

NATIONAL RIFLE ASSOCIATION OF AMERICA

FINANCIAL STATEMENTS

as of December 31, 2022 and 2021

AND

REPORT THEREON

NATIONAL RIFLE ASSOCIATION OF AMERICA

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 34

Independent Auditor's Report

To the Board of Directors
The National Rifle Association of America
Fairfax, Virginia

Opinion

We have audited the accompanying financial statements of **The National Rifle Association of America** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of **The National Rifle Association of America** as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15 to the financial statements, the **National Rifle Association of America (NRA)** is a defendant in a lawsuit filed by New York State which seeks to appoint an independent compliance monitor. The lawsuit also purports to sue, directly and derivatively, two current and two former officers of the **NRA**. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the accompanying financial statements are those of the **National Rifle Association of America** only and are not those of the primary reporting entity. The consolidated financial statements of **NRA** and its affiliates have been issued as the general purpose financial statements of the reporting entity and should be read in conjunction with the parent-only statements. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **The National Rifle Association of America** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Prior Period Financial Statements

The financial statements as of December 31, 2021 were audited by Aronson LLC, who merged with Aprio LLP as of January 1, 2023, and whose report dated April 13, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **The National Rifle Association of America's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Rifle Association of America's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **The National Rifle Association of America's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Aprio, LLP

Rockville, Maryland
March 27, 2023

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,619,252	\$ 14,483,125
Restricted cash	1,451,812	15,873,428
Investments	70,950,051	70,942,931
Pledges receivable, net	-	931,739
Members' dues receivable, net	7,621,571	10,524,325
Accounts receivable, net	7,924,744	11,644,161
Due from affiliates	30,698,408	36,762,745
Inventories and supplies, net	10,612,378	12,585,642
Prepaid expenses	4,037,417	6,716,954
Property and equipment, net	25,069,822	26,514,505
Finance lease right-of-use-asset, net	914,207	-
Other assets	4,202,681	4,839,715
	<u>4,202,681</u>	<u>4,839,715</u>
 Total assets	 <u>\$ 174,102,343</u>	 <u>\$ 211,819,270</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 15,234,373	\$ 19,000,216
Accrued liabilities	32,160,164	45,581,674
Finance lease liability	913,903	-
Note payable and lines of credit	43,749,101	24,563,207
Deferred revenue	40,205,350	44,871,691
	<u>40,205,350</u>	<u>44,871,691</u>
 Total liabilities	 <u>132,262,891</u>	 <u>134,016,788</u>
 Net assets (deficit):		
Without donor restrictions		
Net assets without donor restrictions	3,510,849	36,554,636
Cumulative pension liability	(17,182,568)	(25,721,947)
Total net asset (deficit) without donor restrictions	<u>(13,671,719)</u>	<u>10,832,689</u>
With donor restrictions	55,511,171	66,969,793
	<u>55,511,171</u>	<u>66,969,793</u>
 Total net assets	 <u>41,839,452</u>	 <u>77,802,482</u>
 Total liabilities and net assets	 <u>\$ 174,102,343</u>	 <u>\$ 211,819,270</u>

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

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF ACTIVITIES
for the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:						
Members' dues	\$ 83,274,950	\$ -	\$ 83,274,950	\$ 97,478,535	\$ -	\$ 97,478,535
Program fees	5,143,288	-	5,143,288	4,375,015	-	4,375,015
Contributions	63,373,911	1,932,636	65,306,547	75,483,797	3,932,524	79,416,321
Contributions from interrelated entity	-	6,408,509	6,408,509	625,189	5,209,763	5,834,952
Advertising	21,215,649	-	21,215,649	22,010,693	-	22,010,693
Member and merchandise sales	2,858,167	-	2,858,167	5,998,861	-	5,998,861
Shows and exhibits	12,260,454	-	12,260,454	58,957	-	58,957
Investment income, net	2,683,240	(57,855)	2,625,385	3,824,042	1,082,122	4,906,164
Insurance administration fees	7,457,024	-	7,457,024	9,720,482	-	9,720,482
Other	6,985,550	-	6,985,550	3,694,991	-	3,694,991
Assets released from restrictions	10,234,106	(10,234,106)	-	7,920,989	(7,920,989)	-
Total revenue and other support	215,486,339	(1,950,816)	213,535,523	231,191,531	2,303,420	233,494,951
Expenses:						
Program services:						
Legislative programs	20,610,231	-	20,610,231	26,010,262	-	26,010,262
Publications	31,635,706	-	31,635,706	28,765,014	-	28,765,014
Public affairs	1,338,083	-	1,338,083	1,366,715	-	1,366,715
Shows and exhibits	5,065,552	-	5,065,552	7,133,914	-	7,133,914
Competitions	2,237,625	-	2,237,625	2,020,638	-	2,020,638
Education and training	3,246,806	-	3,246,806	3,335,416	-	3,335,416
Hunter services	555,629	-	555,629	257,838	-	257,838
Field services	1,319,404	-	1,319,404	1,576,738	-	1,576,738
Law enforcement	1,766,550	-	1,766,550	1,347,033	-	1,347,033
Recreational shooting	5,100,434	-	5,100,434	4,369,899	-	4,369,899
	72,876,020	-	72,876,020	76,183,467	-	76,183,467
Member services and acquisition	58,641,147	-	58,641,147	56,109,521	-	56,109,521
Administrative	47,891,751	-	47,891,751	50,351,157	-	50,351,157
Executive office	19,110,522	-	19,110,522	18,265,102	-	18,265,102
Fundraising	30,153,537	-	30,153,537	27,352,770	-	27,352,770
Total expenses	228,672,977	-	228,672,977	228,262,017	-	228,262,017
Change in net assets before other changes	(13,186,638)	(1,950,816)	(15,137,454)	2,929,514	2,303,420	5,232,934
Unrealized (loss) gain on investments, net	(11,923,255)	(3,578,493)	(15,501,748)	3,039,236	466,560	3,505,796
Legal settlement costs	(12,370,166)	-	(12,370,166)	-	-	-
Reimbursement of legal / settlement costs	1,761,069	-	1,761,069	3,714,842	-	3,714,842
(Loss) gain on interest in interrelated entity	-	(5,929,313)	(5,929,313)	-	3,391,869	3,391,869
Net periodic pension income other than service costs	2,675,203	-	2,675,203	1,842,238	-	1,842,238
Other net pension plan gain	8,539,379	-	8,539,379	10,810,530	-	10,810,530
Change in net assets	(24,504,408)	(11,458,622)	(35,963,030)	22,336,360	6,161,849	28,498,209
Net assets (deficit), beginning of year	10,832,689	66,969,793	77,802,482	(11,503,671)	60,807,944	49,304,273
Net assets (deficit), end of year	\$ (13,671,719)	\$ 55,511,171	\$ 41,839,452	\$ 10,832,689	\$ 66,969,793	\$ 77,802,482

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

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
for the years ended December 31, 2022 and 2021

