REPORT OF

MIDWAY USA FOUNDATION, INC.

DECEMBER 31, 2016 AND 2015

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midway USA Foundation, Inc.

We have audited the accompanying financial statements of Midway USA Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015; the related statements of activities 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the Foundation'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 Foundation'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 Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Williams Keepers LLC

July 20, 2017

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,695,523	$ 5,983,660
Investments	99,107,896	83,587,266
Accrued interest receivable	23,279	75,097
Prepaid expenses	878,628	702,632
Total current assets	105,705,326	90,348,655
SOFTWARE AND EQUIPMENT, NET	784,990	9,672
Total assets	$ 106,490,316	$ 90,358,327
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 8,689	$ 33,420
Accrued liabilities	69,961	48,964
Total current liabilities	78,650	82,384
NET ASSETS - UNRESTRICTED	106,411,666	90,275,943
Total liabilities and net assets	$ 106,490,316	$ 90,358,327

The notes to the financial statements are an integral part of these statements.

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Unrestricted revenues		
Contributions	$ 14,852,452	$ 17,807,820
Net investment return (loss)	6,870,458	(1,374,606)
Fundraising and other	261	24,542
Total unrestricted revenues and other support	21,723,171	16,457,756
Operating expenses		
Grants and awards	4,237,925	3,739,745
Employee compensation and payroll taxes	885,483	846,106
Rent	129,981	129,361
Miscellaneous	134,605	74,720
Insurance	81,512	61,722
Amortization and depreciation	4,682	41,296
Information technology services	39,040	39,680
Professional fees	38,513	34,658
Travel	35,707	31,245
Total expenses	5,587,448	4,998,533
Increase in net assets from operating activities	16,135,723	11,459,223
Other revenue		
Gain on disposal of equipment	-	4,910
Total increase in net assets	16,135,723	11,464,133
Net assets, beginning of year	90,275,943	78,811,810
Net assets, end of year	$ 106,411,666	$ 90,275,943

The notes to the financial statements are an integral part of these statements.

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 16,135,723	$ 11,464,133
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,682	41,296
Amortization of investment premiums	33,894	114,460
Unrealized (gains) losses on investments	(5,082,250)	3,049,367
Realized (gains) losses on investments	416,174	(152,856)
Gain on disposal of equipment	-	(4,910)
Expenses related to sale of contributed land	-	66,496
Contributions of stock and land	(780,000)	(2,623,154)
Adjustments for (increases) decreases in operating assets and increases (decreases) in operating liabilities:		
Accrued interest receivable	51,818	95,565
Prepaid expenses	(175,996)	(137,710)
Accounts payable	(24,731)	7,350
Accrued liabilities	20,997	8,332
Net cash provided by operating activities	10,600,311	11,928,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(35,813,373)	(55,059,846)
Distributions of investments	75,402	-
Proceeds from sale of land	-	1,214,084
Proceeds from sale of investments	24,849,523	45,379,105
Net cash (used) by investing activities	(10,888,448)	(8,466,657)
Net increase (decrease) in cash and cash equivalents	(288,137)	3,461,712
Cash and cash equivalents, beginning of year	5,983,660	2,521,948
Cash and cash equivalents, end of year	$ 5,695,523	$ 5,983,660

The notes to the financial statements are an integral part of these statements.

MIDWAY USA FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of activities: The Midway USA Foundation, Inc. (the Foundation) was incorporated on December 19, 2007, with a mission to raise and invest money to support charitable and educational programs which teach firearms safety, shooting, hunting and outdoor skills. During 2008, the Foundation established the Team Endowment Account Program, which accepts donations to provide funding to schools to begin or enhance shooting programs. During 2014, the Foundation established an agency endowment program which accepts donations to provide funding for organizations recognized as 501(c)(3) charities with missions that complement the mission of the Foundation. During 2015, the Foundation also established a designated funds program, which is similar to the Team Endowment Account Program but with a wider mission. Grants from the designated funds program will be issued for the benefit of youth shooting, youth education and conservation programs within the mission of the Organization.

Basis of accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recognized when incurred.

Cash and cash equivalents: The Foundation considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Periodically, the Foundation maintains cash on deposit at financial institutions in excess of amounts insured by the U.S. Federal Deposit Insurance Corporation (FDIC).

