

**REPORT OF**  
**MIDWAY USA FOUNDATION, INC.**  
**DECEMBER 31, 2020 AND 2019**

## 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, 2020 and 2019; 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, 2020 and 2019, 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 26, 2021









# 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 Agency 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. During 2019, the Foundation established programs to manage Donor-Advised Funds as well as two Special Purpose Endowments, which will help support Coach Training and Range Development.

*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 \$179,663 and \$197,967 at December 31, 2020 and 2019, respectively. See Note 5 for related expense included in program services – grants and awards in the Statement of Activities.

*Land, building and equipment:* Land, building and equipment are recorded at cost, and buildings and equipment are depreciated over their estimated useful lives using the straight-line method. Donated assets 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.

*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, 2020 and 2019, 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 year ended December 31, 2020, the Foundation received \$199,775 in donated materials and services. During the year ended December 31, 2019, the Foundation did not receive any donated materials or services.

*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, 2020 and 2019, totaled \$28,457 and \$21,706, 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, 2020, have been evaluated through July 26, 2021, which represents the date the Foundation's financial statements were approved by management and therefore available to be issued.



## 2. INVESTMENTS

Investments include the following at December 31, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Investments:				
Mutual funds - equity	\$ 63,411,042	\$ 81,176,681	\$ 64,230,184	\$ 77,169,230
Mutual funds - fixed income	11,505,189	12,057,246	16,776,719	17,203,439
Common stock	7,983,460	12,310,550	10,717,974	14,097,655
Master limited partnerships	3,961,559	3,583,698	3,616,707	3,184,750
Bonds	11,355,734	11,776,251	10,360,821	10,580,295
Hedge Funds	15,285,000	17,865,316	16,600,000	18,686,052
Private Equity	25,342,039	29,594,859	16,672,554	19,637,299
Total	<u>\$ 138,844,023</u>	<u>\$ 168,364,601</u>	<u>\$ 138,974,959</u>	<u>\$ 160,558,720</u>

The following summarizes the net investment return for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 2,664,783	\$ 4,218,669
Realized and unrealized investment gains (losses)	10,029,862	21,611,354
Investment fees	<u>(684,312)</u>	<u>(729,676)</u>
Net investment return	<u>\$ 12,010,333</u>	<u>\$ 25,100,347</u>

Realized and unrealized investment gains (losses) includes \$7,325,855 and \$15,732,096 of unrealized gains on equity securities held at year-end for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019, aggregated by the level in the fair value hierarchy within which those measurements fall:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Bonds</b>				
U.S. agencies	\$ -	\$ 5,576,132	\$ -	\$ 5,576,132
Corporate bonds	-	6,200,119	-	6,200,119
Total fixed income	-	11,776,251	-	11,776,251
<b>Common stock and Master limited partnerships</b>				
Communication services	371,376	-	-	371,376
Consumer discretionary	1,639,424	-	-	1,639,424
Consumer staples	378,135	-	-	378,135
Energy	3,750,028	-	-	3,750,028
Financials	1,606,296	-	-	1,606,296
Health care	1,737,107	-	-	1,737,107
Industrials	2,295,825	-	-	2,295,825
Information technology	2,625,113	-	-	2,625,113
Materials	669,688	-	-	669,688
Real Estate	519,114	-	-	519,114
Services	188,902	-	-	188,902
Utilities	113,240	-	-	113,240
Total common stock and master limited partnerships	15,894,248	-	-	15,894,248
<b>Mutual funds</b>				
Fixed income				
High yield	12,057,246	-	-	12,057,246
Equity				
Diversified emerging market funds	4,211,422	-	-	4,211,422
Dynamic allocation funds	6,384,612	-	-	6,384,612
International funds	27,342,553	-	-	27,342,553
Large cap blend funds	36,770,826	-	-	36,770,826
Large cap growth funds	3,387,851	-	-	3,387,851
Real-estate funds	3,079,417	-	-	3,079,417
Total mutual funds	93,233,927	-	-	93,233,927
<b>Special limited partnership interests</b>				
Investments at fair value	\$ 109,128,175	\$ 11,776,251	\$ 29,594,859	150,499,285
<b>Investments at net asset value (NAV)</b>				
Hedge funds				17,865,316
Total investments				<u>\$ 168,364,601</u>