2022																
	Legislative Programs	Publications	Public Affairs	Shows & Exhibits	Competitions	Education & Training	Hunter Services	Field Services	Law Enforcement	Recreational Shooting	Total Program Expenses	Member Services and Acquisition	Administrative	Executive Office	Fundraising	Total
Salaries, benefits and taxes	\$ 8,494,374	\$ 7,954,973	\$ 807,330	\$ 650,926	\$ 815,274	\$ 798,400	\$ 47,196	\$ 587,646	\$ 976,990	\$ 1,057,409	\$ 22,190,518	\$ 2,751,891	\$ 2,396,989	\$ 8,507,345	\$ 2,805,773	\$ 38,652,516
Office supplies	919,239	129,980	-	90,781	59,304	23,957	113,839	62,512	22,525	40,152	1,462,289	372,068	38,631	118,510	141,671	2,133,159
Travel & entertainment	690,151	360,963	-	(59,346)	64,115	38,257	1,247	181,643	200,851	36,793	1,514,674	58,893	5,267	130,633	508,987	2,218,254
Fulfillment material	-	-	-	-	92,468	142,628	-	-	36,658	38,973	310,727	5,013,165	-	-	2,442,500	7,766,392
Occupancy	1,091,950	606,903	-	99,700	252,415	394,843	12,660	63,623	234,215	1,859,480	4,615,789	689,195	1,072,960	731,923	654,379	7,764,246
Data processing	296,709	204,733	-	66,427	198,601	292,962	-	112,902	106,625	19,758	1,298,717	408,444	70,175	1,080,553	274,226	3,132,115
Printing and publications	-	21,696,686	-	-	-	-	-	-	-	-	21,696,686	-	-	-	-	21,696,686
Member communications	2,143,587	-	-	-	-	-	-	-	-	-	2,143,587	46,788,496	-	-	12,230,677	61,162,760
Advertising	1,103,433	-	-	-	-	-	-	-	-	-	1,103,433	-	-	8,107,297	9,210,730	
Committee & annual mtgs	14,430	-	-	-	-	-	-	-	-	-	14,430	-	-	2,033,485	-	2,047,915
Legal, audit and taxes	1,712,828	-	-	-	-	-	-	-	-	-	1,712,828	-	43,753,405	-	544,125	46,010,358
Professional services and other	3,663,125	348,353	525,686	4,140,012	557,680	831,599	212,557	-	60,595	839,356	11,178,972	2,254,163	49,651	6,147,531	2,181,837	21,812,154
Depreciation & amortization	287,124	225,680	5,067	46,789	64,419	81,148	2,527	257,455	82,148	517,166	1,569,523	183,051	314,473	227,394	146,233	2,440,674
Cost of merchandise sold	-	-	-	12,816	88,670	573,123	163,362	-	4,486	362,490	1,204,747	-	-	-	-	1,204,747
Interest expense	193,281	107,425	-	17,647	44,679	69,889	2,241	53,623	41,457	328,858	859,100	121,991	190,200	133,148	115,832	1,420,271
Net periodic pension income other than service costs	\$ 20,610,231	\$ 31,635,706	\$ 1,338,083	\$ 5,065,552	\$ 2,237,625	\$ 3,246,806	\$ 555,629	\$ 1,319,404	\$ 1,766,550	\$ 5,100,434	\$ 72,876,020	\$ 58,641,147	\$ 47,891,751	\$ 19,110,522	\$ 30,153,537	\$ 228,672,977
	<u>\$ 20,036,744</u>	<u>\$ 31,081,325</u>	<u>\$ 1,281,820</u>	<u>\$ 5,020,189</u>	<u>\$ 2,180,809</u>	<u>\$ 3,191,166</u>	<u>\$ 562,340</u>	<u>\$ 1,278,451</u>	<u>\$ 1,698,464</u>	<u>\$ 5,026,743</u>	<u>\$ 71,349,051</u>	<u>\$ 58,449,368</u>	<u>\$ 47,724,705</u>	<u>\$ 18,517,646</u>	<u>\$ 29,958,004</u>	<u>\$ 225,997,774</u>
2021																
	Legislative Programs	Publications	Public Affairs	Shows & Exhibits	Competitions	Education & Training	Hunter Services	Field Services	Law Enforcement	Recreational Shooting	Total Program Expenses	Member Services and Acquisition	Administrative	Executive Office	Fundraising	Total
Salaries, benefits and taxes	\$ 8,054,850	\$ 7,461,477	\$ 811,188	\$ 937,137	\$ 644,830	\$ 801,798	\$ 53,165	\$ 575,923	\$ 709,471	\$ 1,005,697	\$ 21,055,533	\$ 2,919,098	\$ 2,354,283	\$ 8,669,939	\$ 2,537,094	\$ 37,535,947
Office supplies	878,529	115,202	-	549,779	94,734	21,549	93,869	81,895	14,019	37,823	1,887,429	114,123	38,691	123,721	85,479	2,249,443
Travel & entertainment	274,561	165,869	-	1,060,072	120,592	4,259	1,126	146,966	45,081	13,647	1,832,173	24,523	8,060	177,523	329,876	2,372,155
Fulfillment material	-	-	-	-	92,409	99,215	-	-	10,913	36,493	239,030	5,126,313	-	-	2,387,675	7,753,018
Occupancy	832,670	462,796	-	76,026	192,480	301,089	9,654	66,481	178,602	1,417,953	3,537,751	525,548	818,189	558,130	498,999	5,938,617
Data processing	665,075	416,837	-	127,706	365,181	759,777	-	299,678	207,343	69,592	2,911,189	995,101	68,158	2,290,065	480,680	6,745,233
Printing and publications	-	19,457,627	-	-	-	-	-	-	-	-	19,457,627	-	-	-	-	19,457,627
Member communications	-	-	-	-	-	-	-	-	-	-	-	43,930,471	-	-	11,381,364	55,311,835
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,258,898	6,258,898
Committee & annual mtgs	-	-	-	-	-	-	-	-	-	-	-	-	-	1,979,260	-	1,979,260
Legal, audit and taxes	2,592,083	-	-	-	-	-	-	-	-	-	2,592,083	-	46,773,347	-	729,520	50,094,950
Professional services and other	12,308,152	408,287	547,907	1,936,816	332,802	628,659	94,898	-	72,564	578,674	16,910,762	2,193,353	29,975	4,138,344	2,439,444	25,711,878
Depreciation & amortization	277,675	208,518	7,620	50,474	56,296	91,011	3,627	328,198	78,669	589,851	1,689,939	201,044	135,833	232,488	144,962	2,404,246
Cost of merchandise sold	-	-	-	2,382,339	92,034,000	582,257	-	-	3,202	404,652	3,464,484	-	-	-	-	3,464,484
Interest expense	126,667	70,401	-	11,565	29,280	45,802	1,469	77,597	27,169	215,517	605,467	79,947	124,621	95,623	78,769	984,427
Net periodic pension income other than service costs	\$ 28,010,262	\$ 28,765,014	\$ 1,366,715	\$ 7,133,914	\$ 2,020,638	\$ 3,336,416	\$ 257,838	\$ 1,576,738	\$ 1,347,033	\$ 4,369,899	\$ 76,183,467	\$ 56,109,521	\$ 50,351,157	\$ 18,265,102	\$ 27,352,770	\$ 228,262,017
	<u>\$ 25,614,936</u>	<u>\$ 28,398,810</u>	<u>\$ 1,366,715</u>	<u>\$ 7,087,920</u>	<u>\$ 1,989,990</u>	<u>\$ 3,296,064</u>	<u>\$ 255,229</u>	<u>\$ 1,548,472</u>	<u>\$ 1,312,213</u>	<u>\$ 4,320,540</u>	<u>\$ 75,189,889</u>	<u>\$ 55,966,254</u>	<u>\$ 50,235,610</u>	<u>\$ 17,799,775</u>	<u>\$ 27,228,251</u>	<u>\$ 226,419,779</u>

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

NATIONAL RIFLE ASSOCIATION OF AMERICA
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (35,963,030)	\$ 28,498,209
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,317,326	2,404,246
Amortization of finance lease right-of-use asset	123,348	-
Provision for losses on pledges receivable	50,000	50,000
Provision for losses on accounts receivable	64,061	58,397
Provision for losses on inventory	612,000	419,500
Contributions restricted for long-term investment	(572,707)	(2,224,038)
Net unrealized and realized loss (gain) on investments	15,383,606	(5,462,347)
Net gain on pension obligation	(8,539,379)	(10,810,530)
Net loss on disposal of property and equipment	-	146,461
Changes in assets and liabilities:		
Decrease (increase) in pledges receivable	881,739	(104,292)
Decrease in members' dues receivable, net	2,902,754	5,879,043
Decrease (increase) in accounts receivable, net	3,655,356	(2,096,672)
Decrease (increase) in due from affiliates	6,064,337	(4,265,174)
Decrease (increase) in inventories and supplies, net	1,361,264	(491,403)
Decrease (increase) in prepaid expenses	2,679,537	(4,021,972)
Increase in notes receivable	-	(166,391)
Decrease (increase) in other assets	637,034	(816,354)
Decrease in accounts payable	(3,765,843)	(9,207,608)
Decrease in accrued liabilities	(4,882,131)	(4,470,279)
(Decrease) increase in deferred revenue	(4,666,341)	6,299,478
Total adjustments	<u>14,305,961</u>	<u>(28,879,935)</u>
Net cash used in operating activities	<u>(21,657,069)</u>	<u>(381,726)</u>
Cash flows from investing activities:		
Sales of investments	14,852,129	5,932,958
Purchases of investments	(30,213,290)	(8,497,173)
Payments on note receivable	-	5,210,322
Purchases of property and equipment	(872,644)	(1,942,434)
Net cash (used in) provided by investing activities	<u>(16,233,805)</u>	<u>703,673</u>
Cash flows from financing activities:		
Principal payments on note payable	(483,861)	(225,357)
Principal payments on lines of credit	(103,884,696)	(67,970,400)
Draw downs on lines of credit and proceeds on note payable	123,554,451	59,287,529
Principal payments on life insurance policy	(29,565)	-
Payments on finance lease liability	(123,651)	-
Contributions restricted for long-term investment	572,707	2,224,038
Net cash provided by (used in) financing activities	<u>19,605,385</u>	<u>(6,684,190)</u>
Net decrease in cash and cash equivalents and restricted cash	(18,285,489)	(6,362,243)
Cash and cash equivalents and restricted cash at beginning of year	30,356,553	36,718,796
Cash and cash equivalents and restricted cash at end of year	<u>\$ 12,071,064</u>	<u>\$ 30,356,553</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,402,465	\$ 923,935
Cash paid for taxes	\$ 1,075,106	\$ 1,060,762
Recognition of finance lease right-of-use asset	\$ 1,037,555	\$ -
Recognition of finance lease liability	\$ 1,037,555	\$ -

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

NATIONAL RIFLE ASSOCIATION OF AMERICA NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The National Rifle Association of America (NRA), founded in 1871, is a not-for-profit corporation supported by the membership fees of public-minded citizens and clubs. Its primary purpose is to protect and defend the Constitution of the United States of America, especially the political, civil and inalienable rights of the American people to keep and bear arms as a common law and Constitutional right of the individual citizen.