Valuation of investments: Investments in debt and equity securities are reported in the financial statements at fair value as of the end of the fiscal year. Fair value is determined by quoted market prices for securities listed on national exchanges or over-the-counter markets. Fair values for hedge funds and private equity limited partnership investments for which market quotations are not readily available represent net asset value or other valuations provided by the investment funds' managers. Purchases and sales of securities are recorded on a trade date basis. Realized investment gains and losses are determined on the specific identification basis. Dividends are recorded on the declaration date. Interest is recorded when earned.

Investment securities of the Foundation are exposed to various risks, such as interest rates, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position.

Prepaid expenses: Prepaid expenses include purchases of fundraising supplies to be donated to eligible schools and programs to use in their fundraising activities. The expense is recorded when the supplies are shipped to the school or program. Total fundraising supplies included in prepaid expenses were $845,149 and $652,504 December 31, 2016 and 2015, respectively.

Software and equipment: The Foundation records the purchase of software and equipment at cost. Donated software and equipment are recorded at fair value at the date of the donation. During 2015, the Foundation adopted a capitalization policy whereby purchases of software and equipment totaling $5,000 or more will be capitalized. Maintenance, repairs, and minor improvements are charged to expense as incurred. All equipment is being depreciated using the straight-line method over useful lives ranging from 3 to 5 years. The Foundation was also amortizing website development and software over its estimated useful life of three years prior to disposition in 2015.

Tax status: The Foundation is exempt from federal income taxes as a public charity under the provisions of Internal Revenue Code section 501(c)(3). The Foundation's tax returns are subject to examination by the Internal Revenue Service. Any interest or penalties incurred related to income tax filings are reported within general and administrative expenses in the consolidated statements of income.

Financial statement presentation: The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor stipulations on contributions received. All contributions received, unless restricted by the donor, are considered to be unrestricted, including contributions stipulated for use consistent with the basic purpose of the Foundation. Contributions with more specific donor stipulations are reported as restricted. Temporary restrictions expire either by passage of time or by accomplishment of purpose restriction. Contributions with permanent donor restrictions typically require that the corpus of the contribution be invested with earnings either unrestricted or temporarily restricted. The Foundation currently does not have temporarily or permanently restricted contributions or net assets. Currently, contributions may be designated for a specific program, school or agency, but no restricted contributions have been received through December 31, 2016.

Contributions: The Foundation reports gifts of cash and other assets as unrestricted. Contributions, including unconditional promises to give, are recognized as revenues in the period in which the promises are made, at net realizable value. Contributions which are conditional promises to give, including bequests, are recognized at their estimated fair value in the period in which the conditions were met.

Donated materials and services: Donated materials are recorded as contributions at their estimated value on the date of receipt. Donated services are reported if they create a nonfinancial asset or would typically need to be purchased by the Foundation if the services had not been provided by the contribution, require specialized skills, and are provided by individuals with those skills. If donated services meet the definition, they are recorded at the fair value of the services received. During the years ended December 31, 2016 and 2015, the Foundation did not receive any donated materials or services meeting those requirements.

Advertising: The Foundation expenses advertising and promotion costs as incurred. Advertising and promotion costs for the years ended December 31, 2016 and 2015, totaled $21,472 and $6,368, respectively.

Functional expenses: The costs of providing programs and other activities have been summarized on a functional basis in Note 6. Accordingly, certain costs have been allocated among the program and supporting services benefited.

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

Subsequent events: Events that have occurred subsequent to December 31, 2016, have been evaluated through July 20, 2017, which represents the date the Foundation's financial statements were approved by management and therefore available to be issued.

Non-cash transactions: During 2015, the Foundation exchanged its ownership of software into a licensing agreement. As a result, the vendor forgave the payable amount outstanding against the software, resulting in a reduction of accounts payable of $41,300.

2. INVESTMENTS

Investments include the following at December 31, 2016 and 2015:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Investments:				
Mutual funds - equity	$ 58,794,453	$ 59,604,516	$45,243,958	$ 44,898,941
Mutual funds - fixed income	11,783,508	11,673,827	11,286,916	10,154,328
Common stock	8,549,719	9,476,241	8,846,982	6,956,841
Bonds	4,487,443	4,476,352	12,891,867	12,810,639
Hedge Funds	12,600,000	12,647,878	8,700,000	8,681,017
Private Equity	1,239,951	1,229,082	96,546	85,500
Total	$ 97,455,074	$ 99,107,896	$87,066,269	$ 83,587,266

The following summarizes the net investment return for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividend income	$ 2,483,065	$ 1,817,049
Realized and unrealized investment gains (losses)	4,677,983	(2,899,292)
Investment fees	(290,590)	(225,867)
Expenses related to disposition of land	-	(66,496)
Net investment return (loss)	$ 6,870,458	$ (1,374,606)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The three levels of the fair value hierarchy as prescribed by GAAP are as follows:

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Mutual funds: Valued at quoted market prices available on an active market which is based on the underlying net asset value (NAV) of shares held by the Plan at year-end.

