

Scholastic
Shooting
Sports
Foundation,
Inc.



Eight Months
Ended August 31,
2017 and
Year Ended
December 31,
2016

Financial
Statements

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

November 14, 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 August 31, 2017 and December 31, 2016, and the related statements of activities and cash flows for the eight months ended August 31, 2017 and the year ended December 31, 2016, 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 August 31, 2017 and December 31, 2016, and the changes in its net assets and its cash flows for the eight months ended August 31, 2017 and the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.



SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	August 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$ 818,358	\$ 421,232
Pledges receivable	3,500	100
Inventory	343,953	258,796
Prepaid expenses	51,209	43,940
Investments	19,464	19,452
Net furniture and equipment	9,843	13,186
Total assets	<u>\$ 1,246,327</u>	<u>\$ 756,706</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 74,794	\$ 21,072
Deferred revenue	-	65,645
Total liabilities	74,794	86,717
Unrestricted net assets	1,171,533	669,989
Total net assets	<u>1,171,533</u>	<u>669,989</u>
Total liabilities and net assets	<u>\$ 1,246,327</u>	<u>\$ 756,706</u>

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	Eight Months Ended August 31, 2017	Year Ended December 31, 2016
Support and revenue		
Grants	\$ 1,772,300	\$ 2,005,300
Program fees	1,213,053	1,149,787
Contributions	289,855	347,036
Sales of merchandise, net of purchased or donated cost	82,814	25,692
Special events, net of direct expense of \$183,381 in 2017 and \$119,158 in 2016	87,027	79,505
Investment gain	170	1,482
	<u>3,445,219</u>	<u>3,608,802</u>
Total support and revenue		
Expenses		
Donations to team endowments	942,507	1,581,700
Distributions to MidwayUSA Foundation (Note 6)	411,300	253,500
Salaries and payroll taxes	455,483	631,420
Sporting events	444,239	344,204
Travel and entertainment	159,018	136,246
Scholarships	91,000	66,500
Facilities cost	51,888	64,498
Information technology	11,371	15,352
Contract services	58,244	82,782
Insurance	56,142	76,237
Awards	136,429	137,076
Postage	10,434	11,299
Printing and marketing	55,749	63,913
Materials and supplies	14,824	19,306
Depreciation	10,619	10,671
Other	34,428	26,729
	<u>2,943,675</u>	<u>3,521,433</u>
Total expenses		
Change in unrestricted net assets	501,544	87,369
Net assets, beginning of year	669,989	582,620
Net assets, end of year	<u><u>\$ 1,171,533</u></u>	<u><u>\$ 669,989</u></u>

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Eight Months Ended August 31, 2017	Year Ended December 31, 2016
Cash flows from operating activities		
Change in net assets	\$ 501,544	\$ 87,369
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	10,619	10,671
Net realized and unrealized losses on investments	1,089	9,123
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	(3,400)	9,900
Inventory	(85,157)	24,662
Prepaid expenses	(7,269)	(9,933)
Accounts payable and accrued expenses	53,722	(48,393)
Deferred revenue	(65,645)	20,804
Net cash provided by operating activities	<u>405,503</u>	<u>104,203</u>
Cash flows from investing activities		
Purchases of furniture and equipment	(7,276)	-
Purchases of investments	(1,101)	(860,458)
Proceeds from sales of investments	-	963,260
Net cash (used in) provided by investing activities	<u>(8,377)</u>	<u>102,802</u>
Net increase in cash and cash equivalents	397,126	207,005
Cash and cash equivalents, beginning of year	<u>421,232</u>	<u>214,227</u>
Cash and cash equivalents, end of year	<u><u>\$ 818,358</u></u>	<u><u>\$ 421,232</u></u>

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. Effective January 1, 2017, the Foundation changed their calendar year-end to a fiscal year ending August 31 to better align with the shooting season. Accordingly, the 2017 financial statements reflect an eight month period ending August 31, 2017.

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 August 31, 2017 and December 31, 2016, 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 August 31, 2017 and December 31, 2016, 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.

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

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Pledges Receivable

The Foundation carries its pledges receivable at outstanding pledge amount, 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 pledges receivable at the end of the year. Pledges are written off when they are ultimately deemed uncollectible. Management considers all balances collectible at August 31, 2017 and December 31, 2016.

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.

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO 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.

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 2017, the years which remain subject to examination as of August 31, 2017. The Foundation concluded there are no significant uncertain income tax positions requiring recognition in the Foundation's financial statements.

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 August 31, 2017, the most recent statement of financial position presented herein, through November 14, 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.

SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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:

August 31, 2017	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 19,464	\$ -	\$ -	\$ 19,464
Total assets at fair value	\$ 19,464	\$ -	\$ -	\$ 19,464

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	16,644	-	-	16,644
Total assets at fair value	\$ 19,452	\$ -	\$ -	\$ 19,452

Investment gain includes interest and realized and unrealized losses on investments. Interest amounted to \$1,101 in 2017 and \$10,605 in 2016. Net realized and unrealized losses on investments amounted to \$(1,089) in 2017 and (\$9,123) in 2016.

3. FURNITURE AND EQUIPMENT

Net furniture and equipment consists of the following components at:

	August 31, 2017	December 31, 2016
Furniture and equipment		
Furniture and fixtures	\$ 18,575	\$ 18,575
Equipment	47,546	40,270
Total	66,121	58,845
Less accumulated depreciation	56,278	45,659
Net furniture and equipment	\$ 9,843	\$ 13,186

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:

	Eight Months Ended August 31, 2017	Year Ended December 31, 2017
Donations to team endowments	\$ 942,507	\$ 1,581,700
Sporting programs	1,833,231	1,691,382
Administrative and general	122,924	212,494
Fundraising	<u>45,013</u>	<u>35,857</u>
Total expenses	<u>\$ 2,943,675</u>	<u>\$ 3,521,433</u>

5. LEASES

The Foundation leases office space and facilities for events under agreements classified as operating leases. Rent expense under these agreements amounted to approximately \$16,000 for the eight months ended August 31, 2017 and \$6,000 for the year ended December 31, 2016. Future rental commitments under the operating leases are as follows for the years ending August 31:

Year	Amount
2018	18,200
2019	<u>17,167</u>
Total	<u>\$ 35,367</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 \$2,488,452 at August 31, 2017 and \$1,942,521 at December 31, 2016.