The NRA's Board of Directors formed the Institute for Legislative Action (ILA) in 1975 as an internal division of the NRA. The purpose of ILA is to prevent the passage of laws and regulations restricting firearms ownership, as well as pursuing changes to existing restrictions imposed by federal, state and local governments. ILA is supported principally by contributions from NRA members.

On November 24, 2020, Sea Girt, LLC was formed to facilitate the NRA's efforts to reorganize in Texas. The reorganization effort was put on hold during 2021. There was no financial activity in Sea Girt, LLC for the years ended December 31, 2022 and 2021.

Basis of Presentation

The NRA publishes financial statements in the NRA's annual report that include the financial statements of certain affiliated entities, which are its primary financial statements for the years ended December 31, 2022 and 2021. These financial statements for the years ended December 31, 2022 and 2021 are not intended to be the general purpose financial statements of the NRA and have been prepared in conformity with accounting principles that would otherwise be considered a departure from accounting principles generally accepted in the United States of America because certain affiliated organizations are not consolidated.

Affiliates of the NRA whose financial activities are not included in these financial statements of the NRA include the following: the NRA Foundation, Inc. (Foundation), the NRA Civil Rights Defense Fund (CRDF), the NRA Political Victory Fund (PVF), the NRA Special Contribution Fund (SCF), the NRA Freedom Action Foundation (FAF), and the NRA Victory Fund (VF).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and other support and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts from the prior year have been reclassified to conform with the current year presentation. These reclassifications had no effect on the previously reported net assets or change in net assets.

Classification of Net Assets

To identify the observance of limitations and restrictions placed on the use of the resources available to the NRA, the accounts of the NRA are maintained in two separate classes of net assets: without donor restrictions, and with donor restrictions, based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent resources that are not restricted by donor-imposed stipulations. They are available for support of the NRA's general operations.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

Net assets with donor restrictions represent contributions and other inflows of assets whose use by the NRA for its programs are limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in that they either expire by passage of time or can be fulfilled and removed by actions of the NRA pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

Highly liquid investments, consisting principally of money market funds, under the control of the NRA's investment managers, are considered investments. However, the NRA considers any other investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The NRA generally invests these excess funds in repurchase agreements for U.S. government securities. The maturity date of these repurchase agreements is the next day of business. Due to the short-term nature of these agreements, the NRA does not take possession of the securities, which are instead held by the NRA's principal bank from which it purchases the securities. The carrying value of the investments approximates fair value because of the short maturity of the agencies. The NRA believes that it is not exposed to any significant risk on its investments in repurchase agreements. Substantially all the cash and cash equivalents were held at two financial institutions in Virginia at December 31, 2022 and 2021.

	2022	2021
Cash and cash equivalents	\$ 10,619,252	\$ 14,483,125
Restricted cash	1,451,812	15,873,428
Total cash and cash equivalents and restricted cash	\$ 12,071,064	\$ 30,356,553

Concentrations of Credit Risk

The NRA maintains cash balances at two financial institutions, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At December 31, 2022 and 2021, the NRA's cash balances held at the financial institutions exceeded the FDIC limit by approximately \$10,776,000 and \$30,100,000, respectively. The NRA has not experienced any losses through the date when the financial statements were available to be issued.

The NRA maintains a cash balance in excess of federally insured limits in an interest bearing account. The NRA's policy is to deposit funds only in financially sound institutions. Nevertheless, these deposits are subject to some degree of credit risk. Investments are maintained in financial institutions.

Concentrations of credit risk with respect to accounts receivable that are not collateralized are limited due to the large number of members comprising the NRA's membership base and their dispersion across many different geographies.

The NRA invests in a professionally managed portfolio that primarily contains money market funds, equity securities, fixed income securities, and alternative investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

Investments

Investments consist primarily of money market funds, equity securities, fixed income securities, and alternative investments. Investments in money market funds, equity securities and fixed income securities are carried at fair value as determined by an independent market valuation service using the closing prices at the end of the period. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. To adjust the carrying value of the investments, the change in fair value is included in other changes in the statements of activities. Interest income and dividends are recorded on the accrual basis.

Alternative investments are valued at fair value based on the applicable net asset value per share as of the measurement date, which is a practical expedient, as determined by the NRA. In determining fair value, the NRA utilizes valuations provided by the fund managers. The underlying investments value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investments, which may include private placements and other securities for which prices are not readily available, are determined by the general partner of the investment and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the NRA's alternative investments generally represents the amount the NRA would expect to receive if it were to liquidate its investment excluding any redemption charges that may apply.

Pledges Receivable

Pledges which are considered unconditional promises to give that are expected to be collected in the future are recorded at net realizable value which is the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. In subsequent periods, the discount rate is unchanged and the valuation adjustment is reassessed and adjusted if necessary.

Members' Dues Receivable

Members' Dues receivable represent those members who elect billing plans upon joining the NRA. These dues receivable are recorded at the fair value of the total amount owed and discounted at current rates in order to determine the present value of the receivable.

Accounts Receivable

Advertising and other accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the NRA's best estimate of the amount of probable credit losses in existing accounts receivable. The NRA determines allowances based on historical write-off experience and specific identification. The allowances for doubtful accounts are reviewed monthly and accounts receivable balances are written off against the allowance when the NRA feels probable the receivable will not be recovered.

NATIONAL RIFLE ASSOCIATION OF AMERICA NOTES TO FINANCIAL STATEMENTS

Inventories and Supplies

Inventories and supplies are stated at the lower of cost or net realizable value, with costs determined using the first-in, first-out method. Provisions are made to reduce the inventories to net realizable value in cases of obsolescence.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Donated assets are recorded at the appraised or estimated fair value at the time of donation. Expenditures for maintenance and repairs, which do not prolong the useful lives of the assets, are expensed. Depreciation is computed on the straight-line method over the assets' estimated useful lives. Buildings and improvements are depreciated over useful lives ranging from 20 to 45 years, other property and equipment is depreciated over two to ten years. The NRA capitalizes complete desktop and laptop computers greater than \$500 and all other fixed assets greater than \$1,500.

Museum Collections

The NRA has capitalized their museum collections, consisting principally of purchased firearms. The items accessioned into the collection are capitalized at cost. The NRA's museum collections are included in other assets in the statements of financial position. Museum collections are not depreciated as appropriate measures are taken to perpetually preserve their cultural and historic value.

Revenue Recognition

The NRA recognized revenue in accordance with *Revenue from Contracts with Customers (ASC 606 or Topic 606)*.

The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Members' Dues

The NRA members' dues have elements of both an exchange transaction and a contribution. The magazine subscription is deemed the portion of the transaction that is an exchange transaction. The defense of the Constitutional right to keep and bear arms for citizens whether members or not, which represents the remainder of the dues, is treated as the contribution portion of the transaction. Members' dues are non-refundable.

The NRA estimates the value of the magazine subscription and recognizes revenue over the term of the membership. The remaining portion of the dues is recognized as a contribution. Contributions that are collected at the time the member joins are recognized immediately. Contributions that are expected to be collected in the future are recorded at net realizable value which is the present value of their estimated future cash flows.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

Member's Dues revenue for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Recognized as a contribution	\$ 77,746,842	\$ 81,976,888
Exchange transaction recognized over time	5,528,108	15,501,647
Total Members' Dues	<u>\$ 83,274,950</u>	<u>\$ 97,478,535</u>

Program Fees

Program fees consist of revenues associated with competition entry fees, school, conference and workshop registration fees, training fees, association and alliance fees, and sponsorships. The NRA hosts various competitions throughout the year which include event location, referees, and support staff which are considered one performance obligation. Entry fees are collected in advance of the event and recorded as deferred revenue on the statement of financial position. The NRA has the primary duty and responsibility to fulfill the obligation of the event and therefore considered principal to the transaction. Program revenue from event-driven revenues are recognized at the point in time when the event takes place. Program revenue from instructor certifications are recognized over the period of certification.

The NRA hosts various schools, conferences and workshops throughout the year which include instructors and materials which are considered one performance obligation. Registration fees are collected in advance of the event and recorded as deferred revenue on the statement of financial position. The NRA has the primary duty and responsibility to fulfill the obligation of the event and therefore considered principal to the transaction. Revenue is recognized at the point in time when the event takes place.

The NRA offers clubs and ranges the opportunity to join an alliance of other clubs and ranges in order to gain access to recruiting, club awards, educational resources, range grants and discounts for various business expenses (such as credit card fees). The NRA sees this opportunity as one performance obligation. The fees collected are for multiple year affiliations and therefore recorded as deferred revenue on the statement of financial position. Revenue is recognized over the time period of the affiliation.