Common stock: Valued at closing price reported on the active market on which the individual securities are traded.

U.S. government bonds: Valued at the closing price reported in the market in which the individual security is traded.

State and local government bonds: Valued at the closing price reported in the market in which the individual security is traded

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the inactive market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Special limited partnership interests: Investments in special limited partnership interests are recorded at fair value, as valued by the General Partner (GP) in the absence of readily ascertainable market values and based on significant unobservable inputs. These inputs include discounted cash flow models, production forecast, appraisals and sales of comparable underlying investments when available and are based on the best available information in the circumstances without further adjustment by the Foundation.

Hedge funds: Valued based on the NAV per share, without further adjustment by the Foundation. NAV is based upon the fair value of the underlying investments.

The table below presents the Foundation's assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Level 1	Level 2	Level 3	Total
2016				
Fixed income				
U.S. agencies	$ -	$ 1,022,498	$ -	$ 1,022,498
State and local governments	-	1,124,235	-	1,124,235
Corporate bonds	-	2,329,619	-	2,329,619
Total fixed income	-	4,476,352	-	4,476,352

(continued)

	Level 1	Level 2	Level 3	Total
Common stock				
Energy	122,760	-	-	122,760
Materials	1,069,063	-	-	1,069,063
Industrials	527,085	-	-	527,085
Consumer discretionary	448,720	-	-	448,720
Consumer staples	228,642	-	-	228,642
Health care	933,301	-	-	933,301
Financials	1,879,080	-	-	1,879,080
Services	1,982,917	-	-	1,982,917
Information technology	1,930,459	-	-	1,930,459
Telecommunication services	124,340	-	-	124,340
Utilities	64,057	-	-	64,057
Real Estate	73,452	-	-	73,452
International	92,365	-	-	92,365
Total common stock	9,476,241	-	-	9,476,241
Mutual funds				
Fixed income				
High yield	6,344,360	-	-	6,344,360
Total return	1,813,100	-	-	1,813,100
Short-term	1,114,917	-	-	1,114,917
Floating rate	2,401,450	-	-	2,401,450
Equity				
Diversified emerging market funds	3,081,399	-	-	3,081,399
Dynamic allocation funds	8,466,437	-	-	8,466,437
International funds	16,675,758	-	-	16,675,758
Small cap value funds	628,097	-	-	628,097
Mid cap growth funds	170,446	-	-	170,446
Large cap growth funds	110,277	-	-	110,277
Real-estate funds	4,935,035	-	-	4,935,035
Managed futures	69,665	-	-	69,665
Nontraditional bonds	74,412	-	-	74,412
Small cap blend funds	1,675,984	-	-	1,675,984
Large cap blend funds	23,717,006	-	-	23,717,006
Total mutual funds	71,278,343	-	-	71,278,343
Special limited partnership interests	-	-	1,229,082	1,229,082
Investments at fair value	$ 80,754,584	$ 4,476,352	$ 1,229,082	86,460,018
Investments at net asset value (NAV)				
Hedge funds				12,647,878
Total investments				$ 99,107,896

