

Scholastic
Shooting
Sports
Foundation,
Inc.



Years Ended
December 31,
2016 and 2015

Financial
Statements

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

March 15, 2017

Board of Directors
Scholastic Shooting Sports Foundation, Inc.
San Antonio, Texas

We have audited the accompanying financial statements of **Scholastic Shooting Sports Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Scholastic Shooting Sports Foundation, Inc.** 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 accounting principles generally accepted in the United States of America.



SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31	
	2016	2015
Cash and cash equivalents	\$ 421,232	\$ 214,227
Pledges receivable	100	10,000
Inventory	258,796	283,458
Prepaid expenses	43,940	34,007
Investments	19,452	131,377
Net furniture and equipment	13,186	23,857
Total assets	<u>\$ 756,706</u>	<u>\$ 696,926</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 21,072	\$ 69,465
Deferred revenue	65,645	44,841
Total liabilities	86,717	114,306
Unrestricted net assets	669,989	582,620
Total net assets	<u>669,989</u>	<u>582,620</u>
Total liabilities and net assets	<u>\$ 756,706</u>	<u>\$ 696,926</u>

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2016	2015
Unrestricted		
Support and revenue		
Grants	\$ 2,005,300	\$ 1,963,757
Program fees	1,149,787	1,061,600
Contributions	307,788	270,313
Sales of merchandise, net	25,692	4,271
Special events, net of direct expense of \$119,158 in 2016 and \$83,017 in 2015	79,505	102,454
Investment gain (loss)	1,482	(166)
Other	-	485
Net assets released from restrictions	39,248	25,050
Total support and revenue	3,608,802	3,427,764
Expenses		
Donations to team endowments	1,581,700	1,303,750
Distributions to MidwayUSA Foundation (Note 6)	253,500	253,050
Salaries and payroll taxes	631,420	609,560
Sporting events	344,204	380,076
Travel and entertainment	136,246	180,755
Scholarships	66,500	63,000
Facilities cost	64,498	92,349
Information technology	15,352	19,098
Contract services	82,782	98,408
Insurance	76,237	47,300
Awards	137,076	76,000
Postage	11,299	13,547
Printing and marketing	63,913	46,872
Telephone	-	198
Materials and supplies	19,306	28,300
Depreciation	10,671	9,131
Loss on disposal of equipment	-	234
Other	26,729	24,006
Total expenses	3,521,433	3,245,634
Changes in unrestricted net assets	87,369	182,130
Temporarily restricted		
Scholarship contributions	39,248	25,050
Net assets released from restrictions	(39,248)	(25,050)
Changes in temporarily restricted net assets	-	-
Changes in net assets	87,369	182,130
Net assets, beginning of year	582,620	400,490
Net assets, end of year	\$ 669,989	\$ 582,620

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ 87,369	\$ 182,130
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	10,671	9,131
Loss on disposal of equipment	-	234
Net realized and unrealized losses on investments	9,123	7,110
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	9,900	(10,000)
Inventory	24,662	(61,560)
Prepaid expenses	(9,933)	4,897
Accounts payable and accrued expenses	(48,393)	37,333
Deferred revenue	20,804	11,781
Net cash provided by operating activities	104,203	181,056
Cash flows from investing activities		
Purchases of furniture and equipment	-	(10,408)
Purchases of investments	(860,458)	(1,910,678)
Proceeds from sales of investments	963,260	1,819,990
Proceeds from sale of furniture and equipment	-	1,000
Net cash provided by (used in) investing activities	102,802	(100,096)
Net increase in cash and cash equivalents	207,005	80,960
Cash and cash equivalents, beginning of year	214,227	133,267
Cash and cash equivalents, end of year	\$ 421,232	\$ 214,227

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Scholastic Shooting Sports Foundation Inc. (the "Foundation"), a nonprofit corporation, provides, promotes and perpetuates opportunities for school age youth to participate in clay target sports at the local, state, national and international levels.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted - Unrestricted net assets are not restricted by donors or donor-imposed restrictions have expired.

Temporarily Restricted - Temporarily restricted net assets contain donor-imposed restrictions that permit the spending as specified. The restrictions are satisfied either by the passage of time or actions of the Foundation, at which time the temporarily restricted net assets are reclassified to unrestricted net assets. The Foundation's temporarily restricted net assets are available for the purpose of scholarships. As of December 31, 2016 and 2015, the Foundation had no temporarily restricted net assets.

Permanently Restricted - Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. As of December 31, 2016 and 2015, the Foundation had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Accordingly, actual results could differ from those estimates. Significant estimates include but are not limited to the fair value of donated inventory.

Cash and Cash Equivalents

The Foundation considers all highly liquid short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation maintains cash in bank deposit accounts and balances, at times, exceed federally insured limits. Management does not believe the Foundation is exposed to any significant risk as a result of these deposits.