The NRA receives sponsorships for various events throughout the year which generally include various obligations of the NRA to include recognition of the sponsor at the event and on any fliers, event programs or banners and a table, if applicable. Sponsorships are collected in advance of the event and as recorded deferred revenue on the statement of financial position. The NRA has the primary duty to hold the event to fulfill the obligation and therefore is considered a principal to the transaction. Revenue is recognized at the point in time when the event takes place.

Program fees revenue for the years ending December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Recognized at a point in time	\$ 2,373,168	\$ 1,875,465
Recognized over time	2,770,120	2,499,550
Total Program Fees	<u>\$ 5,143,288</u>	<u>\$ 4,375,015</u>

NATIONAL RIFLE ASSOCIATION OF AMERICA NOTES TO FINANCIAL STATEMENTS

Advertising

The NRA sells advertising space in its magazines. The performance obligation of the NRA is to publish the magazine with the agreed upon ad in the proper space which is seen as one performance obligation. Advertising fees are billed at the time of the production of the publication and recorded as a receivable on the statement of financial position and recognized as revenue at the point in time when the receivable is created.

Member and Merchandise Sales

The NRA sells various merchandise at events and through on-line sales. Fees are collected at the time of purchase or at the point in time when an item is shipped. The NRA elects to exclude from the measurement of the transaction price all taxes assessed by a government authority. The NRA has the primary duty and responsibility to fulfill the obligation of providing the merchandise and therefore considered principal to the transaction. Revenue is recognized at the point in time for when the transaction takes place. NRA has elected to treat shipping as a fulfillment cost.

Shows and Exhibits

The NRA hosts various shows and exhibits for which fees are collected for exhibit booth rentals, banquets, and sponsorships related to each show. For exhibit booth space rental, the NRA is obligated to hold the event, provide the amount of space and location agreed upon which are considered one performance obligation. For banquet sales, the NRA generally provides a meal and/or entertainment which are considered one obligation. Sponsorships for these events generally recognition of the sponsor at the event and on any fliers, event programs, or banners and a table, if applicable which are considered one performance obligation. The NRA has the primary duty and responsibility to fulfill the obligation of the event and therefore considered principal to the transaction. The fees are collected in advance of these events and recorded as deferred revenue on the statement of financial position. Revenue is recognized at the point in time when the events take place.

Insurance administration fees

The NRA offers various life, accident and health insurance products through an affinity program with a licensed insurance broker to its members. The insurance broker creates, introduces, markets, offers, delivers, manages, maintains, and administers all aspects of the program. The NRA's responsibilities include granting limited license to use trademarks, providing mail lists and giving authority to solicit members over the course of the agreement which is seen as one performance obligation. The NRA has the primary duty and responsibility to fulfill the obligation and therefore considered principal to the transaction. The NRA receives royalty payments as the performance takes place and recognizes revenue at a point in time.

Other

The NRA has various other income for which fees are collected and the NRA has an obligation for a specific activity. The NRA has the primary duty and responsibility to fulfill the obligation and therefore considered principal to the transaction. Revenue associated with these other payments is recognized at the point in time when the activity takes place.

NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

Contract costs

Contract costs generally include direct costs such as allocated salaries and benefits, materials, event, and shipping costs related to member dues and program fees. Cost are expenses as incurred.

Contract balances

Contract assets include accounts receivable for services or goods provided for which consideration has not yet been received and totaled \$3,006,858, \$3,072,904, and \$2,540,875 as of January 1, 2021, December 31, 2021, and December 31, 2022 respectively. Contract liabilities include deferred revenue associated with prepayments for services or goods which have not yet been provided to customer and totaled \$38,572,213, \$44,871,691, and \$40,205,350 as of January 1, 2021, December 31, 2021, and December 31, 2022 respectively.

Contributions

Unconditional contributions, whether without donor restrictions or with donor restrictions, are recognized as revenue when received and classified in the appropriate net asset category. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell. The NRA had no impairments of long-lived assets during 2022 or 2021.

Outstanding Legacies

The NRA is the beneficiary under various wills and other agreements, the total realizable amounts of which are not presently determinable. The NRA's share of such amounts is not recorded until the NRA has an irrevocable right to the bequest and the proceeds are measurable.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been accounted for on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities. Such allocations are determined by management on an equitable basis. Occupancy and interest expenses are allocated based on square footage. Certain depreciation is directly charged to applicable areas and certain depreciation is allocated based on square footage or number of employees. Data processing and certain executive salaries and benefits are allocated based on time and effort.

NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

Advertising Expenses

The NRA uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed the first time the advertising takes place. During 2022 and 2021, advertising expense was \$9,210,730 and \$6,258,898, respectively.

Adopted accounting pronouncement

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20), which modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU removed several disclosure requirements which were no longer considered cost beneficial. The ASU also added additional disclosure requirements considered to be relevant, including the requirement to disclose explanations for significant gains and losses related to changes in the benefit obligation for the period. The amendments in the ASU are effective for nonpublic entities with fiscal years beginning after December 15, 2021. Early adoption is permitted. NRA elected to early adopt ASU 2018-14 in 2021 which resulted in improved disclosures surrounding significant gains and losses related to the NRA's defined benefit plan obligation.

In 2022, NRA adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. NRA elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, NRA recognized right-of-use assets of \$914,207 and lease liabilities totaling \$913,903 in the statement of financial position as of December 31, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Tax Status

The NRA is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and from state income taxes. The NRA activities that cause imposition of the unrelated business income tax provision of the Code result in no significant tax liability.

The NRA follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the NRA may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the NRA's tax positions and concluded that the NRA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Tax years from 2019 through the current year remain open for examination by tax authorities.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The NRA incurred excess executive compensation excise tax that totaled \$0 and \$4,022 for the years ended December 31, 2022 and 2021, respectively. Excess executive compensation excise tax is for any employee that received compensation of more than \$1 million during the year.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allowed employers the opportunity to defer payment of the employer portion of social security payroll taxes (6.2%) for any payroll paid between March 27, 2020 and December 31, 2020. According to the provisions of the CARES Act, NRA deferred social security payroll taxes totaling \$1.2M as of December 31, 2020 which is payable in equal installments on December 31, 2021 and 2022. Deferred social security payroll taxes totaled \$0.0M and \$0.6M as of December 31, 2022 and 2021, respectively, and is included in accrued liabilities on the accompanying statements of financial position

Subsequent Events

The NRA evaluated subsequent events through March 27, 2023, which is the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

The following represents NRA's financial assets and liquidity resources at December 31, 2022 and 2021:

Financial assets at year-end:	2022	2021
Cash and cash equivalents	\$ 10,619,252	\$ 14,483,125
Pledges receivable, net	-	931,739
Members' dues receivable available within one year, net	4,610,912	5,300,757
Accounts receivable available within one year, net	7,924,744	11,644,161
Due from affiliates	8,988,376	14,768,182
Investments	70,950,051	70,942,931
Total financial assets	<u>103,093,335</u>	<u>118,070,895</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(33,801,139)	(44,658,732)
Investments held as collateral (a)	(26,154,992)	(7,485,237)
	<u>(59,956,131)</u>	<u>(52,143,969)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 43,137,204</u>	<u>\$ 65,926,926</u>

(a) While total investments pledged as collateral total \$44,206,726 for 2022 and \$53,675,976 for 2021, the NRA considers investments above the outstanding line of credit balance as unencumbered for the purposes of liquidity.

The NRA maintains a policy of structuring its financial assets to be available as its general operating expenses come due. In addition, to manage liquidity the NRA maintains a line of credit with a bank that is drawn upon as needed during the year to manage cash flows (Note 10).

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

3. INVESTMENTS

Investments as of December 31, 2022 and 2021 consist of:

	2022	2021
Money market funds	\$ 1,079,460	\$ 807,348
Equity securities	46,596,644	46,662,340
Fixed income securities	16,672,815	15,570,247
Alternative investments	3,644,219	4,975,648
Other	2,956,913	2,927,348
	\$ 70,950,051	\$ 70,942,931

Interest income of \$0 and \$166,391, earned from notes receivable for 2022 and 2021, respectively, is included in dividends and interest.

4. PLEDGES RECEIVABLE

At December 31, 2022 and 2021, donors to the NRA have unconditionally promised to give amounts as follows:

	2022	2021
Within one year	\$ -	\$ 189,187
One to five years	-	205,842
More than five years	-	578,631
	-	973,660
Less: discount	-	(4,802)
	-	968,858
Less: allowance for uncollectible pledges	-	(37,119)
	\$ -	\$ 931,739

Pledges due in more than one year have been recorded at the present value of estimated cash flows, discounted by rates ranging from 0.88% to 2.22% for the year ended December 31, 2021.