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Bonds</b>				
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
<b>Common stock and Master limited partnerships</b>				
Communication services	377,368	-	-	377,368
Consumer discretionary	1,075,883	-	-	1,075,883
Consumer staples	575,513	-	-	575,513
Energy	3,423,521	-	-	3,423,521
Financials	2,457,142	-	-	2,457,142
Health care	1,728,790	-	-	1,728,790
Industrials	1,898,555	-	-	1,898,555
Information technology	3,338,815	-	-	3,338,815
Materials	922,361	-	-	922,361
Real Estate	392,209	-	-	392,209
Services	911,185	-	-	911,185
Utilities	181,063	-	-	181,063
Total common stock and master limited partnerships	17,282,405	-	-	17,282,405
<b>Mutual funds</b>				
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
Large cap blend funds	32,945,063	-	-	32,945,063
Large cap growth funds	2,826,017	-	-	2,826,017
Nontraditional bonds	212,493	-	-	212,493
Real-Estate funds	3,475,763	-	-	3,475,763
Small cap value funds	1,088,307	-	-	1,088,307
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				<u>18,686,052</u>
Total investments				<u>\$ 160,558,720</u>

*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:

	<u>2020</u>	<u>2019</u>
Ares Special Opportunities Access Offshore LP	\$ 1,241,262	\$ 555,044
Broad Street Real Estate Credit Partners III	254,627	165,461
China-US Industrial Cooperation Partnership LP	433,928	233,550
Private Credit Managers II Offshore	4,373,960	3,043,215
Private Credit Managers III Offshore	706,100	-
Private Equity Managers (2015) Offshore SCSp Fund	1,522,279	1,550,553
Private Equity Managers (2016) Offshore SCSp Fund	6,023,315	4,535,648
Private Equity Managers (2017) Offshore SCSp Fund	4,482,952	3,526,714
Private Equity Managers (2018) Offshore SCSp Fund	1,909,303	1,009,243
Private Equity Managers (2019) Offshore SCSp Fund	774,824	251,797
Private Equity Managers (2020) Offshore SCSp Fund	153,000	-
Silver Point Distressed Opportunities Access Offshore LP	525,120	131,311
TPG Tech Adjacencies Access Offshore LP and TPG Tech Adjacencies Access Offshore Holdings LP	498,259	160,936
Vintage VII Offshore SCSp Fund	4,360,655	4,222,002
Vintage VIII Offshore SCSp and Vintage VIII Offshore Holdings LP	2,335,275	251,825
	<u>\$ 29,594,859</u>	<u>\$ 19,637,299</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, 2020:

	<u>Commitment</u>	<u>Capital Calls</u>	<u>Recallable Distributions</u>	<u>Unfunded Commitment</u>
Ares Special Opportunities Access Offshore LP	\$ 2,500,000	\$ 1,171,456	\$ -	\$ 1,328,544
Broad Street Real Estate Credit Partners III	1,000,000	308,420	-	691,580
China-US Industrial Cooperation Partnership LP	1,500,000	465,000	-	1,035,000
Private Credit Managers II Offshore	10,500,000	4,848,050	571,505	6,223,455
Private Credit Managers III Offshore	11,500,000	706,100	-	10,793,900
Private Equity Managers Offshore (2015) Offshore SCSp Fund	1,700,000	1,658,201	374,033	415,832
Private Equity Managers Offshore (2016) Offshore SCSp Fund	6,100,000	5,268,869	442,674	1,273,805
Private Equity Managers Offshore (2017) Offshore SCSp Fund	5,000,000	4,046,137	137,227	1,091,090
Private Equity Managers Offshore (2018) Offshore SCSp Fund	5,000,000	1,840,048	-	3,159,952
Private Equity Managers (2019) Offshore SCSp Fund	4,000,000	711,206	-	3,288,794
Private Equity Managers (2020) Offshore SCSp Fund	5,100,000	153,000	-	4,947,000
Private Equity Managers (2021) Offshore SCSp Fund	5,000,000	-	-	5,000,000
Silver Point Distressed Opportunities Access Offshore LP	1,000,000	517,603	-	482,397
TPG Tech Adjacencies Access Offshore LP and TPG Tech Adjacencies Access Offshore Holdings LP	1,000,000	446,823	2,080	555,257
Vintage VII Offshore SCSp Fund	6,100,000	4,772,937	1,575,958	2,903,021
Vintage VIII Offshore SCSp and Vintage VIII Offshore Holdings LP	10,000,000	2,074,491	-	7,925,509
	<u>\$ 77,000,000</u>	<u>\$ 28,988,341</u>	<u>\$ 3,103,477</u>	<u>\$ 51,115,136</u>

Through July 26, 2021, the Foundation paid capital calls on the above partnerships totaling \$9,984,791 and received partnership distributions totaling \$1,117,980. Subsequent to December 31, 2020, the Foundation entered into the following new special limited partnership agreement. There were no subsequent capital calls related to this partnership through July 26, 2021.

