NATIONAL RIFLE ASSOCIATION OF AMERICA

2019 ANNUAL REPORT

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2019 and 2018

Independent Auditor's Report

To Board of Directors
THE NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES
Fairfax, Virginia

We have audited the accompanying consolidated financial statements of **The National Rifle Association of America and Affiliates** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2019, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements

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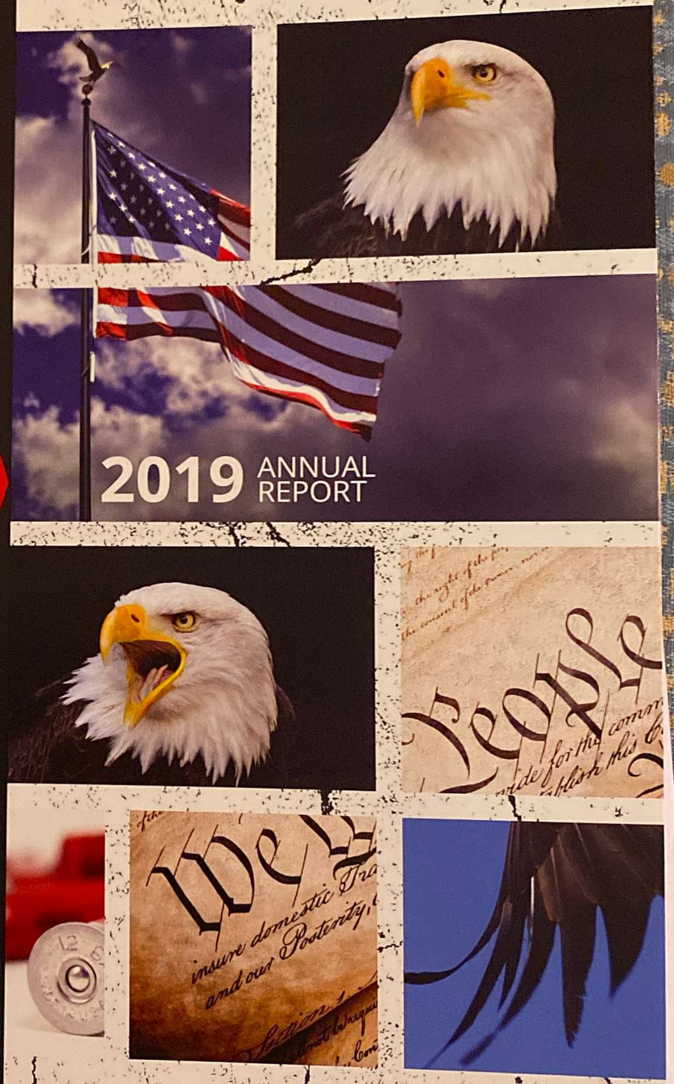
NATIONAL RIFLE ASSOCIATION OF AMERICA

2019 ANNUAL REPORT



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in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The National Rifle Association of America and Affiliates** as of December 31, 2019, and the changes in their net assets and their 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 1 and Note 12 to the consolidated financial statements, in 2019, **The National Rifle Association of America and Affiliates** adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Our opinion is not modified with respect to these matters.

Prior Period Financial Statements

The consolidated financial statements of **The National Rifle Association of America and Affiliates** as of December 31, 2018, were audited by other auditors whose report dated March 13, 2019, expressed an unmodified opinion on those statements.

