

Scholastic  
Shooting  
Sports  
Foundation,  
Inc.



Year Ended  
August 31, 2018  
and Eight Months  
Ended August 31,  
2017

Financial  
Statements

# SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

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**INDEPENDENT AUDITORS' REPORT**

December 18, 2018

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, 2018 and 2017, and the related statements of activities and cash flows for the year ended August 31, 2018 and the eight months ended August 31, 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended August 31, 2018 and the eight months ended August 31, 2017, in accordance with accounting principles generally accepted in the United States of America.



# SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

ASSETS	August 31	
	2018	2017
Cash and cash equivalents	\$ 871,146	\$ 818,358
Pledges receivable	1,140	3,500
Inventory	349,068	343,953
Prepaid expenses	23,458	51,209
Investments	-	19,464
Net furniture and equipment	44,741	9,843
<b>Total assets</b>	<b><u>\$ 1,289,553</u></b>	<b><u>\$ 1,246,327</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 123,751	\$ 74,794
<b>Total liabilities</b>	<b>123,751</b>	<b>74,794</b>
Unrestricted net assets	1,165,802	1,171,533
<b>Total net assets</b>	<b><u>1,165,802</u></b>	<b><u>1,171,533</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,289,553</u></b>	<b><u>\$ 1,246,327</u></b>

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

# SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES

	Year Ended August 31, 2018	Eight Months Ended August 31, 2017
<b>Revenue, support and gains</b>		
Grants	\$ 1,247,277	\$ 1,772,300
Program fees	1,507,441	1,213,053
Contributions	206,252	289,855
Sales of merchandise, net of purchased or donated cost	189,888	82,814
Special events, net of direct expense of \$153,965 in 2018 and \$183,381 in 2017	148,824	87,027
Net investment income	5,005	170
	<u>3,304,687</u>	<u>3,445,219</u>
<b>Total revenue, support and gains</b>		
<b>Expenses</b>		
Donations to team endowments	826,809	942,507
Distributions to MidwayUSA Foundation (Note 6)	202,000	411,300
Salaries and payroll taxes	741,937	455,483
Sporting events	680,735	444,239
Travel and entertainment	198,679	159,018
Scholarships	92,300	91,000
Facilities cost	62,946	51,888
Information technology	25,103	11,371
Contract services	73,504	58,244
Insurance	88,134	56,142
Awards	187,699	136,429
Postage	10,401	10,434
Printing and marketing	58,977	55,749
Materials and supplies	16,965	14,824
Depreciation	11,102	10,619
Other	33,127	34,428
	<u>3,310,418</u>	<u>2,943,675</u>
<b>Total expenses</b>		
Change in unrestricted net assets	(5,731)	501,544
Net assets, beginning of year	1,171,533	669,989
<b>Net assets, end of year</b>	<u><u>\$ 1,165,802</u></u>	<u><u>\$ 1,171,533</u></u>

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

# SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

	Year Ended August 31, 2018	Eight Months Ended August 31, 2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (5,731)	\$ 501,544
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	11,102	10,619
Net realized and unrealized losses on investments	-	1,089
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	2,360	(3,400)
Inventory	(5,115)	(85,157)
Prepaid expenses	27,751	(7,269)
Accounts payable and accrued expenses	48,957	53,722
Deferred revenue	-	(65,645)
<b>Net cash provided by operating activities</b>	<u>79,324</u>	<u>405,503</u>
<b>Cash flows from investing activities</b>		
Purchases of furniture and equipment	(46,000)	(7,276)
Proceeds from sales of investments	19,464	-
Purchases of investments	-	(1,101)
<b>Net cash used in investing activities</b>	<u>(26,536)</u>	<u>(8,377)</u>
<b>Net increase in cash and cash equivalents</b>	52,788	397,126
Cash and cash equivalents, beginning of year	<u>818,358</u>	<u>421,232</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 871,146</u>	<u>\$ 818,358</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, 2018 and August 31, 2017, 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, 2018 and August 31, 2017, 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

Cash and cash equivalents consist of demand deposits in banks and deposits in money market funds with original maturities when purchased of less than three months. 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. Grants are recorded as revenue when events and/or conditions thereof have been met as determined by the funding organization. Revenues from sales of merchandise, net of purchased or donated cost, are recognized at the time of sale.

### 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, 2018 and 2017.

### Investments

Investments are carried at fair value. Money market funds are stated at cost, which approximates fair value. 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 used primarily for fundraising events, is stated at the lower of cost or net realizable value 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 not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Foundation has been classified as not a private foundation.

The Foundation analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions.

The Foundation has evaluated its income tax filing positions for fiscal years 2015 through 2018, the years which remain subject to examination as of August 31, 2018. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at August 31, 2018 or 2017, and is not aware of any claims for such amounts by federal or state income tax authorities.

### Upcoming Accounting Pronouncement

In August 2016, The Financial Accounting Standards Board issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will be effective for the Foundation's annual financial statements for the year ending August 31, 2019. This ASU 1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. Management has evaluated the provisions of ASU 2016-14 and has determined that the presentation of the financial statements will need to be modified as required by the ASU; however, there will be no significant changes in the Foundation's accounting policies.

# SCHOLASTIC SHOOTING SPORTS FOUNDATION, INC.

## NOTES TO 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, 2018, the most recent statement of financial position presented herein, through December 18, 2018, 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 as of August 31, 2017. There are no assets measured at fair value on a recurring basis as of August 31, 2018.

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 in the fair value hierarchy. Money market funds totaled \$19,464 as of August 31, 2017.

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.

Net investment income includes interest and realized and unrealized losses on investments. Interest amounted to \$5,005 in 2018 and \$1,259 in 2017. Net realized and unrealized losses on investments amounted to \$1,089 in 2017. There were no net realized and unrealized gains or losses in 2018.

## 3. FURNITURE AND EQUIPMENT

Net furniture and equipment consists of the following components at:

	August 31, 2018	August 31, 2017
<b>Furniture and equipment</b>		
Furniture and fixtures	\$ 18,575	\$ 18,575
Equipment	<u>81,439</u>	<u>47,546</u>
Total	100,014	66,121
Less accumulated depreciation	<u>55,273</u>	<u>56,278</u>
<b>Net furniture and equipment</b>	<u><u>\$ 44,741</u></u>	<u><u>\$ 9,843</u></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:

	Year Ended August 31, 2018	Eight Months Ended August 31, 2017
Donations to team endowments	\$ 826,809	\$ 942,507
Sporting programs	2,180,663	1,833,231
Administrative and general	174,075	122,924
Fundraising	<u>128,871</u>	<u>45,013</u>
Total expenses	<u>\$ 3,310,418</u>	<u>\$ 2,943,675</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 \$18,200 for the year ended August 31, 2018 and \$16,000 for the eight months ended August 31, 2017. Future rental commitments under the operating leases is as follows for the year ending August 31:

Year	Amount
2019	<u>\$ 17,167</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 \$2,860,345 at August 31, 2018 and \$2,488,452 at August 31, 2017.

