made. The discount rate for outstanding pledges was 4.03% for 2020. The discount rate for outstanding pledges ranged from 2.79% to 4.03% for 2019.

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2. Pledges Receivable (Concluded)

Pledges outstanding in support of programs and supporting services, as of December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Operating support	\$ 188,528	\$ 165,000
Every School Healthy	90,205	90,205
Other Program Services	<u>-</u>	<u>180,000</u>
Total Pledges Receivable	\$ 278,733	\$ 435,205
Less, Discount to Present Value	<u>(194)</u>	<u>(2,268)</u>
Pledges Receivable, Net	<u>\$ 278,539</u>	<u>\$ 432,937</u>

Pledges receivable are expected to be collected as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 273,733	\$ 362,705
Due in one to five years	<u>5,000</u>	<u>72,500</u>
Total Pledges Receivable	\$ 278,733	\$ 435,205
Less, Discount to Present Value	<u>(194)</u>	<u>(2,268)</u>
	<u>\$ 278,539</u>	<u>\$ 432,937</u>

Pledges receivable from three donors represent 91%, of total pledges receivable as of December 31, 2020 and 2019. Contributions from these donors represent 55% and 5% of total revenue and support for the years ended December 31, 2020 and 2019, respectively.

Note 3. Investments

In October 2020, America's Promise Alliance adopted a new Reserve Policy and Investment Policy Statement (IPS) to govern a new Operating Reserve Fund. The overall investment objective of the new IPS is principal preservation. The asset allocation of the new IPS includes one asset class – cash. America's Promise Alliance liquidated the investment portfolio in 2020 and all assets are now held in a money market investment account.

Investments consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual and exchange-traded funds:				
Equities	\$ -	\$ -	\$ 1,643,308	\$ 1,965,041
Fixed income	-	-	1,648,647	1,698,036
Hedge funds	-	-	195,420	213,036
Money market funds	<u>4,166,286</u>	<u>4,166,391</u>	<u>154,758</u>	<u>154,947</u>
Total	<u>\$ 4,166,286</u>	<u>\$ 4,166,391</u>	<u>\$ 3,642,133</u>	<u>\$ 4,031,060</u>

AMERICA'S PROMISE – THE ALLIANCE FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3. Investments (Concluded)

Investment return, including interest income from cash accounts, are summarized as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 68,516	\$ 113,630
Unrealized gains (losses) on investments	(388,822)	587,226
Realized gains (losses) on investments	455,880	(16,166)
Investment Fees	(24,346)	(25,468)
Total Investment Income	\$ 111,228	\$ 659,222

Note 4. Furniture and Equipment

America's Promise Alliance held the following furniture and equipment as of December 31, 2020 and 2019:

	2020	2019
Computer and office equipment	\$ 1,763,378	\$ 1,727,569
Leasehold improvements	1,785,888	1,785,888
Total Furniture and Equipment	\$ 3,549,266	\$ 3,513,457
Less, Accumulated Depreciation and Amortization	(3,303,354)	(3,204,418)
Furniture and Equipment, Net	\$ 245,912	\$ 309,039

Depreciation and amortization expense totaled \$149,275 and \$271,382 for the years ended December 31, 2020 and 2019, respectively.

Note 5. Balance Due to Recipients in Future Years

Grants authorized, but unpaid, at year-end are reported as liabilities, discounted to present value, in accordance with reporting and accounting standards. The grants authorized and payable at its discounted amount totaled \$40,500 and \$550,573 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, all outstanding amounts were payable within a year.

Note 6. Net Assets With Donor Restriction

The net assets with donor restriction of America's Promise Alliance, which include outstanding pledges and restricted support received, are available to support the following programs as of December 31, 2020 and 2019:

	2020	2019
General support for future periods	\$ 64,806	\$ 237,732
Young. Employed. Successful.	576,372	998,219
Every School Healthy	730,417	1,461,425
Grad Nation	513,130	981,822
How Learning Happens	10,000	1,144,830
Power of Youth Challenge	188,529	152,556
Total In Net Assets With Donor Restrictions	\$ 2,083,254	\$ 4,976,584

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Note 7. Commitments and Risks

Operating Lease

America's Promise Alliance leases its primary office space under an operating lease, which was scheduled to expire on February 28, 2018. In October 2013, America's Promise Alliance amended this operating lease to extend the lease term an additional five years to February 28, 2023. The amended lease provided for two months of rent abatement and a reduced rental rate, as well as a tenant improvement allowance of approximately \$330,000.