2015	Level 1	Level 2	Level 3	Total
Fixed income				
U.S. agencies	$ -	$ 3,019,056	$ -	$ 3,019,056
State and local governments	-	3,475,694	-	3,475,694
Corporate bonds	-	6,315,889	-	6,315,889
Total fixed income	-	12,810,639	-	12,810,639
Common stock				
Materials	549,759	-	-	549,759
Industrials	823,565	-	-	823,565
Consumer discretionary	400,104	-	-	400,104
Consumer staples	202,675	-	-	202,675
Health care	744,752	-	-	744,752
Financials	1,467,955	-	-	1,467,955
Services	1,123,109	-	-	1,123,109
Information technology	1,498,531	-	-	1,498,531
Telecommunication services	103,099	-	-	103,099
Utilities	43,292	-	-	43,292
Total common stock	6,956,841	-	-	6,956,841
Mutual funds				
Fixed income				
High yield	4,498,966	-	-	4,498,966
Emerging markets	1,782,739	-	-	1,782,739
Total return	2,175,151	-	-	2,175,151
Short-term	1,159,540	-	-	1,159,540
Floating rate	537,932	-	-	537,932
Equity				
Diversified emerging market funds	3,178,168	-	-	3,178,168
Dynamic allocation funds	7,148,453	-	-	7,148,453
International funds	11,741,669	-	-	11,741,669
Mid cap growth funds	152,547	-	-	152,547
Large cap growth funds	114,248	-	-	114,248
Real-Estate funds	3,576,156	-	-	3,576,156
Small cap blend funds	1,857,108	-	-	1,857,108
Large cap blend funds	17,130,592	-	-	17,130,592
Total mutual funds	55,053,269	-	-	55,053,269
Special limited partnership interests	-		85,500	85,500
Investments at fair value	$ 62,010,110	$ 12,810,639	$ 85,500	74,906,249
Investments at net asset value (NAV)				
Hedge funds				8,681,017
Total investments				$ 83,587,266

Special limited partnership interests – The Foundation's equity investments include special limited partnership interests, which are considered alternative investments. These interests are considered Level 3 investments as defined above and as shown in the tables above. The Foundation has used unadjusted third party pricing for which information on quantitative unobservable inputs has not been provided, and the Foundation has not developed its own quantitative unobservable inputs. The Foundation is not aware of any changes that should be made to those values. Therefore, the disclosure in tabular format of quantitative information about unobservable inputs used in fair values estimates for level 3 investments is not disclosed. The investment objective is to realize long-term compounded returns in excess of those available through conventional investments in public equity markets. The fair values are provided by the partnerships' General Partners, who use the best information reasonably available in determining fair values of the underlying investments. Publicly traded securities are valued at quoted market prices. For underlying investments that are not publicly traded, the primary input is the net asset values of the underlying investee limited partnerships or most recent information provided by each investee partnership's general partner or lead investor. Adjustments to these values may be made by the general partners based on various factors, including comparable market transactions, discount rates, cash flow projections, and/or liquidity, credit and market risk factors, company performance, current capital structure, applicable market trading and transaction comparables, applicable market yields timing of future expected cash flows and recent trades in the secondary market for the security.

Due to the illiquid nature of special limited partnership interests, it is expected that the Foundation will retain ownership of the partnership interests until the termination and final liquidation of the respective partnerships. Termination and final liquidation of the partnerships generally occurs over a period of ten years from the initial commitment date, but may take longer.

The following are the level 3 private equity limited partnership investments and their fair values:

Special limited partnerships	2016	2015
Private Equity Managers Offshore (2015) Offshore SCSp Fund	$ 507,291	$ 85,500
Private Equity Managers Offshore (2016) Offshore SCSp Fund	661,362	-
Vintage VII Offshore SCSp Fund	60,429	-
	$ 1,229,082	$ 85,500

The Foundation is contractually committed to funding the following private equity limited partnerships up to the commitment amount noted. Unfunded commitments are funded upon demand of the private equity limited partnerships and constitute capital called.

Special limited partnerships	Commitment	Capital Calls	Recallable Distributions	Unfunded Commitment
Private Equity Managers Offshore (2015) Offshore SCSp Fund	$ 1,700,000	$ 497,305	$ 36,138	$ 1,238,833
Private Equity Managers Offshore (2016) Offshore SCSp Fund	6,100,000	757,049	13,806	5,356,757
Vintage VII Offshore SCSp Fund	6,100,000	61,000	-	6,039,000
	$ 13,900,000	$ 1,315,354	$ 49,944	$ 12,634,590

Through July 20, 2017, the Foundation paid capital calls on the above partnership totaling $533,396. Also subsequent to December 31, 2016, the Foundation invested in Private Equity Managers (2017) Offshore SCSp Fund for a total commitment of $5 million and paid a total of $50,000 in capital calls; Silver Point Distressed Opportunities Access Offshore LP for a total commitment of $1 million and paying no capital calls; and Broad Street Real Estate Credit Partners III Offshore LP for a total commitment of $1 million and paying no capital calls.

