

REPORT OF
MIDWAY USA FOUNDATION, INC.
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018; the related statements of activities, functional 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, 2019 and 2018, 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 14, 2020

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,276,561	\$ 4,232,750
Investments	160,558,720	132,578,176
Accrued interest receivable	66,245	67,917
Prepaid expenses	<u>265,990</u>	<u>492,225</u>
Total current assets	168,167,516	137,371,068
SOFTWARE AND EQUIPMENT, NET	<u>7,364</u>	<u>-</u>
Total assets	<u><u>\$ 168,174,880</u></u>	<u><u>\$ 137,371,068</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,284	\$ 47,909
Accrued liabilities	<u>106,079</u>	<u>75,441</u>
Total current liabilities	118,363	123,350
NET ASSETS		
Without donor restrictions	164,309,936	137,247,718
With donor restrictions	<u>3,746,581</u>	<u>-</u>
Total net assets	<u>168,056,517</u>	<u>137,247,718</u>
Total liabilities and net assets	<u><u>\$ 168,174,880</u></u>	<u><u>\$ 137,371,068</u></u>

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

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
Year Ended December 31, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES AND OTHER SUPPORT				
Contributions	\$ 10,104,768	\$ 3,735,484	\$ 13,840,252	\$ 10,545,738
Other	1,735	-	1,735	1,077
Total operating revenues and other support	10,106,503	3,735,484	13,841,987	10,546,815
OPERATING EXPENSES				
Program services	7,439,512	-	7,439,512	6,605,735
Supporting services				
Management and general	527,744	-	527,744	509,998
Fundraising	167,198	-	167,198	198,024
Total operating expenses	8,134,454	-	8,134,454	7,313,757
Increase in net assets from operating activities	1,972,049	3,735,484	5,707,533	3,233,058
OTHER REVENUE (EXPENSE)				
Net investment return (loss)	25,089,250	11,097	25,100,347	(6,015,769)
Net rental income,				
net of of expenses of \$0 and \$187, respectively	919	-	919	1,019
Loss on disposal of land	-	-	-	(34,640)
Total other revenue (expense)	25,090,169	11,097	25,101,266	(6,049,390)
Change in net assets	27,062,218	3,746,581	30,808,799	(2,816,332)
Net assets, beginning of year	137,247,718	-	137,247,718	140,064,050
Net assets, end of year	<u>\$ 164,309,936</u>	<u>\$ 3,746,581</u>	<u>\$ 168,056,517</u>	<u>\$ 137,247,718</u>

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

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	2019			
	Supporting Services			
	Program	Management and General	Fundraising	Total
Grants and awards	\$ 6,657,848	\$ -	\$ -	\$ 6,657,848
Employee compensation and payroll taxes	521,246	328,428	115,832	965,506
Rent	72,423	45,598	16,094	134,115
Information technology services	50,512	31,804	11,225	93,541
Insurance	42,479	26,745	9,440	78,664
Professional fees	-	50,774	-	50,774
Travel and meals	29,273	1,874	-	31,147
Amortization and depreciation	-	1,133	-	1,133
Miscellaneous	65,731	41,388	14,607	121,726
Total expenses	<u>\$ 7,439,512</u>	<u>\$ 527,744</u>	<u>\$ 167,198</u>	<u>\$ 8,134,454</u>

	2018			
	Supporting Services			
	Program	Management and General	Fundraising	Total
Grants and awards	\$ 5,978,579	\$ -	\$ -	\$ 5,978,579
Employee compensation and payroll taxes	404,122	313,901	117,162	835,185
Rent	67,885	50,694	14,706	133,285
Information technology services	61,744	46,108	13,376	121,228
Insurance	42,271	31,567	9,157	82,995
Professional fees	-	32,247	4,573	36,820
Travel and meals	25,903	671	577	27,151
Amortization and depreciation	-	2,168	-	2,168
Miscellaneous	25,231	32,642	38,473	96,346
Total expenses	<u>\$ 6,605,735</u>	<u>\$ 509,998</u>	<u>\$ 198,024</u>	<u>\$ 7,313,757</u>