Aronson LLC

Rockville, Maryland
March 11, 2020

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2019 and 2018

	2019		2018	
Assets				
Cash and cash equivalents	$	36,156,044	$	29,809,067
Restricted cash		11,973,876		10,670,701
Investments		152,251,239		133,122,242
Pledges receivable, net		2,449,015		3,710,415
Members' dues receivable, net		25,408,701		35,837,410
Accounts receivable, net		10,127,204		12,988,109
Inventories and supplies, net		21,672,905		20,638,194
Prepaid expenses		2,909,814		3,185,223
Property and equipment, net		40,649,525		43,569,423
Other assets		38,419,338		33,320,696
Total assets	**$**	**342,017,661**	**$**	**326,851,480**
Liabilities and Net Assets				
Accounts payable	$	30,496,711	$	33,547,537
Accrued liabilities		56,321,109		55,593,160
Notes payable and lines of credit		52,320,718		43,138,412
Annuities payable		2,975,980		3,117,505
Deferred revenue		47,351,449		46,721,701
Total liabilities		**189,465,967**		**182,118,315**
Net assets (deficit):				
Without donor restrictions				
Net assets without donor restrictions		10,146,589		10,951,244
Cumulative pension liability		(26,535,199)		(19,611,103)
Total net deficit without donor restrictions		(16,388,610)		(8,659,859)
With donor restrictions		168,940,304		153,393,024
Total net assets		**152,551,694**		**144,733,165**
Total liabilities and net assets	**$**	**342,017,661**	**$**	**326,851,480**

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

FINANCIAL STATEMENTS

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

for the year ended December 31, 2019

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenue and other support			
Members' dues	$ 112,969,564	$ —	$ 112,969,564
Contributions	110,589,501	38,760,740	149,350,241
Program fees	54,880,593	—	54,880,593
Investment gains, net	9,974,307	14,013,421	23,987,728
Royalties and other	17,523,741	—	17,523,741
Unrealized gain on derivative instrument	122,132	—	122,132
Assets released from restrictions	37,226,881	(37,226,881)	—
Total revenue and other support	**343,286,719**	**15,547,280**	**358,833,999**
Expenses			
Legislative programs	37,086,722	—	37,086,722
Public affairs	18,157,338	—	18,157,338
Publications	33,987,454	—	33,987,454
Safety, education & training	28,439,529	—	28,439,529
Grant programs	21,924,834	—	21,924,834
Shows and exhibits	15,147,490	—	15,147,490
Member services and acquisition	62,094,073	—	62,094,073
Administrative	68,319,281	—	68,319,281
Fundraising	60,767,326	—	60,767,326
Net periodic pension cost other than service costs	684,565	—	684,565
Other net pension plan loss	6,446,928	—	6,446,928
Total expenses	**353,055,540**	—	**353,055,540**
Change in net assets	(9,768,821)	15,547,280	5,778,459
Net assets (deficit), beginning of year	(8,659,859)	153,393,024	144,733,165
Cumulative adjustments due to adoption of ASC 606 (Note 1)	2,040,070	—	2,040,070
Net assets (deficit), end of year	**$ (16,388,610)**	**$ 168,940,304**	**$ 152,551,694**

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

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended December 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Members' dues	$ 170,391,374	$ —	$ 170,391,374
Contributions	110,351,452	49,711,190	160,062,642
Program fees	59,461,155	—	59,461,155
Investment losses, net	(4,109,602)	(4,785,555)	(8,895,157)
Royalties and other	21,180,312	(652,351)	20,527,961
Unrealized gain on derivative instrument	745,782	—	745,782
Other net pension plan gain	13,645,761	—	13,645,761
Assets released from restrictions	39,878,657	(39,878,657)	—
Total revenue and other support	**411,544,891**	**4,394,627**	**415,939,518**
Expenses			
Legislative programs	56,716,769	—	56,716,769
Public affairs	38,413,743	—	38,413,743
Publications	36,183,864	—	36,183,864
Safety, education & training	32,698,093	—	32,698,093
Grant programs	20,974,741	—	20,974,741
Shows and exhibits	17,702,426	—	17,702,426
Member services and acquisition	77,733,947	—	77,733,947
Administrative	68,239,050	—	68,239,050
Fundraising	67,284,140	—	67,284,140
Net periodic pension cost other than service costs	2,074,739	—	2,074,739
Pension plan curtailment loss	8,718,656	—	8,718,656
Total expenses	**426,740,168**	—	**426,740,168**
Change in net assets	(15,195,277)	4,394,627	(10,800,650)
Net assets, beginning of year	6,535,418	148,998,397	155,533,815
Net assets (deficit), end of year	**$ (8,659,859)**	**$ 153,393,024**	**$ 144,733,165**

