



THE AMERICAN DRIVING SOCIETY, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2020

The American Driving Society, Inc.

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December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The American Driving Society, Inc.
Cross Plains, Wisconsin

We have audited the accompanying financial statements of The American Driving Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 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 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 The American Driving Society, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective January 1, 2020, the American Driving Society, Inc. adopted provision of Accounting Standards Update (ASU) 2014-09 (Topic 606): *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
June 16, 2021

THE AMERICAN DRIVING SOCIETY , INC.
(A Wisconsin Non-Profit Organization)
Cross Plains, Wisconsin

STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 17,977
Accounts Receivable	681
Prepaid Expenses	3,627
Inventories	8,978

Total Current Assets	<u>31,263</u>
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Investments	<u>1,190,704</u>
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Fixed Assets	3,714
Less: Accumulated Depreciation	<u>(3,714)</u>

Net Fixed Assets	<u>-</u>
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Total Assets	<u><u>\$ 1,221,967</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 5,911
Accrued Payroll	17,395
Other Accrued Expenses	2,250
Deferred Income	<u>113,575</u>

Total Current Liabilities	<u>139,131</u>
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PPP Loan Payable	<u>30,707</u>
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Total Liabilities	<u>169,838</u>
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Net Assets:

Net Assets without Donor Restrictions	908,825
Net Assets with Donor Restrictions	<u>143,304</u>

Total Net Assets	<u>1,052,129</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,221,967</u></u>
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The accompanying notes are an integral part of these financial statements.

THE AMERICAN DRIVING SOCIETY , INC.
(A Wisconsin Non-Profit Organization)
Cross Plains, Wisconsin

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 44,085	\$ 150	\$ 44,235
Membership Fees	124,180	-	124,180
Sales of Merchandise	27,738	-	27,738
Advertising Income	6,335	-	6,335
Licensed Officials Fees	4,620	-	4,620
Show Fee Income	14,340	-	14,340
Investment Income (Loss)	97,649	9,975	107,624
Miscellaneous Income	3,283	-	3,283
Net assets released from restrictions	22,404	(22,404)	-
	<u>344,634</u>	<u>(12,279)</u>	<u>332,355</u>
<u>EXPENSES</u>			
Program Services			
Publication	79,663	-	79,663
Membership Services	93,453	-	93,453
Administrative	109,453	-	109,453
Fundraising	16,611	-	16,611
	<u>299,180</u>	<u>-</u>	<u>299,180</u>
Total Change in Net Assets	<u>45,454</u>	<u>(12,279)</u>	<u>33,175</u>
Net Assets at Beginning of Year	<u>863,371</u>	<u>155,583</u>	<u>1,018,954</u>
Net Assets at End of Year	<u><u>\$ 908,825</u></u>	<u><u>\$ 143,304</u></u>	<u><u>\$ 1,052,129</u></u>

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

THE AMERICAN DRIVING SOCIETY , INC.
(A Wisconsin Non-Profit Organization)
Cross Plains, Wisconsin

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services					
	Publication	Membership Services	Total Program Services	Administrative	Fundraising	Total
EXPENSES						
Personnel	\$ 22,691	\$ 49,219	\$ 71,910	\$ 74,757	\$ 11,346	\$ 158,013
Publication Expenses	44,710	-	44,710	-	-	44,710
Professional Services	2,580	5,596	8,176	8,499	1,290	17,965
Operating Expenses	1,956	4,242	6,198	6,444	978	13,620
Clinic Expenses	-	200	200	-	-	200
Regional Expenses	-	3,750	3,750	-	-	3,750
Communications	1,702	3,693	5,395	5,609	851	11,855
Repairs, Maintenance and Non Capital Equipment	26	56	82	86	13	181
Rent	756	1,637	2,393	2,489	378	5,260
Meeting Expenses	175	379	554	576	87	1,217
Travel	23	50	73	-	-	73
Awards and Recognition	-	4,178	4,178	-	-	4,178
Depreciation	53	116	169	175	27	371
Insurance Expense	2,637	5,719	8,356	8,687	1,318	18,361
Advertising Expense	1,200	-	1,200	-	-	1,200
Licenses and Fees	647	3,126	3,773	2,131	323	6,227
State Registration Costs	-	9,642	9,642	-	-	9,642
Miscellaneous Expenses	507	1,850	2,357	-	-	2,357
Total Expenses	\$ 79,663	\$ 93,453	\$ 173,116	\$ 109,453	\$ 16,611	\$ 299,180

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

THE AMERICAN DRIVING SOCIETY , INC.
(A Wisconsin Non-Profit Organization)
Cross Plains, Wisconsin

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Operating Activities

Increase (Decrease) in Net Assets	\$ 33,175
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	371
Net unrealized (gains) losses on Investments	(87,176)
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(13)
Prepaid Expenses	1,172
Inventory	(5,065)
Accounts Payable	(4,862)
Accrued Payroll	512
Other Accrued Expenses	2,250
Deferred Revenue	<u>(18,160)</u>
Net Cash Provided (Used) by Operating Activities	<u>(77,796)</u>

