



THE AMERICAN DRIVING SOCIETY, INC.

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

For the Year Ended December 31, 2021

The American Driving Society, Inc.

Table of Contents

December 31, 2021

	Page
INDEPENDENT AUDITOR’S REPORT	i-ii
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	1
Statement of Activities.....	2
Statement of Functional Expenses	3
Statement of Cash Flows.....	4
Notes to Financial Statements	5-13



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The American Driving Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 The American Driving Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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.

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 The American Driving Society, 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 The American Driving Society, 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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
August 4, 2022

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

STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 24,439
Accounts Receivable	459
Prepaid Expenses	2,924
Inventories	9,060

Total Current Assets	<u>36,882</u>
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Investments	<u>1,350,213</u>
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Fixed Assets	8,572
Less: Accumulated Depreciation	<u>(4,200)</u>

Net Fixed Assets	<u>4,372</u>
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Total Assets	<u><u>\$ 1,391,467</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued Payroll	\$ 12,439
Other Accrued Expenses	1,514
Deferred Income	114,897

Total Current Liabilities	<u>128,850</u>
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Total Liabilities	<u>128,850</u>
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Net Assets:

Net Assets without Donor Restrictions	1,119,838
Net Assets with Donor Restrictions	<u>142,779</u>

Total Net Assets	<u>1,262,617</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,391,467</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, 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>REVENUE, GAINS AND OTHER SUPPORT</u>			
Contributions	\$ 39,981	\$ 5,000	\$ 44,981
PPP Loan Forgiveness	59,457	-	59,457
Membership Fees	121,811	-	121,811
Sales of Merchandise	14,813	-	14,813
Advertising Income	5,237	-	5,237
Licensed Officials Fees	4,610	-	4,610
Show Fee Income	15,745	-	15,745
Clinic Income	14,078	-	14,078
Investment Income (Loss)	226,253	20,140	246,393
Miscellaneous Income	478	-	478
Net assets released from restrictions	25,665	(25,665)	-
	<u>528,128</u>	<u>(525)</u>	<u>527,603</u>
<u>EXPENSES</u>			
Program Services			
Publication	74,833	-	74,833
Membership Services	162,671	-	162,671
Administrative	63,547	-	63,547
Fundraising	16,064	-	16,064
	<u>317,115</u>	<u>-</u>	<u>317,115</u>
Total Change in Net Assets	<u>211,013</u>	<u>(525)</u>	<u>210,488</u>
Net Assets at Beginning of Year	<u>908,825</u>	<u>143,304</u>	<u>1,052,129</u>
Net Assets at End of Year	<u>\$ 1,119,838</u>	<u>\$ 142,779</u>	<u>\$ 1,262,617</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, 2021

	Program Services					
	Publication	Membership Services	Total Program Services	Administrative	Fundraising	Total
<u>EXPENSES</u>						
Personnel	\$ 22,861	\$ 99,210	\$ 122,071	\$ 44,704	\$ 5,715	\$ 172,490
Publication Expenses	45,117	-	45,117	-	-	45,117
Professional Services	1,629	7,068	8,697	9,985	-	18,682
Operating Expenses	1,769	7,677	9,446	3,459	442	13,347
Clinic Expenses	-	7,412	7,412	-	-	7,412
Regional Expenses	-	4,870	4,870	-	-	4,870
Education Committee	-	400	400	-	-	400
Communications	1,201	5,214	6,415	2,349	300	9,064
Rent	200	868	1,068	391	50	1,509
Travel	510	1,065	1,575	-	-	1,575
Awards and Recognition	-	1,961	1,961	-	-	1,961
Depreciation	64	280	344	126	16	486
Insurance Expense	-	12,154	12,154	2,533	-	14,687
Advertising Expense	1,300	-	1,300	-	-	1,300
Licenses and Fees	-	3,899	3,899	-	2,959	6,858
State Registration Costs	-	6,582	6,582	-	6,582	13,164
Miscellaneous Expenses	182	790	972	-	-	972
Cost of Merchandise Sold	-	3,221	3,221	-	-	3,221
Total Expenses	<u>\$ 74,833</u>	<u>\$ 162,671</u>	<u>\$ 237,504</u>	<u>\$ 63,547</u>	<u>\$ 16,064</u>	<u>\$ 317,115</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 CASH FLOWS
For the Year Ended December 31, 2021

Operating Activities

Increase (Decrease) in Net Assets	\$ 210,488
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	486
Net unrealized (gains) losses on Investments	(225,826)
Gain on PPP loan forgiveness	(30,707)
Changes in Operating Assets and Liabilities:	
Accounts Receivable	222
Prepaid Expenses	703
Inventory	(82)
Accounts Payable	(5,911)
Accrued Payroll	(4,956)
Other Accrued Expenses	(736)
Deferred Revenue	1,322
	<hr/>
Net Cash Provided (Used) by Operating Activities	<hr/> (54,997) <hr/>

Investing Activities

Purchase of Fixed Assets	(4,858)
Sales of Investments	1,343,002
Purchases of Investments	(1,276,685)
	<hr/>
Net Cash Provided (Used) by Investing Activities	<hr/> 61,459 <hr/>
Increase (Decrease) in Cash and Cash Equivalents	6,462
Cash and Cash Equivalents at Beginning of Year	<hr/> 17,977 <hr/>
Cash and Cash Equivalents at End of Year	<hr/> <hr/> \$ 24,439 <hr/> <hr/>

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

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

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, 2021

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, 2021.