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

FINANCIAL STATEMENTS

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2019

2019	Legislative Programs	Public Affairs	Publications	Safety, Edu & Training	Grant Programs
Salaries, benefits and taxes	$ 13,410,371	$ —	$ 8,058,579	$ 10,900,136	$ [illegible]674,611
Office supplies	1,089,351	—	143,876	1,629,839	[illegible]743
Travel & entertainment	1,577,979	—	563,793	2,532,918	(6,850)
Fulfillment material	—	—	—	469,628	—
Occupancy	720,570	—	400,491	2,091,293	34,200
Data processing	725,663	—	421,055	2,372,958	—
Printing and publications	—	854	23,378,940	—	4,854
Member communications	—	—	—	—	—
Advertising	—	—	—	—	—
Committee & annual mtgs	—	—	—	—	—
Legal, audit and taxes	10,033,895	—	—	168,087	10,000
Professional services and other	8,965,040	17,923,594	652,021	4,993,426	18,466,053
Depreciation & amortization	337,397	232,890	242,836	1,793,752	16,223
Cost of merchandise sold	—	—	—	1,244,443	—
Interest expense	226,456	—	125,863	243,049	—
Friends of NRA direct benefits expense	—	—	—	—	—
	$ 37,086,722	$ 18,157,338	$ 33,987,454	$ 28,439,529	$ 21,9[illegible]34
Net periodic pension cost other than service costs	166,384	—	99,983	118,162	—
	$ 37,253,106	$ 18,157,338	$ 34,087,437	$ 28,557,69[illegible]	$ 21,[illegible]334

	Shows and Exhibits	Member Svc & Acq.	Administrative	Fundraising	Total
Salaries, benefits and taxes	$ 1,987,651	$ 4,084,706	$ 15,477,138	$ 11,397,786	$ 67,990,978
Office supplies	1,625,092	153,469	389,744	1,428,401	7,185,515
Travel & entertainment	452,252	176,190	763,784	1,179,758	7,239,824
Fulfillment material	—	5,862,012	—	1,943,369	8,275,009
Occupancy	65,791	454,794	1,293,600	2,495,137	7,555,876
Data processing	332,300	566,613	2,173,438	508,395	7,100,422
Printing and publications	—	—	72,224	332,044	23,788,916
Member communications	—	46,499,612	—	31,425,680	77,925,292
Advertising	—	—	—	7,960,903	7,960,903
Committee & annual mtgs	—	—	2,579,533	—	2,579,533
Legal, audit and taxes	—	—	33,492,645	2,148,603	45,853,230
Professional services and other	7,999,691	3,522,833	10,631,022	5,014,132	78,167,812
Depreciation & amortization	61,104	630,914	1,059,447	394,452	4,769,015
Cost of merchandise sold	2,602,933	—	—	35,090,543	38,937,919
Interest expense	20,676	142,930	386,706	148,066	1,293,746
Friends of NRA direct benefits expense	—	—	—	(40,699,943)	(40,699,943)
	$ 15,147,490	$ 62,094,073	$ 68,319,281	$ 60,767,326	$ 345,924,047
Net periodic pension cost other than service costs	24,661	50,679	174,352	50,344	684,565
	$ 15,172,151	$ 62,144,752	$ 68,493,633	$ 60,817,670	$ 346,608,612

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

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2018

	2018				
	Legislative Programs	Public Affairs	Publications	Safety, Edu & Training	Grant Programs
Salaries, benefits and taxes	$ 15,004,230	$ —	$ 8,060,310	$ 11,388,977	$ 2,984,782
Office supplies	2,131,164	—	138,276	1,886,087	632,647
Travel & entertainment	2,401,866	—	597,119	2,519,183	9,954
Fulfillment material	—	—	—	572,346	—
Occupancy	662,745	—	346,741	1,931,508	34,200
Data processing	909,644	—	677,843	4,390,174	—
Printing and publications	—	598	25,296,136	—	8,879
Member communications	—	—	—	—	—
Advertising	—	481,320	—	—	—
Committee & annual mtgs	—	—	—	—	—
Legal, audit and taxes	8,633,178	—	—	143,712	10,000
Professional services and other	26,397,224	37,505,494	682,399	6,122,733	17,276,947
Depreciation & amortization	357,293	426,331	270,239	1,886,923	17,332
Cost of merchandise sold	—	—	—	1,277,752	—
Interest expense	219,425	—	114,801	578,698	—
Friends of NRA direct benefits expense	—	—	—	—	—
	$ 56,716,769	$ 38,413,743	$ 36,183,864	$ 32,698,093	$ 20,974,741
Net periodic pension cost other than service costs	514,702	—	276,499	341,367	—
	$ 57,231,471	$ 38,413,743	$ 36,460,363	$ 33,039,460	$ 20,974,741