5. MEMBERS' DUES RECEIVABLE

Members' dues receivable as of December 31, 2022 and 2021 consist of:

	2022	2021
Members' dues	\$ 8,305,120	\$ 10,840,280
Less: discount	(683,549)	(315,955)
	\$ 7,621,571	\$ 10,524,325

Members' dues due in more than one year have been recorded at the present value of estimated cash flows, discounted by rates ranging from 3.88% to 4.41% and 0.73% to 1.52% for the years ended December 31, 2022 and 2021, respectively.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

6. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2022 and 2021 consist of:

	2022	2021
Contributions	\$ 1,309,467	\$ 4,048,983
Advertising	2,540,875	3,072,904
Other	4,259,993	5,934,255
	8,110,335	13,056,142
Less: allowance for doubtful accounts	(185,591)	(1,411,981)
	\$ 7,924,744	\$ 11,644,161

Following are the changes in the allowance for doubtful accounts during the years ended December 31, 2022 and 2021, respectively:

	2022	2021
Allowance at beginning of year	\$ 1,411,981	\$ 1,865,971
Provision for losses on accounts receivable	64,061	58,397
Write-offs, net of recoveries	(1,290,451)	(512,387)
Allowance at end of year	\$ 185,591	\$ 1,411,981

7. INVENTORIES AND SUPPLIES

Inventories and supplies as of December 31, 2022 and 2021 consist of:

	2022	2021
Sales inventories	\$ 1,732,877	\$ 2,006,655
Supplies:		
Magazine paper	2,610,000	1,276,762
Fulfillment and promotional materials	7,223,838	9,994,257
Other	80,079	97,919
	11,646,794	13,375,593
Less: obsolescence allowance	(1,034,416)	(789,951)
	\$ 10,612,378	\$ 12,585,642

8. NOTES RECEIVABLE

The note receivable from the SCF was collateralized by a first deed of trust on approximately 33,300 acres of land south of Raton, New Mexico. In 1975, NRA transferred title to this land and equipment to the Fund at cost, subject to a first deed of trust collateralizing a note in the amount of \$3,000,000, interest at 4% per annum, payable annually.

The SCF paid off the note payable on November 29, 2021. During the years ended December 31, 2022 and 2021, interest revenue in the amount of \$0 and \$166,391 respectively, was recorded.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

9. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consist of:

	2022	2021
Land	\$ 5,380,792	\$ 5,380,792
Buildings and improvements	57,366,442	57,235,949
Furniture, fixtures and equipment	16,558,392	17,427,080
	79,305,626	80,043,821
Less: accumulated depreciation	(54,235,804)	(53,529,316)
	\$ 25,069,822	\$ 26,514,505

Depreciation expense for the years ended December 31, 2022 and 2021 was \$2,317,326 and \$2,404,246, respectively.

10. NOTES PAYABLE AND CREDIT AGREEMENTS

On March 13, 2019, the NRA entered into a credit agreement with a bank which expires on March 12, 2029. Under the terms of this agreement the NRA paid a fixed rate of 4.85%. On June 5, 2020, the NRA amended this agreement. Under the terms of this amended agreement, the NRA pays a fixed rate of 4.50%. At December 31, 2022 and 2021, \$16,594,109 and \$17,077,970, respectively, was payable under the current credit agreement.

On June 5, 2020, the NRA entered into a \$20,000,000 building line of credit agreement, which was reduced to \$10,000,000 on June 4, 2021 and expired on September 27, 2022. On September 27, 2022, the NRA amended this agreement which now expires on September 27, 2024. Under the terms of this amended agreement, the NRA makes monthly interest payments on the daily outstanding principal at a variable rate based on the one month CME term SOFR rate plus 1.0%. At December 31, 2022 and 2021, \$1,000,000 and \$0 was payable under the agreement at an interest rate of 5.36% and 2.08%, respectively.

The NRA maintains a \$28,000,000 line of credit agreement which expired September 27, 2022. On September 27, 2022, the NRA amended this agreement which now expires on September 27, 2024. Under the terms of this agreement, the NRA makes monthly interest payments on the daily outstanding principal at a variable rate based on the one month CME term SOFR rate plus 1.0%. At December 31, 2022 and 2021, \$26,154,992 and \$7,485,237 was payable at interest rates of 5.36% and 0.80%, respectively.

On the \$28,000,000 line of credit agreement, the NRA has pledged as collateral \$44,206,726 and \$53,675,976 at December 31, 2022 and 2021, in cash and investments held in certain custodial accounts by the bank. For the credit agreement and the building line of credit, the NRA has also pledged as collateral a Deed of Trust on the NRA Headquarters Building.

The NRA is subject to financial covenants associated with the credit agreement and lines of credit agreements. The NRA must maintain minimum cash and investment balances of at least \$60,000,000, measured as of the last day of each fiscal year and tested no later than the date that is one hundred twenty days after the end of such fiscal year. The NRA must maintain deposit accounts and securities accounts with the bank with an average annual balance of at least \$10,000,000. The NRA has met both requirements at December 31, 2022 and 2021.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The annual principal payments related to these obligations at December 31, 2022 are as follows:

2023	\$ 506,405
2024	27,682,921
2025	554,595
2026	580,435
2027	607,478
2028 and thereafter	<u>13,817,267</u>
Total minimum future payments	<u>\$ 43,749,101</u>

Interest expense for the years ended December 31, 2022 and 2021, was \$1,420,271 and \$984,427, respectively.

11. FAIR VALUE MEASUREMENTS

The NRA follows the Codification on *Fair Value Measurement*, which defines fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The NRA'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 investment.

In determining the appropriate levels, the NRA performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The estimated fair values of the NRA's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The carrying value of the NRA's note payable and credit agreement approximates fair value as the interest rate on the credit agreement's underlying instruments fluctuate with market rates.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The tables below present the balances of each class of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

	As of December 31, 2022		
	Total	Level 1	Level 2
Equity securities:			
Communication services	\$ 3,777,556	\$ 3,777,556	\$ -
Consumer discretionary	5,421,871	5,421,871	-
Consumer staples	3,072,224	3,072,224	-
Energy	2,380,608	2,380,608	-
Financial services	7,815,754	7,815,754	-
Healthcare	4,800,595	4,800,595	-
Industrials	5,211,433	5,211,433	-
Information technology	7,778,658	7,778,658	-
Materials	2,857,009	2,857,009	-
Multi-strategy mutual funds	862,342	862,342	-
Real Estate	1,526,946	1,526,946	-
Utilities	1,091,648	1,091,648	-
Total equity securities	<u>46,596,644</u>	<u>46,596,644</u>	<u>-</u>
Fixed income securities:			
Multi-strategy bond funds	<u>16,672,815</u>	<u>16,672,815</u>	<u>-</u>
Money market	<u>1,079,460</u>	<u>1,079,460</u>	<u>-</u>
Investments at fair value	<u>\$ 64,348,919</u>	<u>\$ 64,348,919</u>	<u>\$ -</u>
Other investments	2,956,913		
Alternative investments:			
Multi-strategy fund-of-funds [measured using a net asset value per share (or its equivalent) practical expedient]	<u>3,644,219</u>		
Total investments	<u>\$ 70,950,051</u>		
Other assets – multi-strategy mutual funds:			
Deferred compensation plan	\$ 2,705,872	\$ 2,705,872	\$ -
Supplemental executive retirement plan	517,757	517,757	-
Total other assets	<u>3,223,629</u>	<u>3,223,629</u>	<u>-</u>
Total assets	<u>\$ 74,173,680</u>	<u>\$ 67,572,548</u>	<u>\$ -</u>
Deferred compensation liability	\$ (2,705,872)	\$ -	\$ (2,705,872)
Supplemental executive retirement liability	(517,757)	-	(517,757)
Total liabilities	<u>\$ (3,223,629)</u>	<u>\$ -</u>	<u>\$ (3,223,629)</u>

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

	As of December 31, 2021		
	Total	Level 1	Level 2
Equity securities:			
Communication services	\$ 461,837	\$ 461,837	\$ -
Consumer discretionary	1,201,496	1,201,496	-
Consumer staples	654,970	654,970	-
Energy	156,102	156,102	-
Financial services	1,174,901	1,174,901	-
Healthcare	748,933	748,933	-
Industrials	1,508,370	1,508,370	-
Information technology	1,542,639	1,542,639	-
Materials	356,836	356,836	-
Multi-strategy mutual funds	38,387,747	38,387,747	-
Real Estate	468,509	468,509	-
Total equity securities	46,662,340	46,662,340	-
Fixed income securities:			
Multi-strategy bond funds	15,570,247	15,570,247	-
Money market	807,348	807,348	-
Investments at fair value	\$ 63,039,935	\$ 63,039,935	\$ -
Other investments	2,927,348		
Alternative investments:			
Multi-strategy fund-of-funds [measured using a net asset value per share (or its equivalent) practical expedient]	4,975,648		
Total investments	\$ 70,942,931		
Other assets – multi-strategy mutual funds:			
Deferred compensation plan	\$ 3,138,903	\$ 3,138,903	\$ -
Supplemental executive retirement plan	717,859	717,859	-
Total other assets	3,856,762	3,856,762	-
Total assets	\$ 74,799,693	\$ 66,896,697	\$ -
Deferred compensation liability	\$ (3,138,903)	\$ -	\$ (3,138,903)
Supplemental executive retirement liability	(717,859)	-	(717,859)
Total liabilities	\$ (3,856,762)	\$ -	\$ (3,856,762)

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

Money market funds, equity securities and fixed income securities are classified as Level 1 instruments as they are actively traded on public exchanges.