On February 12, 2021, America's Promise Alliance entered into a third amendment to the office space lease to reduce the square footage leased, reduce the rental rate and extend the lease term an additional seven years to July 31, 2030. The amended lease provided for five months of rent abatement, no operating expense or real estate tax charges for the period of March 1, 2021 – December 31, 2021, as well as a tenant improvement allowance of approximately \$673,515.

The lease also contains an industry-standard fixed escalation clause for increases in the annual minimum rent. Rent payments are recognized as an expense on a straight-line basis over the term of the lease, and a deferred rent liability is recorded for timing differences associated with bargain rents and tenant improvement allowances provided by the landlord. Building operating expenses are charged to America's Promise Alliance based on its pro rata share of the building space occupied.

Under the terms of the office space lease agreement, the landlord required America's Promise Alliance to open an irrevocable letter of credit in lieu of a security deposit. America's Promise Alliance established a letter of credit of \$116,968 in September 2007.

The minimum rental payments required under the third amendment to the office space lease are as follows:

For the Year Ending December 31,	
2021	\$ 342,994
2022	840,335
2023	861,343
2024	882,877
2025	904,949
Thereafter	<u>4,447,272</u>
Total	<u>\$ 8,279,770</u>

Rent expense under this lease was \$987,392 for 2020 and 2019.

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Note 7. Commitments and Risks (Concluded)

Capital Leases

America's Promise Alliance entered into lease agreements to finance certain furniture and equipment. These lease agreements will expire in 2025. The lease agreements were classified as capital leases, which are generally accounted for as additions to furniture and equipment using lease financing.

The present value of the future minimum lease payments is as follows as of December 31, 2020:

For the Year Ending December 31,	
2021	\$ 5,879
2022	5,879
2023	5,879
2024	5,879
2025	<u>3,439</u>
Total	26,955
Less: Amount Representing Interest	<u>(5,041)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 21,914</u>

As of December 31, 2020, and 2019, the cost of the capital lease assets is \$36,103 and \$63,173, respectively, net of accumulated amortization of \$12,833 and \$52,419, respectively, and is included in furniture and equipment.

Sublease Income

America's Promise Alliance entered into a sublease agreement for a portion of its existing office space. The agreement commenced on May 1, 2017 and was set to expire on February 27, 2023. During September 2020, the lessee exercised their one-time right to terminate the sublease agreement effective February 22, 2021. The future minimum rental payments received during 2021 prior to termination was \$29,365.

Note 8. Concentration of Risk

America's Promise Alliance maintains its cash and cash equivalents with a commercial financial institution in which the aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. America's Promise Alliance has never experienced, nor does management anticipate, any losses on its funds.

One donor contributed 48% and two donors contributed 48% of America's Promise Alliance's total contributions and grants in 2020 and 2019, respectively.

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Note 9. Line of Credit

America's Promise Alliance has an unsecured line of credit with a financial institution for a maximum amount of \$1,000,000. This unsecured line of credit is scheduled to expire on August 31, 2021. The letter of credit serving as the security deposit on the office space lease in the amount of \$116,968 is deemed to be outstanding under the line of credit agreement. The interest rate on the line as of December 31, 2020 is the greater of the LIBOR Daily Floating Rate or the Index Floor, plus 2 percentage points. The Index Floor means 1.25%. The interest rate on the line as of December 31, 2019 is equal to the LIBOR Daily Floating Rate plus 2.25 percentage points. The interest rate was 3.25% and 3.8% as of December 31, 2020 and 2019, respectively. Other than letter of credit, no amount was outstanding as of December 31, 2020 or 2019.

Note 10. Retirement Plan

America's Promise Alliance sponsors a 401(k) plan for all employees. The plan provides for employee deferrals and employer matching contributions. The matching contribution is a fixed amount equal to 50% of an employee's salary deferral, not to exceed 6% of compensation. Participants become fully vested in all contributions immediately upon payment. The retirement expense totaled \$50,663 and \$46,664 for the years ended December 31, 2020 and 2019, respectively.