	Shows and Exhibits	Member Svc & Acq.	Administrative	Fundraising	Total
Salaries, benefits and taxes	$ 2,453,868	$ 4,786,375	$ 18,412,674	$ 12,270,808	$ 75,362,024
Office supplies	1,647,194	186,108	504,247	1,601,690	8,727,413
Travel & entertainment	486,465	217,469	1,382,060	1,135,216	8,749,332
Fulfillment material	—	7,836,028	—	2,082,221	10,490,595
Occupancy	60,512	418,298	1,197,547	2,650,430	7,301,981
Data processing	566,625	1,160,177	3,127,610	885,064	11,717,137
Printing and publications	—	—	62,549	343,334	25,711,496
Member communications	—	58,985,128	—	29,373,954	88,359,082
Advertising	—	—	—	12,102,686	12,584,006
Committee & annual mtgs	—	—	3,175,885	—	3,175,885
Legal, audit and taxes	—	—	21,911,953	1,803,770	32,502,613
Professional services and other	8,912,527	3,389,638	16,557,167	7,702,367	124,546,496
Depreciation & amortization	77,550	616,234	1,421,787	397,967	5,471,656
Cost of merchandise sold	3,477,651	—	—	34,144,248	38,899,651
Interest expense	20,034	138,492	485,571	143,539	1,700,560
Friends of NRA direct benefits expense	—	—	—	(39,353,154)	(39,353,154)
	$ 17,702,426	$ 77,733,947	$ 68,239,050	$ 67,284,140	$ 415,946,773
Net periodic pension cost other than service costs	84,177	164,191	572,381	121,422	2,074,739
	$ 17,786,603	$ 77,898,138	$ 68,811,431	$ 67,405,562	$ 418,021,512

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

FINANCIAL STATEMENTS

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,778,459	$ (10,800,650)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,769,015	5,471,656
Provision for losses on pledges receivable	(148,624)	332,961
Provision for losses on member dues receivable	1,800,000	1,800,000
Provision for losses on accounts receivable	66,712	2,850,202
Provision for losses on inventory	56,169	174,372
Provision for losses (gain) on property and equipment	1,000	(11,000)
Provision for losses on other assets	12,200	9,500
Net loss (gain) on pension obligation	6,446,928	(4,927,105)
Donated assets, museum collections	(5,367,175)	(650,880)
Donated assets, unrestricted securities	(110,360)	(57,271)
Loss on disposal of property and equipment	16,575	249,751
Contributions restricted for long-term investment	(959,341)	(2,208,336)
Net unrealized and realized (gain) loss on investments	(21,168,358)	12,285,859
Unrealized gain on derivative instrument	(122,132)	(745,782)
(Decrease) increase in discounts on pledges receivable	(25,798)	22,263
(Increase) decrease in value of split interest agreements	(288,722)	135,725
Changes in assets and liabilities:		
Decrease in pledges receivable, net	1,435,822	157,267
Decrease (increase) in member dues receivable, net	8,628,709	(3,372,201)
Decrease (increase) in accounts receivable, net	4,834,263	(11,470,274)
(Increase) decrease in inventories and supplies, net	(1,090,880)	2,717,621
Decrease in prepaid expenses	275,409	101,165
Decrease (increase) in other assets	256,333	(405,573)
(Decrease) increase in accounts payable	(3,050,826)	1,353,492
Decrease in accrued liabilities	(5,596,847)	(1,856,772)
Increase in deferred revenue	629,748	15,235,245
Total adjustments	**(8,700,180)**	**17,191,783**
Net cash (used in) provided by operating activities	**(2,921,721)**	**6,391,133**