Deferred compensation plan and supplemental executive retirement plan assets are based upon the fair market value of those assets, which are observable inputs and classified as Level 1. The deferred compensation liability is not publicly traded and is, therefore, considered Level 2.

The table below presents additional information regarding the alternative investments.

	<u>2022 Fair Value</u>	<u>2021 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-strategy fund-of-funds (a)	\$ 3,644,219	\$ 4,447,088	\$ -	semi- annually	105 days
Multi-strategy fund (b)	-	528,560	-	daily	1 day
	<u>\$ 3,644,219</u>	<u>\$ 4,975,648</u>	<u>\$ -</u>		

(a) This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge fund-of-funds' composite portfolio for this class includes investments in private investment companies (investment in global, distressed/credit, domestic healthcare and other) and securities (common stock). The fair value of the investments in this class have been estimated using the net asset value per share of the investments.

(b) This class invests in a managed futures product that pursue multiple strategies to diversify risks and reduce volatility. The multi-strategy fund composite portfolio for this class includes investments in private investment companies (investment in currency, bonds, interest rates, commodities and other) and securities (common stock). The fair value of the investments in this class have been estimated using the net asset value per share of the investment.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

12. NET ASSETS WITH DONOR RESTRICTIONS AND DONOR RESTRICTED ENDOWMENT

Net assets with donor restrictions are available for the following purposes:

	2022	2021
Legislative programs	\$ 22,287,300	\$ 25,127,787
National Firearms Museum	9,713,367	11,895,559
Education and training	6,760,808	7,818,411
Hunter services	5,165,688	6,656,918
Recreational Shooting	2,408,392	2,831,088
Competitions	1,578,579	1,706,967
Law enforcement	977,748	1,091,645
Field services	285,444	332,534
Community outreach	18,253	313,717
Other	5,089,819	5,956,515
Other, passage of time	1,225,773	3,238,652
Total	<u>\$ 55,511,171</u>	<u>\$ 66,969,793</u>

The NRA follows the Codification subtopic *Reporting endowment funds*. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006 and enacted in the Commonwealth of Virginia on July 1, 2008 and by the State of New York on September 17, 2010. The Management of the NRA has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the NRA classifies as net assets with donor restrictions (a) the original value of cash gifts donated to permanent donor restricted endowment and (b) the discounted value of future gifts promised to permanent donor restricted endowment, net of allowance for uncollectible pledges. The remaining portion of donor restricted endowment funds not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the NRA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the NRA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the NRA and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the NRA
- The investment policies of the NRA

The NRA has adopted investment and spending policies for donor-restricted endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The investment policy of the NRA is to achieve, at a minimum, a real (inflation adjusted) total net return that exceeds spending policy requirements. Investments are diversified both by asset class and within asset classes. The purpose of diversification is to minimize unsystematic risk and to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio. The amount appropriated for expenditure ranges from 1% to 5% of the endowment fund's fair value as of the end of the preceding year, as long as the value of the endowment does not drop below the original contribution(s). All earnings of the endowment are reflected as net assets with donor restrictions until appropriated for expenditure in the form of program spending.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The NRA's endowment is composed of donor restricted funds and board designated quasi endowed funds. The changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,742,553	\$ 64,812,610	\$ 67,555,163
Interest and dividends, net	360,646	1,414,746	1,775,392
Net depreciation	-	(9,852,736)	(9,852,736)
Contributions	-	572,707	572,707
Amount appropriated for expenditure	-	(2,268,314)	(2,268,314)
Other Changes	-	(696,982)	(696,982)
Endowment net assets, end of year	<u>\$ 3,103,199</u>	<u>\$ 53,982,031</u>	<u>\$ 57,085,230</u>
Donor-restricted endowments	\$ -	\$ 53,982,031	\$ 53,982,031
Board designated endowment	3,103,199	-	3,103,199
Total endowments	<u>\$ 3,103,199</u>	<u>\$ 53,982,031</u>	<u>\$ 57,085,230</u>

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,511,107	\$ 59,366,910	\$ 61,878,017
Interest and dividends, net	231,446	2,041,517	2,272,963
Net appreciation	-	3,839,395	3,839,395
Contributions	-	2,224,038	2,224,038
Amount appropriated for expenditure	-	(2,719,250)	(2,719,250)
Other Changes	-	60,000	60,000
Endowment net assets, end of year	<u>\$ 2,742,553</u>	<u>\$ 64,812,610</u>	<u>\$ 67,555,163</u>
Donor-restricted endowments	\$ -	\$ 64,812,610	\$ 64,812,610
Board designated endowment	2,742,553	-	2,742,553
Total endowments	<u>\$ 2,742,553</u>	<u>\$ 64,812,610</u>	<u>\$ 67,555,163</u>

The related assets are included in due from affiliates, investments and pledges receivable.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the NRA to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature that are reported in net assets with donor restrictions. There were no such deficiencies at December 2022 and 2021.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

13. RETIREMENT PLANS

Certain NRA employees participate in a non-contributory, defined benefit retirement plan (the Plan). Benefits under the Plan are generally based on years of service and final average pay. The NRA's policy is to fund pension costs as accrued. Effective January 1, 2008, the NRA amended the Plan so that employees hired on or after January 1, 2008, will not be eligible to participate in the Plan. Effective December 31, 2018, the NRA froze the Plan and employees no longer earn additional benefits under the Plan.

The primary investment objectives of the Plan are to provide a long-term, risk-controlled approach using diversified investment options. The NRA may consider all asset classes allowed by the Employee Retirement Income Security Act of 1974 and other applicable law as acceptable investment options.

The net periodic pension costs for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
Interest cost on projected benefit obligation	\$ 4,870,953	\$ 4,582,336
Return on plan assets	(9,211,274)	(9,295,564)
Recognized net actuarial loss	1,665,118	2,870,990
Net periodic benefit income	(2,675,203)	(1,842,238)
Other changes	(8,539,379)	(10,810,530)
Total recognized in statements of activities	\$ (11,214,582)	\$ (12,652,768)

The following table sets forth the changes in the defined benefit pension plan's funded status and the amount of accrued pension costs for the plan years ended December 31, 2022 and 2021 (utilizing a measurement date of December 31):

	2022	2021
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 169,537,815	\$ 175,601,778
Interest cost	4,870,953	4,582,336
Actuarial gain	(42,397,256)	(4,150,251)
Benefits paid	(6,976,618)	(6,496,048)
Projected benefit obligation at end of year	\$ 125,034,894	\$ 169,537,815

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

	2022	2021
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 134,741,669	\$ 126,257,264
Actual return on plan assets	(26,311,721)	13,084,853
Employer contributions	-	1,895,600
Benefits paid	(6,976,618)	(6,496,048)
Fair value of plan assets at end of year	\$ 101,453,330	\$ 134,741,669
Accrued pension costs reflected in the statements of financial position in accrued liabilities	\$ (23,581,564)	\$ (34,796,146)
Amounts recognized in net assets without donor restrictions:		
Total net loss	\$ 17,182,568	\$ 25,721,947
Prior service cost	-	-
Total	\$ 17,182,568	\$ 25,721,947

The significant gain related to changes in the benefit obligation for the period ending December 31, 2022 was due to the increase in the discount rate. The significant gain related to changes in the benefit obligation for the period ending December 31, 2021 was due to the increase in the discount rate and return on plan assets.

The total net loss and prior service cost for the defined pension plan that will be amortized from net assets into the net periodic benefit cost over the next year are \$772,125 and \$1,357,301, respectively.

In accordance with ASU 2017-07, the NRA reports the service cost component separately from the other components of net periodic cost (benefit). The service cost component is reported in the same line of the statement of activities as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net periodic cost (benefit) are reported as non-operating activities.

The following weighted-average assumptions were used in calculating the above benefit obligations, net periodic benefit cost and fair value of plan assets at December 31, 2022 and 2021:

	2022	2021
Discount rate used to determine benefit obligation	5.50%	2.90%
Discount rate used to determine net periodic benefit cost	2.90%	2.65%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.50%	8.00%

The basis used to determine the overall expected long-term rate of return on assets utilizing the target asset allocations established within the plan is based on historical returns.

The asset allocation strategy is based on several factors including:

- The relationship between the current and projected assets of the Plan and the projected actuarial liability stream;
- The historical performance of capital markets adjusted for the perception of future short- and long-term capital market performance;
- The perception of future economic conditions, including inflation and interest rate assumptions.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The asset allocation strategy shall identify target allocations to eligible asset classes and, where appropriate, suitable ranges within which each asset class can fluctuate as a percent of the total fund. Each asset class is to remain suitably invested at all times in either cash (or cash equivalents) or permitted securities within each asset class. The asset classes may be rebalanced from time to time to take advantage of tactical misvaluations across major asset classes or investment styles, or to align the current asset mix with strategic targets.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2022 and 2021.