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

MIDWAY USA FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 30,808,799	\$ (2,816,332)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,133	2,168
Amortization of investment premiums	13,665	9,746
Unrealized (gains) losses on investments	(21,166,435)	11,037,824
Realized (gains) on investments	(444,918)	(1,490,604)
Expenses related to sale of contributed land	-	34,640
Contributions of stock	(2,526,319)	(2,951,813)
Adjustments for (increases) decreases in operating assets and increases (decreases) in operating liabilities:		
Accrued interest receivable	1,672	(10,443)
Prepaid expenses	226,235	28,919
Accounts payable	(35,625)	39,278
Accrued liabilities	30,638	(10,722)
Net cash provided by operating activities	<u>6,908,845</u>	<u>3,872,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,497)	-
Purchase of investments	(32,948,678)	(41,275,278)
Distributions of investments	961,091	663,248
Proceeds from sale of land	-	220,360
Proceeds from sale of investments	<u>28,131,050</u>	<u>31,140,070</u>
Net cash used by investing activities	<u>(3,865,034)</u>	<u>(9,251,600)</u>
Net change in cash and cash equivalents	3,043,811	(5,378,939)
Cash and cash equivalents, beginning of year	<u>4,232,750</u>	<u>9,611,689</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,276,561</u></u>	<u><u>\$ 4,232,750</u></u>
 Supplemental disclosures of cash flow information:		
Non-cash investing activity:		
Contributions of stock	<u><u>\$ 2,526,319</u></u>	<u><u>\$ 2,951,813</u></u>

The notes to 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 sports programs. During 2014, the Foundation established an agency endowment program which accepts donations to provide funding for non-profit organizations 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 sports, 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.

Financial statement presentation: The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

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.

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 as non-cash grants 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 \$197,967 and \$463,372 December 31, 2019 and 2018, respectively. See Note 5 for related expense included in program services – grants and awards in the Statement of Activities.

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.

Contributions: The Foundation reports gifts of cash and other assets as net assets without donor restrictions. 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. As of December 31, 2019 and 2018, the Foundation has no unconditional promises to give.

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, 2019 and 2018, the Foundation did not receive any donated materials or services meeting those requirements.

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

Advertising: The Foundation expenses advertising and promotion costs as incurred. Advertising and promotion costs for the years ended December 31, 2019 and 2018, totaled \$21,706 and \$16,470, respectively.

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.

Subsequent events: Events that have occurred subsequent to December 31, 2019, have been evaluated through July 14, 2020, which represents the date the Foundation's financial statements were approved by management and therefore available to be issued. The extent of the impact of the COVID-19 outbreak in the U.S. on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which are uncertain and cannot be predicted. The future financial impact and duration cannot be reasonably estimated at this time.

Reclassifications: Certain amounts in the 2018 financial statements have been reclassified to conform with the current year presentation.

2. INVESTMENTS

Investments include the following at December 31, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments:				
Mutual funds - equity	\$ 64,230,184	\$ 77,169,230	\$ 65,394,193	\$ 65,459,122
Mutual funds - fixed income	16,776,719	17,203,439	15,567,150	14,682,689
Common stock	10,717,974	14,097,655	11,316,436	11,198,903
Master limited partnerships	3,616,707	3,184,750	3,780,527	2,873,123
Bonds	10,360,821	10,580,295	10,508,658	10,378,985
Hedge Funds	16,600,000	18,686,052	16,627,650	17,380,132
Private Equity	16,672,554	19,637,299	8,949,745	10,605,222
Total	<u>\$ 138,974,959</u>	<u>\$ 160,558,720</u>	<u>\$ 132,144,359</u>	<u>\$ 132,578,176</u>

The following summarizes the net investment return for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividend income	\$ 4,218,669	\$ 4,172,831
Realized and unrealized investment gains (losses)	21,611,354	(9,547,228)
Investment fees	(729,676)	(641,372)
Net investment return	<u>\$ 25,100,347</u>	<u>\$ (6,015,769)</u>

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 Foundation at year-end.

Common stock and Master limited partnerships: Valued at closing price reported on the active market on which the individual securities/limited partnerships are traded.

U.S. government bonds: U.S. treasury notes and bonds are valued at the closing price reported in the market in which the individual security is traded. Other U.S. government bonds are valued at the closing price reported in the inactive market in which the bond is traded or valued based on yields currently available on comparable securities of issuers with similar credit ratings.

State and local government bonds: Certain bonds are valued at the closing price reported in the market in which the individual security is traded. Other state and local government bonds are valued at the closing price reported in the inactive market in which the bond is traded or 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.