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

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
for the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from investing activities:		
Sales of investments	45,522,128	28,217,963
Purchases of investments	(43,470,931)	(31,331,893)
Purchases of property and equipment	(1,870,192)	(3,622,153)
Proceeds from sale of land	3,500	—
Net cash provided by (used in) investing activities	**184,505**	**(6,736,083)**
Cash flows from financing activities:		
Principal payments on notes payable	(598,831)	(1,107,008)
Principal payments on lines of credit	(131,426,260)	(145,171,240)
Payments on annuity obligations	(289,642)	(303,451)
Draw downs on lines of credit	141,207,397	147,295,560
Proceeds from life insurance policy loans	5,139,246	3,500,000
Principal payments on life insurance policy loans	(4,752,000)	(3,500,000)
Contributions restricted for long-term investment	959,341	2,208,336
Investments subject to annuity agreements	148,117	366,608
Net cash provided by financing activities	**10,387,368**	**3,288,805**
Net increase in cash and cash equivalents and restricted cash	**7,650,152**	**2,943,855**
Cash and cash equivalents and restricted cash at beginning of year	**40,479,768**	**37,535,913**
Cash and cash equivalents and restricted cash at end of year	**$ 48,129,920**	**$ 40,479,768**
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 1,661,381	$ 1,705,298
Vehicles obtained through capital leases	$ 453,265	$ 688,932

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

FINANCIAL STATEMENTS

1. Nature of Activities and Significant Accounting Policies

The National Rifle Association of America and Affiliates (NRA) includes the following affiliated organizations:

- National Rifle Association of America (Association)
- NRA Special Contribution Fund (SCF)
- NRA Civil Rights Defense Fund (CRDF)
- The NRA Foundation, Inc. (Foundation)
- NRA Political Victory Fund (PVF)
- NRA Freedom Action Foundation (FAF)

The National Rifle Association of America, 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.

Basis of Presentation

The NRA's consolidated financial statements include the accounts of the affiliated organizations listed above. All significant inter-organization accounts and transactions have been eliminated in the preparation of these consolidated financial statements.

The preparation of consolidated 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 consolidated 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.

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. Certain net assets have been designated by the Board of Trustees of SCF for specific purposes. For SCF, at December 31, 2019 and 2018, these are $2,668,395 and $2,768,395, respectively.

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, where by 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 securities. 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 institution in Virginia at December 31, 2019 and 2018.

Concentrations of Credit Risk

The NRA maintains cash balances in excess of federally insured limits in interest bearing accounts. 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, certificates of deposit, 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.

Investments

Investments consist primarily of money market funds, certificates of deposit, equity securities, fixed income securities, alternative investments, and other 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. Certificates of deposit are carried at cost. 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 total revenue and other support in the statements of activities. Interest income and dividends are recorded on the accrual basis.

Alternative and other 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, Net

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, Net

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.

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 ten to fifty years, other property and equipment is depreciated over two to ten years. The NRA capitalizes complete desktop and laptop computers greater than $500 and the majority of all other fixed assets greater than $1,500.

Museum Collections

The NRA has capitalized their museum collections, consisting principally of donated firearms, since their inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated they are capitalized at their appraised value or fair value on the accession date. Gains or losses on the deaccession of collection items are classified in the consolidated statements of activities as with donor restrictions or without donor restrictions depending on donor restriction, if any, placed on the item at the time of accession. Provisions are made to reduce museum collections to net realizable value. The NRA's museum collections are included in other assets in the consolidated statements of financial position. Museum collections are not depreciated as appropriate measures are taken to perpetually preserve their cultural and historic value.

The firearms and other objects in the NRA museum are not intended for sale or exchange.

Annuities Payable

Donors have established and funded gift annuity contracts. Under terms of the contracts, the NRA has the irrevocable right to receive the remaining contract assets upon termination of the contract. Amounts payable under annuity contracts are recorded as a liability based on the actuarially computed value at the time of the gift. The difference between the amount received for the contract and its actuarially computed liability is recorded as revenue. For the years ended December 31, 2019 and 2018, the discount rate applied ranged from 1.2% to 3.6%.