A reconciliation of the beginning and ending balance of the level 3 assets activity that are measured at fair value on a recurring basis using unobservable inputs is as follows:

	Private Equity	
	2016	2015
Balance, beginning of year	$ 85,500	$ -
Capital Contributions	1,218,004	96,448
Distributions	(75,402)	-
Included in investment return:		
Unrealized gains (losses)	980	(10,948)
Balance, end of year	$ 1,229,082	$ 85,500
The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ 980	$ (10,948)

Investments Measured at Net Asset Value (NAV) - The Foundation is permitted, as a practical expedient, to estimate the fair value of an investment that does not have a readily determinable fair value using the net asset value per share (or its equivalent) of the investment, if the net asset value per share of the investment is calculated in a manner consistent with the measurement principles of an investment company as of the Foundation's reporting date. It is not permitted if it is probable the Foundation will sell the investment for an amount different from the reported net asset value. The Foundation has the ability to redeem these investments at NAV reported by the investment manager and, therefore, uses NAV as the reported fair value.

Hedge funds are valued at net asset value (NAV) based on the underlying value of the fund assets and are considered to be redeemable in the short term. The Foundation estimates the fair value of certain alternative investments using the net asset value (NAV) practical expedient. Because NAV is used to estimate fair value, the level in the fair value hierarchy in which each investment's fair value measurement is classified is based primarily on the Foundation's ability to redeem all or a portion of its interest in each investment at or near the date of the statement of financial position. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

The following table summarizes the net asset value and redemption information for the Foundation's investments reported at NAV as of December 31:

	NAV		Redemption	Redemption
	2016	2015	Frequency	Notice
Private investment hedge funds:				
Hedge Fund Opportunities	$ 12,647,878	$ 8,681,017	Quarterly	91 Days

The following table lists any additional redemption restrictions for investments measured at fair value using NAV as of December 31, 2016:

	Additional Redemption Restrictions
Private investment hedge funds:	
Hedge Fund Opportunities	One year lock on investments. No additional restrictions on redemptions.

The following table briefly describes the investment objectives of the investment measured at fair value using NAV as of December 31, 2016:

	Investment Objective
Private investment hedge funds:	
Hedge Fund Opportunities	Target attractive long-term risk adjusted-absolute returns with lower volatility than the broad equity markets.

As of December 31, 2016, the Foundation had no unfunded commitments on the above investments measured at NAV.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015
Software	$ 2,233	$ 2,233
Equipment	25,506	25,506
Land held for sale	780,000	-
Total property and equipment	807,739	27,739
Less accumulated depreciation and amortization	(22,749)	(18,067)
Net property and equipment	$ 784,990	$ 9,672

4. LAND HELD FOR SALE

During December 2016, the Foundation received a donation of land with a total appraised value of $780,000 from a related party. The land is being held for sale by the Foundation. The land is composed of three parcels, each of which is currently rented. As soon as the rent agreements expire in 2017 and 2018, the property will be sold. No rent was received during 2016. At December 31, 2016, the land is carried at $780,000, an amount management believes to be the land's realizable value.

5. GRANTS AND GRANTS PAYABLE

The Foundation awards grants to organizations for the support of youth shooting programs. These grants are recorded by the Foundation when approved by the Board. The Foundation awarded 1,043 grants totaling $2,917,268 in 2016 and 861 grants totaling $2,578,421 in 2015 to youth shooting teams.

The Foundation also made contributions of fundraising supplies totaling $977,575 in 2016 and $891,999 in 2015.

In addition, the Foundation awarded sixteen grants totaling $343,082 in 2016 and eight grants totaling $269,325 in 2015 to organizations with approved "Agency Endowment Fund Agreements". The "Designated Endowments" were active in 2016 and 2015 but will be not be eligible for grant funding until 2017.

6. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Program services	$ 4,913,937	$ 4,368,479
Supporting services		
Management and general	497,318	450,519
Fund-raising	176,193	179,535
Total expenses	$ 5,587,448	$ 4,998,533

7. OPERATING LEASE

During 2011, the Foundation entered into a non-cancellable operating lease with a related party for the Foundation's operating facilities through December 31, 2020. Rent expense for the year ended December 31, 2016 and 2015, totaled $125,112 and $124,848, respectively, under this agreement. The lease payment was increased in April 2014, when the Foundation relocated to new space within its existing location. The monthly payments will be adjusted on an annual basis by the increase, if any, in the Consumer Price Index.

During 2013, the Foundation entered into a long term noncancelable equipment lease. The first lease payment was made in January, 2014.