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, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
U.S. agencies	\$ -	\$ 4,062,476	\$ -	\$ 4,062,476
Corporate bonds	-	6,517,819	-	6,517,819
Total fixed income	-	10,580,295	-	10,580,295
Common stock and Master limited partnerships				
Energy	3,423,521	-	-	3,423,521
Materials	922,361	-	-	922,361
Industrials	1,898,555	-	-	1,898,555
Consumer discretionary	1,075,883	-	-	1,075,883
Consumer staples	575,513	-	-	575,513
Health care	1,728,790	-	-	1,728,790
Financials	2,457,142	-	-	2,457,142
Services	911,185	-	-	911,185
Information technology	3,338,815	-	-	3,338,815
Communication services	377,368	-	-	377,368
Utilities	181,063	-	-	181,063
Real Estate	392,209	-	-	392,209
Total common stock and master limited partnerships	17,282,405	-	-	17,282,405
Mutual funds				
Fixed income				
High yield	11,485,286	-	-	11,485,286
Total return	3,884,143	-	-	3,884,143
Short-term	907,678	-	-	907,678
Floating rate	926,332	-	-	926,332
Equity				
Diversified emerging market funds	5,025,527	-	-	5,025,527
Dynamic allocation funds	5,921,830	-	-	5,921,830
International funds	25,674,230	-	-	25,674,230
Small cap value funds	1,088,307	-	-	1,088,307
Large cap growth funds	2,826,017	-	-	2,826,017
Real-estate funds	3,475,763	-	-	3,475,763
Nontraditional bonds	212,493	-	-	212,493
Large cap blend funds	32,945,063	-	-	32,945,063
Total mutual funds	94,372,669	-	-	94,372,669
Special limited partnership interests	-	-	19,637,299	19,637,299
Investments at fair value	<u>\$ 111,655,074</u>	<u>\$ 10,580,295</u>	<u>\$ 19,637,299</u>	141,872,668
Investments at net asset value (NAV)				
Hedge funds				18,686,052
Total investments				<u>\$ 160,558,720</u>

	Level 1	Level 2	Level 3	Total
<u>2018</u>				
Bonds				
U.S. agencies	\$ -	\$ 3,925,274	\$ -	\$ 3,925,274
Corporate bonds	-	6,453,711	-	6,453,711
Total fixed income	-	10,378,985	-	10,378,985
Common stock and Master limited partnerships				
Energy	3,312,371	-	-	3,312,371
Materials	731,106	-	-	731,106
Industrials	1,503,936	-	-	1,503,936
Consumer discretionary	644,985	-	-	644,985
Consumer staples	478,387	-	-	478,387
Health care	1,327,949	-	-	1,327,949
Financials	2,010,355	-	-	2,010,355
Services	711,423	-	-	711,423
Information technology	2,563,361	-	-	2,563,361
Communication services	339,062	-	-	339,062
Utilities	146,251	-	-	146,251
Real Estate	302,840	-	-	302,840
Total common stock and master limited partnerships	14,072,026	-	-	14,072,026
Mutual funds				
Fixed income				
High yield	7,992,314	-	-	7,992,314
Total return	5,233,774	-	-	5,233,774
Short-term	785,057	-	-	785,057
Floating rate	671,544	-	-	671,544
Equity				
Diversified emerging market funds	4,197,795	-	-	4,197,795
Dynamic allocation funds	5,717,890	-	-	5,717,890
International funds	21,432,591	-	-	21,432,591
Small cap value funds	931,983	-	-	931,983
Large cap growth funds	2,709,749	-	-	2,709,749
Real-Estate funds	2,783,836	-	-	2,783,836
Nontraditional bonds	194,519	-	-	194,519
Mid cap blend funds	5,463,591	-	-	5,463,591
Large cap blend funds	22,027,168	-	-	22,027,168
Total mutual funds	80,141,811	-	-	80,141,811
Special limited partnership interests	-	-	10,605,222	10,605,222
Investments at fair value	\$ 94,213,837	\$ 10,378,985	\$ 10,605,222	115,198,044
Investments at net asset value (NAV)				
Hedge funds				17,380,132
Total investments				\$ 132,578,176

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. Underlying investments that are 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:

	2019	2018
Ares Special Opportunities Access		
Offshore LP	\$ 555,044	\$ -
Broad Street Real Estate Credit Partners III	165,461	87,579
China-US Industrial Cooperation		
Partnership LP	233,550	425,769
Private Credit Managers II Offshore	3,043,215	10,861
Private Equity Managers		
(2015) Offshore SCSp Fund	1,550,553	1,303,503
Private Equity Managers		
(2016) Offshore SCSp Fund	4,535,648	3,257,235
Private Equity Managers		
(2017) Offshore SCSp Fund	3,526,714	1,517,840
Private Equity Managers		
(2018) Offshore SCSp Fund	1,009,243	233,122
Private Equity Managers		
(2019) Offshore SCSp Fund	251,797	-
Silver Point Distressed Opportunities		
Access Offshore LP	131,311	85,785
TPG Tech Adjacencies Access Offshore		
LP and TPG Tech Adjacencies Access		
Offshore Holdings LP	160,936	-
Vintage VII Offshore SCSp Fund	4,222,002	3,683,528
Vintage VIII Offshore SCSp and Vintage		
VIII Offshore Holdings LP	251,825	-
	<u>\$ 19,637,299</u>	<u>\$ 10,605,222</u>

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. The following summarizes commitments, capital calls, and recallable distributions as of December 31, 2019:

	<u>Commitment</u>	<u>Capital Calls</u>	<u>Recallable Distributions</u>	<u>Unfunded Commitment</u>
Ares Special Opportunities Access Offshore LP	\$ 2,500,000	\$ 555,044	\$ -	\$ 1,944,956
Broad Street Real Estate Credit Partners III	1,000,000	170,000	-	830,000
China-US Industrial Cooperation Partnership LP	1,500,000	255,000	-	1,245,000
Private Credit Managers II Offshore	10,500,000	3,226,811	131,488	7,404,677
Private Equity Managers Offshore (2015) Offshore SCSp Fund	1,700,000	1,564,144	359,745	495,601
Private Equity Managers Offshore (2016) Offshore SCSp Fund	6,100,000	4,203,487	442,674	2,339,187
Private Equity Managers Offshore (2017) Offshore SCSp Fund	5,000,000	3,241,266	77,652	1,836,386
Private Equity Managers Offshore (2018) Offshore SCSp Fund	5,000,000	1,015,752	-	3,984,248
Private Equity Managers (2019) Offshore SCSp Fund	4,000,000	263,600	-	3,736,400
Silver Point Distressed Opportunities Access Offshore LP	1,000,000	116,909	-	883,091
TPG Tech Adjacencies Access Offshore LP and TPG Tech Adjacencies Access Offshore Holdings LP	1,000,000	161,629	-	838,371
Vintage VII Offshore SCSp Fund	6,100,000	4,529,618	1,372,067	2,942,449
Vintage VIII Offshore SCSp and Vintage VIII Offshore Holdings LP	10,000,000	250,000	-	9,750,000
	<u>\$ 55,400,000</u>	<u>\$ 19,553,260</u>	<u>\$ 2,383,626</u>	<u>\$ 38,230,366</u>

Through July 14, 2020, the Foundation paid capital calls on the above partnerships totaling \$5,296,863 and received partnership distributions totaling \$371,063. Subsequent to December 31, 2019, the Foundation has not entered into any new special limited partnership agreements.

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	
	2019	2018
Balance, beginning of year	\$ 10,605,222	\$ 4,257,962
Capital Contributions	8,763,141	6,023,688
Distributions	(1,160,376)	(880,870)
Included in investment return:		
Unrealized gains	1,429,312	1,204,442
Balance, end of year	<u>\$ 19,637,299</u>	<u>\$ 10,605,222</u>

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, these investments are not classified in the fair value hierarchy. 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
	2019	2018	Frequency	Notice
Private investment hedge funds:				
Hedge Fund Managers (Strategic) Ltd	<u>\$ 18,686,052</u>	<u>\$ 17,380,132</u>	Quarterly	91 Days

The following table lists any additional redemption restrictions for investments measured at fair value using NAV as of December 31, 2019:

	Additional Redemption Restrictions
Private investment hedge funds:	
Hedge Fund Managers (Strategic) Ltd	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, 2019:

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

As of December 31, 2019, 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, 2019 and 2018:

	2019	2018
Software	\$ 2,233	\$ 2,233
Equipment	28,538	20,041
Total property and equipment	30,771	22,274
Less accumulated depreciation and amortization	(23,407)	(22,274)
Net property and equipment	\$ 7,364	\$ -

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 was composed of three parcels, each of which was rented at the date of donation. During 2019, rent income of \$919 was recognized, as a late rent payment was received after the sale of the land in 2018. Rent income and rental expenses during 2018 was \$1,206 and \$187, respectively. As soon as the rent agreements expired in 2017, two parcels were sold at a loss that approximated closing costs of \$34,299. The remaining parcel's rent agreement extended into 2018, after which the property was sold at a loss of \$34,640, which included \$14,840 in closing costs and \$19,800 decrease from the 2016 appraisal.

5. GRANTS AND GRANTS PAYABLE

The following summarizes the amounts included in grants and awards reported on the Statement of Activities for the years ended December 31, 2019 and 2018:

	2019	2018
Youth shooting sports program grants	\$ 5,004,748	\$ 4,616,528
Agency endowment distribution grants	743,985	631,981
Donor designated endowment distribution grants	261,833	225,805
	6,010,566	5,474,314
Non-cash grants (Note 1)	647,282	504,265
Total grants and awards	\$ 6,657,848	\$ 5,978,579

The Foundation awards grants to organizations for the support of youth shooting sports programs. These grants are recorded by the Foundation when approved by the Board. The Foundation awarded 1,403 and 1,374 grants in 2019 and 2018, respectively, to youth shooting sports teams.

In addition, the Foundation awarded thirty-two grants in 2019 and thirty grants in 2018 to organizations with approved “Agency Endowment Fund Agreements”. Organizations with “Designated Endowments” were awarded twelve grants in 2019 and eight grants in 2018. The program became active in 2015.

Accounts payable include \$0 and \$43,207 of unpaid grants and awards as of December 31, 2019 and 2018, respectively.

6. PENSION PLAN

The Foundation participates in a defined contributions IRA plan. The plan covers all full-time employees of the Foundation who earn more than \$5,000. Matching contributions are up to 3% of each eligible employee’s salary and totaled \$24,413 and \$22,001 for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, totaled \$131,964 and \$128,244, 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. The minimum lease payment for the facility is \$134,352 for the year ending December 31, 2020.

During 2013, the Foundation entered into a long term noncancelable equipment lease. The first lease payment was made in January 2014, and the final payment was made in February 2019.

8. CONCENTRATIONS

Donations to the Foundation totaled \$13,840,253 and \$10,545,738 for the years ended December 31, 2019 and 2018, respectively. The owners of MidwayUSA (a related party), who are also members of the Foundation’s Board of Directors, contributed \$5,225,213, or 38%, in 2019 and \$4,911,713, or 47%, in 2018 of these contributions. Subsequent to December 31, 2019, the owners donated an additional \$200,000.

9. RELATED PARTY TRANSACTIONS

The Foundation utilizes various personnel of Midway Arms, Inc. for IT data and janitorial services. During 2019 and 2018, the Foundation incurred expenses to Midway Arms, Inc. of \$50,734 and \$45,895, respectively. As of December 31, 2019 and 2018, payables to related parties totaled \$4,640 and \$3,663, respectively.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation receives significant support without donor restrictions and investment income without donor restrictions.

The Foundation considers investment income without donor restrictions and contributions without donor restrictions for use in current programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation’s fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant and award commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee meets semi-annually to review and approve grant and award requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 180 days of normal expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant and award commitments approved by the Committee.

The table below presents financial assets available for general expenditures within one year at December 31, 2019:

Cash and cash equivalents	\$ 7,276,561
Investments	160,558,720
Interest income receivable	<u>66,245</u>
Total financial assets	167,901,526
Donor-imposed restrictions:	
Funds subject to purpose or time restrictions	<u>3,746,581</u>
Net financial assets after donor-imposed restrictions	164,154,945
Less amounts not available within one year:	
Long-term and non-liquid investments	
Bonds	10,580,295
Hedge Funds	18,686,052
Private Equity	<u>19,637,299</u>
Total financial assets not available within one year	<u>48,903,646</u>
Total financial assets available within one year	<u><u>\$ 115,251,299</u></u>