Revenue Recognition and Deferred Revenue

The Foundation records contributions at their fair value when the donor pays the cash or makes a promise to give that is unconditional. Conditional contributions are recognized as revenue when the condition on which they depend are met. Contributions without donor-imposed reservations and contributions with donor-imposed restrictions that are met in the same period as the gift is received are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets. Program registration fees are recognized when earned, generally over the period to which such revenues relate or when services are rendered. Deferred revenue is recorded for the portion of registration fees received in the current year that relates to the following year. Grants are recorded as revenue when events and/or conditions thereof have been met as determined by the funding organization.

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Pledges Receivable

The Foundation carries its pledges receivable at cost, less an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Foundation's estimate is based on historical collection experience and management's evaluation of the collectability of accounts receivable at the end of the year. Accounts are written off when they are ultimately deemed uncollectible. Management considers all balances collectible at December 31, 2016 and 2015.

Investments

Investments are carried at fair value. Money market funds are stated at cost, which approximates fair value. U.S. government bonds are valued at quoted prices in active markets. Investment income (loss), including realized and unrealized gains and losses, is reflected in the statement of activities. Gains and losses on sales of investments are determined based on the specific security sold. Income is recorded as earned.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 2 to the financial statements.

Inventory

Inventory, which consists of guns primarily for fundraising events, is stated at the lower of cost or market with cost determined on the first-in, first-out (FIFO) method. Donated inventory is recorded at its estimated fair value.

Furniture and Equipment and Depreciation

Purchases of furniture and equipment are recorded at cost or, if donated, at fair value at the date of donation. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets and range from 3 to 7 years.

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The costs of providing the program services and activities have been summarized on a functional basis in Note 4. Certain costs not directly attributable to specific program services have been allocated by management to the functional expense classification based upon the nature of the expense.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes.

The Foundation has evaluated its income tax filing positions for fiscal 2013 through 2016, the years which remain subject to examination as of December 31, 2016. The Foundation concluded there are no significant uncertain income tax positions requiring recognition in the Foundation's financial statements.

Reclassification

Certain amounts as reported in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2016, the most recent statement of financial position presented herein, through March 15, 2017, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Money Market Funds: The carrying amounts of money markets approximate fair value and are classified as Level 1.

U.S. Government Bonds: U.S. Government bonds fair value is based on closing prices reported in the active market in which the securities are traded and are classified as Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on recurring basis as of December 31:

2016	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,808	\$ -	\$ -	\$ 2,808
U.S. Government bonds	<u>16,644</u>	<u>-</u>	<u>-</u>	<u>16,644</u>
Total assets at fair value	<u>\$ 19,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,452</u>

2015	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 105,611	\$ -	\$ -	\$ 105,611
U.S. Government bonds	<u>25,766</u>	<u>-</u>	<u>-</u>	<u>25,766</u>
Total assets at fair value	<u>\$ 131,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,377</u>

Investment gain (loss) includes interest and realized and unrealized losses on investments. Interest amounted to \$10,605 in 2016 and \$6,944 in 2015. Net realized and unrealized losses on investments amounted to (\$9,123) in 2016 and (\$7,110) in 2015.

3. FURNITURE AND EQUIPMENT

Net furniture and equipment consists of the following components at December 31:

	2016	2015
Furniture and equipment		
Furniture and fixtures	\$ 18,575	\$ 18,575
Equipment	<u>40,270</u>	<u>40,270</u>
Total	58,845	58,845
Less accumulated depreciation	<u>45,659</u>	<u>34,988</u>
Net furniture and equipment	<u>\$ 13,186</u>	<u>\$ 23,857</u>

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

4. CLASSIFICATION OF EXPENSES

The statements of activities report expenses by natural classification. The classification of expenses by function is as follows for the years ended December 31:

	2016	2015
Donations to team endowments	\$ 1,581,700	\$ 1,303,750
Sporting programs	1,691,382	1,600,598
Administrative and general	212,494	246,061
Fundraising	<u>35,857</u>	<u>95,225</u>
Total expenses	<u>\$ 3,521,433</u>	<u>\$ 3,245,634</u>

5. LEASES

The Foundation leases office space under an operating lease agreement which expires June 2019. Rent expense incurred was approximately \$6,000 and \$25,000 for the years ended December 31, 2016 and 2015, respectively. Future rental commitments under the lease, and future events are as follows for the years ending December 31:

Year	Amount
2017	\$ 18,200
2018	18,200
2019	<u>15,100</u>
Total	<u>\$ 51,500</u>

6. PUBLIC FOUNDATION

In 2013, the Foundation established a fund with MidwayUSA Foundation, Inc. ("MUF"). To support participation of school age youth in clay target sporting events at the local, state, national and international levels. These assets can be used at MUF's discretion and therefore, The assets of this fund are not included with those of the Foundation. Available distributions (according to MUF spending guidelines) are made based on a percentage of market value and may also be made to the Foundation upon request to be used for the aforementioned, stated purpose. The fund's balance was \$1,942,521 at December 31, 2016 and \$1,642,502 at December 31, 2015.