Revenue Recognition

Effective January 1, 2019, the NRA adopted the requirements of Accounting Standards Update (ASU) 2014-09 and the related amendments, *Revenue from Contracts with Customers (ASC 606 or Topic 606)*, which superseded all prior revenue recognition methods and industry-specific guidance. The NRA adopted ASC 606 using the modified retrospective method. Results for reporting periods beginning after January 1, 2019, are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the NRA's historic revenue recognition methodology under ASC 605, *Revenue Recognition.*

The NRA recorded an increase to net assets without donor restrictions of $2.0M as of January 1, 2019, due to the cumulative impact of adopting ASC 606, primarily related to the effect on revenue associated with insurance administration fees.

The impact of adoption of ASC 606 on the NRA's statement of activities was as follows:

	Year Ended December 31, 2019		
Impact on the Statement of Activities:	As reported	Balances without adoption of Topic 606	Effect of change
Royalties and other	$ 10,142,300	$ 12,182,370	$ 2,040,070

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.

Member's Dues revenue for the year ended December 31, 2019 consisted of the following:

	2019
Recognized at a point in time	$ 105,989,009
Recognized over time	6,980,555
Total Members' Dues	**$ 112,969,564**

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.

Proceeds from volunteer-driven Friends of NRA committee fundraising events, net of direct attendee benefit expenses, are recorded in the period in which the event occurs. One-half of Friends of NRA volunteer fundraising committee-level event net proceeds are restricted for the purpose of the fundraising committees' associated State Fund Committees to make grant recommendations to the Foundation's Board of Trustees. These proceeds are classified as with donor restrictions until the restriction is released through subsequent grant approval by the Foundation's Board of Trustees, at which point 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.

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. Revenue is recognized at the point in time when the event takes place.

The NRA hosts various schools, conference 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 or event programs or banners and a table, if applicable. Sponsorships are collected in advance of the event and 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.

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.

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.

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 or 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 takes place.

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.

Derivative Financial Instruments

Interest rate swaps are entered into to manage interest rate risks associated with the NRA's borrowing. Interest rate swaps are accounted for in accordance with the Financial Accounting Standards Board Accounting Standard Codification (the Codification) topic, *Derivatives and Hedging,* under which the NRA is not allowed to use cash flow hedging. Therefore, the interest rate swap is recorded in the statements of financial position at fair value with fair value changes recorded as an unrealized gain on derivative instrument on the statements of activities and statements of cash flows (Note 10).

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 2019 or 2018.

Split-Interest Agreements

The NRA is the beneficiary under several split interest agreements in the form of charitable lead trust and charitable remainder unitrust agreements. Under terms of the agreements, the NRA has the irrevocable right to receive the annual payments during the life of the lead trust and/or remaining trust assets upon termination of the remainder trusts. Split interest agreements are recorded as an asset based on the actuarially computed fair value and adjusted as of the end of each year. The difference between the amount received for the agreement and its actuarially computed value at each year end is recorded as changes in present value of split interest agreement. Split interest agreements due in more than one year have been recorded at the present value of estimated cash flows. The discount rate applied ranged from 1.92% to 2.25% for the year ended December 31, 2019 and 2.69% to 2.87% for the year ended December 31, 2018, and incorporated future life expectancies ranging from 10 to 18 years for the year ended December 31, 2019 and 11 to 19 years for the year ended December 31, 2018.

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 2019 and 2018, advertising expense was $7,960,903 and $12,584,006, respectively.

Functional Allocation of Expenses

The costs of providing program services and supporting activities have been accounted for on a functional basis in the consolidated 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.

Adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The ASU was adopted by the NRA in 2019 using the modified retrospective method of adoption.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958)*: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for resource recipients for annual reporting periods beginning after December 15, 2018, and resource providers one year later. The ASU was adopted by the NRA in 2019. Analysis of the various provisions of this standard resulted in no significant changes in the NRA's timing of recognition of contributions; however, the presentation and disclosures of revenue has been enhanced.

Pending accounting pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020.