Note 11. Donated Goods and Services

During 2020 and 2019, America's Promise Alliance received donated goods and services that are recorded at their estimated fair value. Donated goods and services consisted primarily of transportation for meetings and events and legal services. During 2020, America's Promise Alliance also received a donation of feminine hygiene products to help girls stay in school and stay confident as part of the #EndPeriodPoverty campaign. During 2019, America's Promise Alliance received a donation for a youth-led and designed convening. The financial statements include contributed support and expenses related to such services of \$208,199 and \$365,090 in 2020 and 2019, respectively.

Note 12. Fair Value Measurement

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, America's Promise Alliance has categorized its applicable financial instruments into the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

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Note 12. Fair Value Measurement (Concluded)

The following table summarizes America's Promise Alliance's investments measured at fair value on a recurring basis as of December 31, 2020:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 4,166,391	\$ 4,166,391	\$ -	\$ -
Total Investments	<u>\$ 4,166,391</u>	<u>\$ 4,166,391</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes America's Promise Alliance's investments measured at fair value on a recurring basis as of December 31, 2019:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity funds:				
U.S. large cap	\$ 1,178,368	\$ 1,178,368	\$ -	\$ -
International	61,483	61,483	-	-
U.S. mid cap	443,581	443,581	-	-
U.S. small cap	163,722	163,722	-	-
Emerging markets	117,887	117,887	-	-
Fixed-income funds:				
Investment-grade taxable	1,544,556	1,544,556	-	-
Global high yield taxable	153,481	153,481	-	-
Money market funds	154,946	154,946	-	-
Hedge funds	213,036	213,036	-	-
Commodities	-	-	-	-
Total Investments	<u>\$ 4,031,060</u>	<u>\$ 4,031,060</u>	<u>\$ -</u>	<u>\$ -</u>

America's Promise Alliance used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market and equity, fixed-income, hedge, and commodities funds – The funds are actively traded on a daily basis and classified within Level 1.

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Note 13. Income Taxes

America's Promise Alliance is a publicly supported organization and is exempt from federal income taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for income tax is required for the years ended December 31, 2020 or 2019, as America's Promise Alliance had no net unrelated business income.

America's Promise Alliance follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. America's Promise Alliance performed an evaluation of uncertain tax positions for the years ended December 31, 2020 and 2019 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is America's Promise Alliance's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2020, and 2019, America's Promise Alliance had no accruals for interest and/or penalties.

Note 14. Liquidity and Availability

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 4,517,621	\$ 6,242,339
Less, those unavailable for general expenditures within one year, due to:		
Donor – imposed restrictions for time or purpose	<u>-</u>	<u>(623,713)</u>
Financial assets available to meet cash needs for general Expenditures within one year	<u>\$ 4,517,621</u>	<u>\$ 5,618,626</u>

The organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2020 and 2019, restricted contributions of \$2,018,448 and \$4,115,139, respectively, were included in financial assets available to meet cash needs for general expenditures within one year. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. America's Promise Alliance has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended December 31, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

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Note 15. Risks and Uncertainties

In March 2020, a pandemic of the novel coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenue and expenses of America's Promise Alliance are uncertain due to the highly contagious nature of the virus, the requirements for social distancing, limited gathering and restrictions on travel. In addition, both domestic and international equity markets have experienced significant fluctuations since March 2020. The ultimate impact of the COVID-19 pandemic on the amount and likelihood of loss is unknown and depends on future developments. In this challenging environment, management has been aggressive in seeking new sources of funding, controlling costs and deferring payments when possible.

Note 16. Subsequent Events

America's Promise Alliance's management has evaluated subsequent events through July 6, 2021, the date the financial statements were available to be issued.

Subsequent to year-end, America's Promise Alliance applied for and was approved for a loan of \$444,305 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19. The loan is administered by the Small Business Administration and is fully guaranteed by the Federal Government. The PPP loan accrues interest at 1% and it provides up to 100% forgiveness if certain requirements are met. America's Promise Alliance believes it will meet all forgiveness requirements before December 31, 2021.

Apart from the revised lease agreement per Note 7 and above mentioned PPP loan, America's Promise is not aware of other subsequent events that would require recognition or disclosure in these financial statements.