Investing Activities

Sales of Investments	76,159
Purchases of Investments	<u>(20,578)</u>
Net Cash Provided (Used) by Investing Activities	<u>55,581</u>

Financing Activities

Proceeds from PPP loan	<u>30,707</u>
Net Cash Provided (Used) by Financing Activities	<u>30,707</u>
Increase (Decrease) in Cash and Cash Equivalents	8,492
Cash and Cash Equivalents at Beginning of Year	<u>9,485</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 17,977</u></u>

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

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The American Driving Society, Inc. (“ADS”) is a non-profit organization which promotes the sport of driving of equines to carriages, both competitively and for pleasure. They also create and maintain public interest in national and international driving events and educate and inform the public with respect to driving methods, safety and events. Additionally, ADS sponsors educational driving clinics and clinics for the purpose of training judges.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Statement of Cash Flows

For the purpose of the statement of cash flows, ADS considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at lower of cost (first-in, first-out method) or market. Inventories consist primarily of related publications and other resale items.

Accounts Receivable

ADS considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Equipment and Depreciation

Fixed assets are carried at cost and at fair market value when acquired by gift. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Fair Value Measurements

ADS applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or obligations.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ADS believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended December 31, 2020.

Financial Statement Presentation

The financial statements are presented in accordance with professional standards, which require ADS to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of ADS and include those expendable resources which have been designated for special use by ADS' Board of Directors.

Net assets with donor restrictions

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit ADS' choices of when to use and how to use these resources.

Revenue Recognition

In accordance with professional standards, contributions received are recorded as support without donor restrictions and support with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

ADS recognizes revenue from sales of merchandise and services when the products are transferred and the services are provided. Membership dues, which are nonrefundable, are recognized over the membership period. ADS records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when received from the donor. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires on net assets with donor restrictions, they are reclassified to net assets without donor restrictions.

Unconditional promises to give are recorded as revenue or gains in the period in which the contribution is promised and as assets, decreases in liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no promises to give as of December 31, 2020.

Deferred Income

Deferred income is comprised of deferred membership dues, deferred advertising income, and show and license fees paid in advance. The related revenue is included in deferred income and recognized as income when earned.

Income Taxes

ADS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, ADS has been classified as an organization that is not a private foundation under Section 509(a)(2) and is exempt from Wisconsin income and franchise taxes.

ADS adopted the accounting guidance for recognizing and measuring uncertain tax positions. ADS follows the statutory requirements for their income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to ADS's tax-exempt status would not have a material effect on the accompanying financial statements.

ADS' federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, ADS is no longer subject to such examinations for years before 2017.

Expense Allocation

ADS allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are recorded directly according to their natural expense classification. Expenses related to more than one function are allocated to programs and supporting services based on estimated time spent for each function.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. Nature of Activities and Significant Accounting Policies (Continued)

Estimates

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

Subsequent Events

ADS has evaluated subsequent events for disclosure through June 16, 2021, which is the date the financial statements were available to be issued.

Change in Accounting Principle

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 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 disclosure about revenue. ADS has implemented Topic 606 and has adjusted the presentation of these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

2. Financial Instruments and Credit Risk

ADS maintains its cash balances with various financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At December 31, 2020, ADS had no deposits in excess of federally insured limits. ADS also maintains balances at brokerages. These balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

3. Investments and Endowment

Investments at fair value and cost at December 31, 2020 were as follows:

	Cost	Fair Market Value
Cash	\$ 29,475	\$ 29,475
Common Stock	648,347	1,023,237
Asset Backed Securities	70,725	70,925
Corporate Bonds	66,229	67,067
	<u>\$ 814,776</u>	<u>\$ 1,190,704</u>

The fair value of cash, common stock, and preferred securities are based on quoted market prices in active markets (Level 1). The fair value of treasury bills, corporate bonds and asset backed securities are based on quoted prices for similar items (Level 2). No Level 3 inputs were used for 2020.

The underlying investment accounts are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, and the level of uncertainty related to changes in the value of those investments, it is at least reasonable possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and the statement of activities. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2020 along with the basis for determination of fair value:

	Fair Value	Fair Value Measurements Using:	
		Level 1	Level 2
<u>December 31, 2020</u>			
Cash	\$ 29,475	\$ 29,475	\$ -
Common Stock	1,023,237	1,023,237	-
Asset Backed Securities	70,925	-	70,925
Corporate Bonds	67,067	-	67,067
Total	<u>\$ 1,190,704</u>	<u>\$ 1,052,712</u>	<u>\$ 137,992</u>

Investment income (loss) from these investments for the year ended December 31, 2020 is summarized as follows:

	2020
Interest and dividends	\$ 20,448
Net unrealized gains (losses)	87,176
	<u>\$ 107,624</u>

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

3. Investments and Endowment (Continued)

Return Objectives and Risk Parameters

ADS has adopted investment and spending policies for investment and endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets are all donor-restricted funds. The investment and endowment funds are invested in manner intended to maximize long-term returns while maintaining a balanced portfolio to help minimize risk. The assets are intended to produce a rate of return adequate to generate income be used for the unfunded needs of the programs and operations of ADS and to appreciate in real terms at a greater pace than inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, ADS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ADS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