Special limited partnership	<u>Subsequent Commitment</u>
8VC Opportunities Access Offshore LP	<u>\$ 2,000,000</u>
	<u>\$ 2,000,000</u>

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	
	2020	2019
Balance, beginning of year	\$ 19,637,299	\$ 10,605,222
Capital contributions	9,434,472	8,763,141
Distributions	(856,310)	(1,160,376)
Included in investment return:		
Unrealized gains	1,379,398	1,429,312
Balance, end of year	<u>\$ 29,594,859</u>	<u>\$ 19,637,299</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 Frequency	Redemption Notice
	2020	2019		
Private investment hedge funds:				
Aptitude Partners Ltd	\$ 8,681,274	\$ -	Quarterly	65 Days
Hedge Fund Managers (Strategic) Ltd	9,184,042	18,686,052	Quarterly	91 Days
	<u>\$ 17,865,316</u>	<u>\$ 18,686,052</u>		

The following table lists any additional redemption restrictions for investments measured at fair value using NAV as of December 31, 2020:

	Additional Redemption Restrictions
Private investment hedge funds:	
Aptitude Partners Ltd	Three year lock on investments. No additional restrictions on redemptions.
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 investments measured at fair value using NAV as of December 31, 2020:

	<u>Investment Objective</u>
Private investment hedge funds:	
Aptitude Partners Ltd	Target attractive risk-adjusted long-term returns.
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, 2020, the Foundation had no unfunded commitments on the above investments measured at NAV.

### 3. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building	\$ 6,341,240	\$ -
Land	1,658,760	-
Equipment	8,497	28,538
Software	-	2,233
Total	<u>8,008,497</u>	<u>30,771</u>
Less accumulated depreciation and amortization	<u>(2,832)</u>	<u>(23,407)</u>
Land, building, and equipment, net	<u>\$ 8,005,665</u>	<u>\$ 7,364</u>

### 4. DONATION OF PROPERTY

During December 2020, the Foundation received a donation of building and land with a total appraised value of \$8,000,000 from a related party. At the time of donation, the building maintained three tenants, one being the Foundation. Effective January 1, 2021, the Foundation became the lessor to the remaining tenants, who are related parties. See Note 9 for additional information.

### 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Youth shooting sports program grants	\$ 4,932,617	\$ 5,004,748
Agency endowment distribution grants	724,827	743,985
Donor designated endowment distribution grants	<u>270,052</u>	<u>261,833</u>
	5,927,496	6,010,566
Non-cash grants (Note 1)	<u>636,416</u>	<u>647,282</u>
Total grants and awards	<u>\$ 6,563,912</u>	<u>\$ 6,657,848</u>

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 1,393 and 1,403 grants in 2020 and 2019, respectively, to youth shooting sports teams.

In addition, the Foundation awarded thirty-three grants in 2020 and thirty-two grants in 2019 to organizations with approved "Agency Endowment Fund Agreements". Organizations with "Designated Endowments" were awarded thirteen grants in 2020 and twelve grants in 2019. The program became active in 2015.

Accounts payable includes no unpaid grants and awards as of December 31, 2020 and 2019, respectively.

## **6. RETIREMENT 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 \$31,328 and \$24,413 for the years ended December 31, 2020 and 2019, 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. The lease payment was increased in April 2014, when the Foundation relocated to new space within its existing location. The monthly payments were adjusted on an annual basis by the increase, if any, in the Consumer Price Index. Rent expense for the year ended December 31, 2020 and 2019, totaled \$134,352 and \$131,964, respectively, under this agreement.

## **8. CONCENTRATIONS**

Donations to the Foundation totaled \$22,367,712 and \$13,840,253 for the years ended December 31, 2020 and 2019, respectively. The owners of MidwayUSA (a related party), who are also members of the Foundation's Board of Directors, contributed \$8,208,795, or 37%, in 2020 and \$5,225,213, or 38%, in 2019 of these contributions. Subsequent to December 31, 2020, 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 2020 and 2019, the Foundation incurred expenses to Midway Arms, Inc. of \$65,501 and \$50,734, respectively. As of December 31, 2020 and 2019, payables to related parties totaled \$5,946 and \$4,640, respectively.

Beginning January 1, 2021, the Foundation became the lessor of office space to two related parties, under operating leases. The expected rental income for the office space is \$608,998 for the year ending December 31, 2021.

## 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, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 17,445,584	\$ 7,276,561
Investments	168,364,601	160,558,720
Interest income receivable	52,005	66,245
<b>Total financial assets</b>	<b>185,862,190</b>	<b>167,901,526</b>
Donor-imposed restrictions:		
Funds subject to purpose or time restrictions	8,111,574	3,746,581
<b>Net financial assets after donor-imposed restrictions</b>	<b>177,750,616</b>	<b>164,154,945</b>
Less amounts not available within one year:		
Long-term and non-liquid investments		
Bonds	11,776,251	10,580,295
Hedge Funds	17,865,316	18,686,052
Private Equity	29,594,859	19,637,299
<b>Total financial assets not available within one year</b>	<b>59,236,426</b>	<b>48,903,646</b>
<b>Total financial assets available within one year</b>	<b>\$ 118,514,190</b>	<b>\$ 115,251,299</b>