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

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, 2021

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 conditional promises to give as of December 31, 2021.

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 2018.

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, 2021

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 August 4, 2022, which is the date the financial statements were available to be issued.

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, 2021, 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.

3. Investments and Endowment

Investments at fair value and cost at December 31, 2021 were as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash	\$ 104,718	\$ 104,718
Common Stock	575,725	1,169,609
Corporate Bonds	36,431	34,138
Other Assets	23,250	41,748
	<u>\$ 740,124</u>	<u>\$ 1,350,213</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 2021.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

3. Investments and Endowment (Continued)

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, 2021 along with the basis for determination of fair value:

	Fair Value	Fair Value Measurements Using:	
		Level 1	Level 2
<u>December 31, 2021</u>			
Cash	\$ 104,718	\$ 104,718	\$ -
Common Stock	1,169,609	1,169,609	-
Other Assets	41,748	41,748	-
Corporate Bonds	34,138	-	34,138
Total	<u>\$ 1,350,213</u>	<u>\$ 1,316,075</u>	<u>\$ 34,138</u>

Investment income (loss) from these investments for the year ended December 31, 2021 is summarized as follows:

	2021
Interest and dividends	\$ 20,567
Net unrealized gains (losses)	225,826
	<u>\$ 246,393</u>

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.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

3. Investments and Endowment (Continued)

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, 2021

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

Changes in Endowment Net Assets for the Year Ended December 31, 2021

	Net Assets with Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 110,363	\$ 110,363
Investment return		
Investment Income	1,681	1,681
Net appreciation (unrealized)	18,459	18,459
Subtotal investment return	20,140	20,140
Amounts appropriated for expenditure	(20,140)	(20,140)
Endowment net assets, end of year	\$ 110,363	\$ 110,363

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

4. Fixed Assets and Depreciation

Furniture and equipment as of December 31, 2021 are summarized as follows:

	Furniture & Equipment	Accumulated Depreciation
Balance 1/1/21	\$ 3,714	\$ 3,714
Additions	4,858	-
Disposals	-	-
Depreciation	-	486
Balance 12/31/21	<u>\$ 8,572</u>	<u>\$ 4,200</u>

Depreciation expense for the year ended December 31, 2021 was \$486.

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, 2021, the liability for accrued vacation was \$2,700 and is included in accrued payroll on the statement of financial position.

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, 2021.

	2021
2022 Memberships	\$ 50,338
Life Memberships	55,710
Unearned Show Fees	5,450
Unearned Advertising Revenue	2,200
Other Deferred Income	1,199
Total Deferred Income	<u>\$ 114,897</u>

The following table provides information about significant changes in deferred income for the year ended December 31, 2021.

	2021
Deferred Income, beginning of period	\$ 113,575
Decrease in deferred income due to revenue recognized during the period	(57,465)
Increases in deferred income due to cash received during the period	58,787
Deferred Income, end of period	<u>\$ 114,897</u>

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

7. Net Asset with Donor Restrictions

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

	2021
Young Drivers fund	\$ 15,989
Technology fund	15,179
International Opportunity fund	540
Course Design	708
ADS Endowment	110,363
Totals	<u>\$ 142,779</u>

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, 2021, 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.

	2021
Cash & cash equivalents	\$ 24,439
Accounts receivable, net	459
Investments	<u>1,350,213</u>
Total financial assets	1,375,111
Less those unavailable for general expenditure within one year due to:	
ADS endowment	(110,363)
Other donor restrictions	<u>(32,416)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,232,332</u>

9. Office Lease Agreement

ADS leased storage space on a month to month basis. Lease expense for 2021 totaled \$1,510.

10. Pension Plan

ADS provides retirement benefits to its employees through a defined contribution pension plan. Contributions totaling \$4,167 in 2021 were made by ADS, in addition to the elective deferrals made by employees.

THE AMERICAN DRIVING SOCIETY, INC.
Notes to Financial Statements
December 31, 2021

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.
- Accounting Standards Update (ASU) No. 2020-07, (*Topic 958*): *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This Update is effective for fiscal years beginning after June 15, 2021.

When this becomes effective, application of these standards may restate portions of these financial statements.

12. Paycheck Protection Program Loan

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 the loan was forgiven in its entirety in 2021. Accordingly, ADS has recorded a loan payable in 2020 and recorded forgiveness upon being legally released from the loan obligation in 2021. Forgiveness income has been recorded for the year ended December 31, 2021.

ADS received a second PPP loan, in the amount of \$28,750, in February 2021. The loan was forgiven in its entirety and recorded as forgiveness income in 2021.