Multi-strategy equity and fixed income mutual funds and Pooled separate accounts (PSA): Primarily valued at the net asset value (NAV) per share based on quoted market prices of the underlying investments as reported by the investment advisor using the audited financial statements of the underlying investments. The individual annuities invest in separate accounts, which track the performance of the specific underlying mutual funds. A valuation agent is selected for each mutual fund and PSA. The valuation agent calculates the net assets of the account on each open market day.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan 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 results in a different fair value measurement at the reporting date.

Investments measured at net asset value (or equivalent) as a practical expedient have not been classified in the fair value hierarchy. The amounts of investments are included below.

At December 31, 2022 and 2021, the fair value and the asset allocation of the NRA's pension plan assets was as follows:

	2022		2021	
Asset category:				
Multi-strategy equity Mutual funds/PSAs	\$ 61,242,293	60.4%	\$ 81,514,231	60.5%
Multi-strategy fixed income Mutual funds/ PSAs	39,774,799	39.2	52,625,714	39.1
Cash	436,238	0.4	601,724	0.4
	<u>\$101,453,330</u>	<u>100.0%</u>	<u>\$134,741,669</u>	<u>100.0%</u>

The NRA contributes to the plan based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan members. NRA annually funds the minimum required contribution.

The American Rescue Plan Act of 2021 ("ARPA") was signed into law on March 11th, 2021. This law provides both interest rate relief and amortization relief in the determination of the minimum required contribution. Plan sponsors have the option of reflecting the interest rate relief in years 2020, 2021 or 2022, and the amortization relief in years 2019, 2020, 2021, or 2022. The NRA has chosen to reflect the interest rate relief in 2020 and the amortization relief in 2019. As such, the NRA restated both 2019, and 2020 valuation results. The NRA will have the option of generating a credit balance of roughly \$3.9M that can be used to offset minimum required contributions in future years. The 2021 minimum required contributions declined from \$4,314,687 to \$1,718,186 due to ARPA. NRA used \$761,875 in credit balance (established by 2019/2020 excess contributions under ARPA) towards the \$1.7M contribution requirement; the rest was paid with cash. For 2022, NRA had over \$3M in credit balance remaining. The 2022 minimum required contributions declined from \$1,718,186 to \$989,608 due to ARPA. NRA satisfied this contribution requirement in full with the credit balance. For 2023, the estimated

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

contribution requirement is expected to be approximately \$2.5M, for which the NRA can use the credit balance towards \$1.9M of the contribution requirement; the remainder to be paid in cash.

The following plan year benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next 10 fiscal years:

2023	\$	8,117,544
2024	\$	8,221,136
2025	\$	8,334,711
2026	\$	8,403,077
2027	\$	8,562,302
2028 – 2032 (total)	\$	43,445,712

In addition, in 1997, the NRA established a 401(k) plan for employees. The plan, available to all employees after 90 days of service, permits participants to contribute a portion of their salary on a pre-tax basis. The NRA matched participant contributions based on plan provisions. Effective May 22, 2020, the NRA no longer matched participant contributions. As of January 1, 2022, NRA reinstated the 401k employer match at 100% for the first 3% of employee contributions and then 50% for the next 2% of employee contributions. Participants are 100% vested in employer contributions after three years of service. The vested balance is available to participants at termination, retirement, death, disability, hardships or through eligible loans. Employer contributions to the 401(k) plan totaled \$1,185,450 and \$0 for the years ended December 31, 2022 and 2021, respectively.

The NRA also maintains a deferred compensation agreement (the Agreement) for certain officers and employees. The Agreement is offered at the sole discretion of its Board of Directors, which may amend or terminate the Agreement at any time. The Agreement is funded through whole life insurance policies on the plan beneficiaries. The NRA is the policy owner and beneficiary.

Currently, several past employees are enrolled in the Agreement. Management believes that no unfunded liability exists under the Agreement. At December 31, 2022 and 2021, the NRA had assets relating to the cash surrender values of the whole life insurance policies of \$2,956,913 and \$2,927,348, respectively and is included in investments on the accompanying statements of financial position. There were no loans outstanding against the whole life insurance policies at December 31, 2022 and 2021. Deferred compensation net benefit for the years ended December 31, 2022 and 2021 was \$29,565 and \$36,742 respectively.

The NRA has established a 457(b) deferred compensation plan for the benefit of certain employees. This plan is employee funded, and therefore, the NRA did not contribute to this plan during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the NRA held assets, and had related obligations, relating to this plan of \$2,705,872 and \$3,138,903.

The NRA has also established a 457(f) supplemental executive retirement plan for the benefit of certain executives. At December 31, 2022 and 2021, the NRA held assets, and had related obligations, relating to the plan of \$517,757 and \$717,859, respectively. The NRA incurred deferred compensation expense of \$73,320 and \$0 for the years ended December 31, 2022 and 2021.

For both plans, the assets are included in other assets and the liabilities are included in accrued liabilities on the statements of financial position.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

14. RENTAL OPERATIONS AS LESSOR

The NRA leases a portion of its headquarters building and adjacent property to tenants under various operating leases. These leases include renewal options and escalation clauses and require that the tenants pay for their prorated share of the building operating expenses. Rental income is recognized on a straight-line basis over the term of the lease.

The following is a schedule of minimum future rentals on non-cancellable operating leases as of December 31, 2022:

2023	\$ 898,859
2024	558,830
2025	471,353
2026	465,326
2027	533,401
2028 & Thereafter	<u>1,385,013</u>
Total minimum future rentals	<u>\$ 4,312,782</u>

Total rental income for the years ended December 31, 2022 and 2021 was \$1,147,845 and \$1,326,239, respectively.

15. COMMITMENTS AND CONTINGENCIES

Finance Leases

The NRA leases vehicles and copiers under leases classified as finance leases. The leased vehicle and copiers are depreciated on a straight line basis over 2 to 4 years. Finance lease assets and accumulated amortization are included in finance lease right-of-use-asset, net on the statement of financial position.

	<u>2022</u>
Right of Use assets	\$ 1,037,555
Accumulated amortization	(123,348)
Net book value	<u>\$ 914,207</u>

The future minimum payments related to these finance leases as of December 31, 2022 are as follows:

	<u>2022</u>
2023	\$ 261,327
2024	155,955
2025	155,955
2026	431,999
Total minimum lease payments	<u>\$ 1,005,236</u>
Less amount representing interest	(91,333)
Present value of minimum lease payments	<u>\$ 913,903</u>

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The present values of the minimum lease payments have been discounted using rates ranging from 0.78% to 4.36%. The finance lease liability is included in finance lease liabilities on the statement of financial position.

Total accumulated depreciation related to the leased equipment for years ended December 31, 2022 and 2021 was \$123,348 and \$0, respectively.

Amortization expense for the years ended December 31, 2022 and 2021 was \$123,348 and \$0, respectively.

Litigation and claims

The NRA and some of its affiliates are involved in several lawsuits. These lawsuits include, but are not limited to, *People of the State of New York, by Letitia James, Attorney General of the State of New York v. NRA et al.*, No. 451625/2020 (N.Y. Supreme Court, New York County, Commercial Division), *District of Columbia v. NRA Foundation, Inc. et al.*, No. 2020 CA 003454 B (D.C. Super. Ct.), and *Dell'Aquila et al. v. NRA et al.*, No. 3:19-cv-00679 (M.D. Tenn.). The NRA is vigorously defending against these lawsuits. The outcomes of legal proceedings and regulatory matters are often difficult to predict. A determination that the NRA's or Affiliates' operations or activities are not, or were not, in compliance with applicable laws or regulations could result in monetary damages or injunctive relief. When making determinations about recording liabilities or disclosures related to legal proceedings, the NRA complies with the requirements of ASC 450, Contingencies, and related guidance, and therefore, the NRA discloses significant legal proceedings even where liability is not probable or the amount of the liability is not estimable, or both.

The three aforementioned lawsuits are summarized below:

People of the State of New York, by Letitia James, Attorney General of the State of New York v. NRA et al., No. 451625/2020 (N.Y. Supreme Court, New York County, Commercial Division)

On August 6, 2020, the Attorney General of the State of New York instituted an action against the NRA and four individuals, which consisted of eighteen causes of action, including six causes of action against the NRA. In March 2022, the Court dismissed three of the NYAG's six causes of action against the NRA, including the two claims in which the NYAG sought the NRA's judicial dissolution. On May 2, 2022, the NYAG asserted a new claim against the NRA pursuant to which she seeks the appointment of an independent compliance monitor and other injunctive relief she asserts is necessary to ensure proper administration of assets the NRA holds and administers for charitable purposes.

The claims against the NRA are for alleged (i) failure to properly administer assets held and administered for charitable purposes; (ii) improper related party transactions; (iii) violations of whistleblower statutes and policy; and (iv) false regulatory filings.