The minimum lease payments for both facilities and equipment currently are as follows for the years ending December 31:

2017	$ 130,008
2018	130,008
2019	126,758
2020	126,108
Total	$ 512,882

8. CONCENTRATIONS

Donations to the Foundation totaled $14,852,452 and $17,807,820 for the years ended December 31, 2016 and 2015, respectively. The owners of MidwayUSA (a related party), who are also members of the Foundation's Board of Directors, contributed $3,778,720, or 25%, in 2016 and $6,659,690, or 37%, in 2015 of these contributions.

9. RELATED PARTY TRANSACTIONS

The Foundation utilizes various personnel of Midway Arms, Inc. for IT data, janitorial and payroll services. During 2016 and 2015, the Foundation incurred expenses to Midway Arms, Inc. of $51,950 and $50,220, respectively. As of December 31, 2016 and 2015, payables to related parties totaled $3,988 and $4,435, respectively.

COMMUNICATION OF AUDIT RELATED MATTERS

MIDWAY USA FOUNDATION, INC.

DECEMBER 31, 2016

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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July 20, 2017

To the Board of Directors
of the Midway USA Foundation, Inc.

We have audited the financial statements of the Midway USA Foundation, Inc. (the Foundation) for the year ended December 31, 2016, and have issued our report thereon dated July 20, 2017. Professional standards require that we provide you with the following information related about our responsibilities under U.S. generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We previously communicated such information to you during January 2017, and we are repeating that information in this letter. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 16, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Foundation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Foundation and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the planned scope and timing previously communicated to you in our discussion regarding planning procedures in January, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The following summarizes new accounting standards that will potentially impact the Foundation in the future:

Lease Accounting: On February 25, 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* which is intended to improve financial reporting about leasing transactions. This update will require organizations that lease assets – referred to as "lessees" – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. The accounting by organizations that own the assets leased by the lessee – also known as lessor accounting - will remain largely unchanged from current generally accepted accounting principles. The standard will be effective for non-public companies and organizations for fiscal years beginning after December 15, 2019. Early application is permitted for all organizations.

Financial Reporting: On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to change the way all not-for-profits (NFPs) classify net assets and prepare financial statements. This update makes significant changes to the financial statements, including reducing the classes of net assets to two categories (with and without donor restrictions) and enhanced disclosures.

The enhanced disclosures include:

- Amounts and purposes of board designations and appropriations
- Composition of net assets with donor restrictions and how restrictions affect the use of resources
- Qualitative information on how an NFP manages its liquid resources
- Quantitative and qualitative information that communicates the availability of an NFP's financial assets at the balance sheet date to meet cash needs
- Amounts of expenses by both natural and functional classification
- Methods used to allocate costs
- Disclosures related to underwater endowment funds

The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted for all organizations. The ASU is to be applied on a retrospective basis with certain limited exceptions.

Revenue Recognition: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This update is a significant change to prior revenue recognition guidance and supersedes prior revenue recognition standards and most industry-specific guidance. The new guidance requires revenue be recognized when an entity satisfies a performance obligation by transferring a promised good or service to a customer.

This is determined by applying certain steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which defers the effective date of implementation of ASU 2014-09 by one year. Entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and may apply the guidance in ASU 2014-09 earlier as of an annual reporting period beginning after December 15, 2016

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the estimated fair value of investments, fair value of donations and useful lives of software and equipment.

- Fair value of investments in level 1 of the fair value hierarchy is based on quoted prices in active markets while level 2 investments are based on pricing in other trading markets. Certain investments are valued at the net asset value of the underlying investments. Level 3 investments are valued by the General Partner. Fair values were provided by outside investment managers or consultants, which management has reviewed for reasonableness.

- Fair value of 2016 land donation was based on appraised values.

- Estimated useful lives of fixed assets are generally based on past experience with similar assets.

We evaluated the key factors and assumptions used to develop those estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were investments and related party transactions.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We did provide assistance in reconciling investment records and other related general ledger accounts.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control

In planning and performing our audit of the financial statements of the Foundation as of and for the year ended December 31, 2016, in accordance with U.S. generally accepted auditing standards, we considered the Foundation 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We wish to thank Foundation personnel for their assistance during the course of our audit. We will be pleased to discuss these or any other matters deemed appropriate at your convenience. This information is intended solely for the use of the Board of Directors and management of the Midway USA Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Williams Keepers LLC

WILLIAMS-KEEPERS LLC