Tax Status

The Association is exempt from federal income taxes under Sections 501(c)(4) of the Internal Revenue Code and from state income taxes. The SCF, CRDF, Foundation and FAF are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes and are not classified as private foundations. The NRA activities that cause imposition of the unrelated business income tax provision of the Code result in no significant tax liability. The PVF is subject to income tax on investment income under Section 527(c) of the Internal Revenue Code.

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 2016 through the current year remain open for examination by tax authorities.

Subsequent Events

The NRA evaluated subsequent events through March 11, 2020, which is the date the financial statements were available to be issued.

2. Availability And Liquidity

The following represents NRA's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 36,156,044	$ 29,809,067
Members' dues receivable available within one year, net	8,856,671	14,310,969
Accounts receivable available within one year, net	6,519,030	6,037,006
Contributions receivable	3,226,833	2,799,080
Pledges receivable, net	932,766	841,562
Investments	147,278,199	128,606,492
Total financial assets	**$ 202,969,543**	**$ 182,404,176**
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(112,486,903)	(100,634,643)
Investments held as collateral (a)	(26,628,141)	(25,458,239)
	$ (139,115,044)	**$ (126,092,882)**
Financial assets available to meet general expenditures over the next twelve months	**$ 63,854,499**	**$ 56,311,294**

(a) While total investments pledged as collateral total $41,714,582, 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 9).

3. Investments

Investments as of December 31, 2019 and 2018 consist of:

	2019	2018
Money market funds	$ 1,920,809	$ 2,472,687
Certificates of deposit	200,000	300,000
Equity securities	103,950,936	88,723,919
Fixed income securities	39,308,201	35,094,446
Alternative investments	3,783,898	3,405,044
Other	3,087,395	3,126,146
	$ 152,251,239	**$ 133,122,242**

Investment income (loss) for the years ended December 31, 2019 and 2018 include the following:

	2019	2018
Realized gains, net	$ 2,462,527	$ 1,428,337
Dividends and interest	2,819,370	3,390,702
	5,281,897	4,819,039
Unrealized gains (losses), net	18,705,831	(13,714,196)
	$ 23,987,728	**$ (8,895,157)**

4. Pledges Receivable

At December 31, 2019 and 2018, donors to the NRA have unconditionally promised to give amounts as follows:

	2019	2018
Within one year	$ 1,613,110	$ 2,348,914
One to five years	920,090	1,318,997
More than five years	591,551	901,224
	3,124,751	4,569,135
Less: discount	(20,610)	(46,408)
	3,104,141	4,522,727
Less: allowance for uncollectible pledges	(655,126)	(812,312)
	$ 2,449,015	**$ 3,710,415**

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%.

5. Members' Dues Receivable

Members' dues receivable as of December 31, 2019 and 2018 consist of:

	2019	2018
Members' dues	$ 26,819,195	$ 38,601,904
Less: discount	(1,410,494)	(2,764,494)
	$ 25,408,701	**$ 35,837,410**

Members' dues due in more than one year have been recorded at the present value of estimated cash flows, discounted by rates ranging from 1.58% to 2.51%.

6. Accounts Receivable

Accounts receivable as of December 31, 2019 and 2018 consist of:

	2019	2018
Contributions	$ 6,935,648	$ 10,064,207
Advertising	2,867,529	3,149,717
Other	2,844,002	2,194,319
	12,647,179	15,408,243
Less: allowance for doubtful accounts	(2,519,975)	(2,420,134)
	$ 10,127,204	**$ 12,988,109**

Following are the changes in the allowance for doubtful accounts during the years ended December 31, 2019 and 2018, respectively:

	2019	2018
Allowance at beginning of year	$ 2,420,134	$ 2,148,761
Provision for losses on accounts receivable	66,712	2,850,202
Write-offs, net of recoveries	33,129	(2,578,829)
Allowance at end of year	**$ 2,519,975**	**$ 2,420,134**

7. Inventories and Supplies

Inventories and supplies as of December 31, 2019 and 2018 consist of:

	2019	2018
Sales inventories	$ 13,290,109	$ 13,029,650
Supplies:		
Magazine paper	1,609,664	1,997,175
Fulfillment and promotional materials	7,330,511	6,066,869
Other	973,416	967,588
	23,203,700	22,061,282
Less: obsolescence allowance	(1,530,795)	(1,423,088)
	$ 21,672,905	**$ 20,638,194**

8. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consist of:

	2019	2018
Land	$ 8,044,023	$ 8,047,523
Buildings and improvements	68,951,958	68,350,417
Furniture, fixtures and equipment	22,707,298	22,435,445
Construction-in-progress	284,078	260,652
	99,987,357	99,094,037
Less: accumulated depreciation	(59,337,832)	(55,524,614)
	$ 40,649,525	**$ 43,569,423**

Construction-in-progress at December 31, 2019 and 2018 consisted of construction improvements at the NRA Whittington Center.