All dividend and interest income is available to be used for development grants and in the operations of the ADS. Portions of the principal that are not donor-restricted may be distributed with the approval of the Board of Directors of the ADS in a manner consistent with the By Laws of the ADS.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

ADS's endowment consists of one fund established to provide grants for the development of carriage driving. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

	Net Assets with Donor Restrictions	Total
ADS Endowment	\$ 110,363	\$ 110,363
Total Funds	\$ 110,363	\$ 110,363

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

3. Investments and Endowment (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Net Assets with Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 110,363	\$ 110,363
Investment return		
Investment Income	1,895	1,895
Net appreciation (unrealized)	8,080	8,080
Subtotal investment return	9,975	9,975
Contributions	-	-
Amounts appropriated for expenditure	(9,975)	(9,975)
Endowment net assets, end of year	\$ 110,363	\$ 110,363

4. Fixed Assets and Depreciation

Furniture and equipment as of December 31, 2020 are summarized as follows:

	Furniture & Equipment	Accumulated Depreciation
Balance 1/1/20	\$ 3,714	\$ 3,343
Additions	-	-
Disposals	-	-
Depreciation	-	371
Balance 12/31/20	\$ 3,714	\$ 3,714

Depreciation expense for the year ended December 31, 2020 was \$371.

5. Accrued Vacation and Sick

Employees of ADS earn annual vacation and sick leave based on stated policies. Earned vacation is payable to employees upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense for the year. As of December 31, 2020, the liability for accrued vacation was \$2,262 and is included in accrued payroll on the statement of financial position.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

6. Deferred Income

Income from membership dues and program services is deferred and recognized over the period to which it relates. Deferred revenues consist of the following at December 31, 2020.

	<u>2020</u>
2020 Memberships	\$ 35,816
Life Memberships	62,902
2021 Memberships	9,375
Unearned Show Fees	3,720
Unearned Advertising Revenue	1,100
Other Deferred Income	<u>662</u>
Total Deferred Income	<u><u>\$ 113,575</u></u>

The following table provides information about significant changes in deferred income for the year ended December 31, 2020.

	<u>2020</u>
Deferred Income, beginning of period	\$ 131,735
Decrease in deferred income due to revenue recognized during the period	(131,665)
Increases in deferred income due to cash received during the period	<u>113,505</u>
Deferred Income, end of period	<u><u>\$ 113,575</u></u>

7. Net Asset with Donor Restrictions

ADS' net assets with donor restrictions are subject to the following purpose or time restrictions:

	<u>2020</u>
Young Drivers fund	\$ 16,514
Technology fund	15,179
International Opportunity fund	540
Course Design	708
ADS Endowment	<u>110,363</u>
Totals	<u><u>\$ 143,304</u></u>

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

8. Liquidity and Availability of Financial Assets

ADS monitors its liquidity so that it is able to meet its operating needs. The following table reflects ADS' financial assets as of December 31, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are not considered available when the assets are not liquid or not convertible into cash within one year.

	<u>2020</u>
Cash & cash equivalents	\$ 17,977
Accounts receivable, net	681
Investments	<u>1,190,704</u>
Total financial assets	1,209,362
Less those unavailable for general expenditure within one year due to:	
ADS endowment	(110,363)
Other donor restrictions	<u>(32,941)</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 1,066,058</u></u>

9. Office Lease Agreement

ADS leased office space and storage space on a month to month basis. The office lease ended in May 2020. Lease expense for 2020 totaled \$5,260.

10. Pension Plan

ADS provides retirement benefits to its employees through a defined contribution pension plan. Contributions totaling \$1,242 in 2020 were made by ADS, in addition to the elective deferrals made by employees.

11. Effect of New Accounting Standards on Current-Period Financial Statements

The Financial Accounting Standards Board (FASB) has approved the following:

- Accounting Standards Update (ASU) No. 2016-02, (*Topic 842*): *Leases*. For most entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2021.

When they become effective, application of these standards may restate portions of these financial statements.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

12. COVID-19

The COVID-19 pandemic effects first became known in January 2020 and have had a broad and negative impact on commerce around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. ADS is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on ADS' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on ADS' customers, employees, and grantors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact ADS' financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

ADS applied for and received two Paycheck Protection Program ("PPP") loans through the U.S. Small Business Administration ("SBA") as part of the Coronavirus Aid, Relief, and Economic Security Act, signed into law by the U.S. Government on March 27, 2020.

ADS received the first PPP loan, in the amount of \$30,707, in May 2020. The proceeds were used for the allowed purposes under PPP's guidelines and ADS has met PPP's eligibility criteria to have the amount forgiven in its entirety in 2021. Accordingly, ADS has recorded a loan payable and will record forgiveness upon being legally released from the loan obligation in 2021. No forgiveness income has been recorded for the year ended December 31, 2020.

ADS received a second PPP loan, in the amount of \$28,750, in February 2021. The proceeds will be used for payroll-related costs, rent, and utilities.