The NRA's co-defendants are the NRA's Executive Vice President and CEO Wayne LaPierre, the NRA's Secretary and General Counsel John C. Frazer, the NRA's former Treasurer and CFO Wilson Phillips, and the NRA's former Chief of Staff, Executive Director of General Operations, and Senior Strategist Joshua Powell. The NYAG claims that these individuals have, among other things, violated their duties, including under N.Y. N-PCL 717, to the NRA.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

The NYAG seeks, among other things, (i) appointment of an independent compliance monitor and an independent governance expert; (ii) an injunction against solicitation; and (iii) an order enjoining individual defendants from serving as officers, directors, or trustees of any not-for-profit or charitable organization incorporated or authorized to conduct business or solicit charitable donations in the State of New York.

The NYAG filed a Note of Issue on December 20, 2022. The NYAG represented that, with the exception of certain discovery, the case is ready for trial. The NYAG requested a trial by jury on certain issues. The NRA demanded a trial by jury on all factual issues related to any claim or defense. No trial date has been set.

At this stage, it is not possible to evaluate the likelihood of any particular outcome or estimate the amount or range of any potential recovery or loss with any reasonable degree of certainty.

District of Columbia v. NRA; and NRA Foundation, Inc., No. 2020 CA 003454 B (D.C. Super. Ct.)

On August 6, 2020, the District of Columbia Attorney General (the “DCAG”) filed an action against the NRA and the NRA Foundation alleging that the NRA improperly diverted funds from the NRA Foundation and that the NRA Foundation failed to act independently from the NRA. The DCAG also alleged that the NRA Foundation failed to implement appropriate controls and protocols in relation to the funds.

At the outset, the DCAG asserted two faulty causes of action against the NRA for a “constructive trust”—a device that exists only as a remedy, but not a cause of action. As a result, the two original causes of action against the NRA were dismissed on that basis in December 2020.

On July 16, 2021, however, the DCAG amended his complaint to name the NRA as a defendant in the claims previously asserted against the NRA Foundation. The two statutory claims are for alleged: (i) exceeding or abusing the authority conferred by law in violation of the District’s Nonprofit Corporation Act, D.C. Code § 29-412.20(a)(1)(B); and (ii) continuing to act contrary to nonprofit purposes in violation of the District’s Nonprofit Corporation Act, D.C. Code § 29-412.20(a)(1)(C). The complaint also asserts a common law claim for alleged violation of nonprofit purposes.

The DCAG continues to seek a constructive trust over funds in the NRA’s possession that the DCAG alleges belong to the NRA Foundation. The relief the DCAG seeks against the NRA Foundation includes: (i) modifying the NRA Foundation’s governance policies to ensure independence from the NRA; (ii) appointing a court-supervised independent receiver to oversee the modification of the NRA Foundation’s governance policies and monitor all the NRA Foundation’s financial decisions and transactions; and (iii) requiring the NRA Foundation’s Board of Trustees and officers to undergo charitable nonprofit corporate governance training.

Fact discovery was completed in May 2022. Expert discovery was completed in October 2022. Discovery was reopened for a limited purpose (pertaining to the NRA Foundation’s records related to grants to the NRA) until April 30, 2023. A mediation, which is mandatory under the applicable rules, is scheduled for September 13, 2023. A two-week bench trial is scheduled for January 16, 2024. At this stage, it is not possible to evaluate the likelihood of any particular outcome or estimate the amount or range of any potential loss with any reasonable degree of certainty.

**NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

Dell'Aquila et al. v. NRA et al., No. 3:19-cv-00679 (M.D. Tenn.)

On August 6, 2019, NRA donor David Dell'Aquila filed a putative class action against the NRA on behalf of all United States donors to the NRA. The complaint alleged fraud and violations of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. 1961 et seq., ("RICO") based on alleged misuse of NRA funds. After two amendments of the original complaint, as well as the addition of three named plaintiffs, on February 19, 2020, the NRA moved to dismiss the lawsuit in its entirety pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure for lack of jurisdiction, Rule 12(b)(6) for failure to state a claim upon which relief can be granted, and Rule 9(b) for failure to comply with the heightened pleading requirement applicable to fraud claims. On September 30, 2020, the court granted in part and denied in part the NRA's motion. Specifically, the court sustained the fraud claim but dismissed the RICO claim. At the same time, the court also dismissed all claims asserted by the putative plaintiffs against the NRA's Executive Vice President and CEO Wayne LaPierre and the NRA Foundation.

The parties are currently engaged in discovery. The deadline for Plaintiffs' class certification is March 27, 2023. At this stage, it is not possible to evaluate the likelihood of any particular outcome or estimate the amount or range of any potential recovery or loss with any reasonable degree of certainty.

During 2021 and 2022, the NRA was involved in ongoing litigation with its former advertising agency, Ackerman McQueen, Inc. The matter was settled in March 2022 and is included in legal settlement costs on the statement of activities.

16. RELATED PARTIES

The NRA and the NRA Foundation are financially interrelated entities as the NRA is able to influence the Foundation's operating and financial decisions as well as the NRA having ongoing economic interest in the net assets of the Foundation. The NRA is affiliated with CRDF, SCF and the FAF by virtue of the control vested with the NRA's Board of Directors to appoint the Board of Trustees of each affiliate. The PVF is a separately unincorporated political action committee of the NRA whose five officers are NRA employees. The VF is a separately incorporated super political action committee of the NRA whose three officers are NRA employees. The NRA provides certain benefits to the affiliates at no cost, among which are the use of office space and other administrative and support services. Management has determined that the fair value of these benefits is minimal, and accordingly, no amounts are reflected in these financial statements.

The Foundation reimburses the NRA for certain expenses, such as salaries, benefits, and general operating expenses, paid by the NRA on the Foundation's behalf. These expenses totaled \$9,694,495 and \$8,621,074 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, \$29,877,390 and \$36,411,266 respectively, was owed to the NRA and included in due from affiliates for reimbursements and the NRA's beneficial interest in the net assets of the Foundation. The net (loss) gain on the NRA's beneficial interest in the net assets of the Foundation totaled (\$5,929,313) and \$3,391,869 for the years ended December 31, 2022 and 2021, respectively. In addition, certain qualified NRA programs were funded by Foundation grants totaling \$6,367,910 and \$4,883,739 for the years ended December 31, 2022 and 2021, respectively.

NATIONAL RIFLE ASSOCIATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

The CRDF reimburses the NRA for general operating expenses paid by the NRA on the CRDF's behalf. These expenses totaled \$16,723 and \$3,306 for years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, \$4,089 and \$371, respectively, was owed to the NRA for general operating expenses and included in due from affiliates. The CRDF reimburses the NRA for qualified legal costs totaling \$176,628 and \$407,072 for the years ended December 31, 2022 and 2021, respectively. The CRDF owes NRA \$176,628 and \$49,785 for promised grant funding for the years ended December 31, 2022 and 2021, respectively.

All permanent employees of the SCF are maintained as employees of the NRA and the SCF reimburses the NRA for the total employee costs including benefits. The SCF reimburses the NRA for certain other expenses paid by the NRA on the SCF's behalf. These expenses totaled \$1,851,421 and \$1,585,483 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, \$175,301 and \$184,322, respectively, was owed to the NRA for salaries, insurance and benefits net of certain other expenses owed by the NRA to the SCF and included in due from affiliates. See also Note 6.

The FAF reimburses the NRA for qualified legal costs totaling \$465,000 and \$218,097 for the years ended December 31, 2022 and 2021, respectively. The FAF owes NRA \$465,000 and \$100,000 for promised grant funding as of December 31, 2022 and 2021, respectively.

The NRA paid administrative and fundraising expenses of \$2,743,324 and \$2,729,360 for the years ended December 31, 2022 and 2021, respectively, on behalf of the PVF. The PVF reimburses the NRA for salary expenses that totaled \$177,173 and \$88,586 for the years ended December 31, 2022 and 2021, respectively.

The NRA paid administrative and fundraising expenses of \$97,386 and \$128,062 for the years ended December 31, 2022 and 2021, respectively, on behalf of the VF. In addition, the NRA made grants of \$0 and \$5,000,000 to the VF for the years ended December 31, 2022 and 2021, respectively. The VF owes NRA \$0 and \$17,000 for audit fees for the years ended December 31, 2022 and 2021, respectively.

While members of the NRA Board of Directors serve as uncompensated volunteers, some directors receive compensation from the NRA, either directly or through business organizations, for other professional services provided to the NRA. Other directors receive membership recruitment commissions (personally or through other entities) on the same terms as available to any other recruiter and in amounts that are not material for the purposes of these statements.

To ensure that individuals are adequately represented in connection with investigations or litigation arising from their service to the NRA, the NRA from time to time advances or reimburses legal expenses to certain officers, directors, or employees.

17. BANKRUPTCY FILING

In January 2021, the NRA and a wholly owned subsidiary, Sea Girt LLC, filed for bankruptcy protection in the U.S. District Court for the Northern District of Texas. The case was dismissed without prejudice in May 2021 and the NRA is no longer under the supervision of the bankruptcy court. In anticipation of the litigation, the NRA deposited fees in a trust account with Brewer, Attorneys and Counselors; some of those funds were used to pay fees during the bankruptcy litigation, and the unspent balance was returned after the dismissal.