Depreciation expense for the years ended December 31, 2019 and 2018 was $4,769,015 and $5,471,656, respectively.

9. 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 pays a fixed rate of 4.85%. Prior to this agreement, the NRA maintained a credit agreement with a different bank. Under the terms of this agreement, the NRA paid a fixed rate of 6.08%. At December 31, 2019 and 2018, $17,692,578 and $17,680,174, respectively, was payable under the different credit agreements.

The previous credit agreement incorporated an interest rate swap agreement. The SWAP agreement was terminated on March 13, 2019. This swap agreement was recognized on the statements of financial position in accrued liabilities at its fair value of $429,922 as of December 31, 2018.

On March 13, 2019, the NRA entered into a $10,000,000 building line of credit agreement which expires September 27, 2021. Under the terms of this agreement the NRA pays interest at a floating per annum rate equal to the LIBOR rate plus 2.00%. At December 31, 2019, $8,000,000 was payable under the agreement at an interest rate of 4.86%.

The NRA maintains a $28,000,000 line of credit agreement which expires September 27, 2021. Under the terms of this agreement, the NRA makes monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.70%. At December 31, 2019 and 2018, $26,628,140 and $25,458,238 was payable at interest rates of 2.39% and 3.10%, respectively.

The NRA is subject to financial covenants associated with the credit agreement and lines of credit agreements. The NRA and its consolidated affiliates must maintain minimum cash and investment balances.

The aggregate maturities of such required principal payments under the above agreements at December 31, 2019, are as follows:

2020	$ 389,290
2021	35,039,476
2022	432,024
2023	453,753
2024	474,349
2025 and thereafter	15,531,826
	$ 52,320,718

Interest expense for the years ended December 31, 2019 and 2018, was $1,293,746 and $1,700,560, respectively

10. 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 cash and cash equivalents, 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.

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

	As of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity securities:				
Consumer discretionary	$ 949,073	$ 949,073	$ —	$ —
Consumer staples	517,337	517,337	—	—
Energy	97,142	97,142	—	—
Financial services	898,489	898,489	—	—
Healthcare	1,000,339	1,000,339	—	—
Industrials	657,422	657,422	—	—
Information technology	1,128,114	1,128,114	—	—
Materials	2,337,279	2,337,279	—	—
Multi-strategy mutual funds	95,003,879	95,003,879	—	—
Stock funds - commodities	923,134	923,134	—	—
Telecommunications	438,728	438,728	—	—
Total available-for-sale equity securities	**103,950,936**	**103,950,936**	—	—
Available-for-sale fixed income securities:				
U.S. Treasury securities	2,098,244	2,098,244	—	—
Corporate bonds[(a)]	9,456,288	9,456,288	—	—
Multi-strategy bond funds	27,295,775	27,295,775	—	—
Mortgage obligations	159,150	159,150	—	—
Municipal bonds	298,744	298,744	—	—
Total available-for-sale fixed income securities	**39,308,201**	**39,308,201**	—	—
Alternative investments:				
Multi-strategy fund-of-funds [measured using a net asset value per share (or its equivalent) practical expedient]	3,783,898	—	—	
Split interest agreements	2,543,391	—	—	2,543,[illegible]
Money market	1,920,809	1,920,809	—	—
Investments at fair value	**151,507,235**	**$ 145,179,946**	**$ —**	**$ 2,543,391**
Other investments	544,004			
Certificate of deposits held at cost	200,000			
Total investments	**$ 152,251,239**			
Other assets—multi-strategy mutual funds:				
Deferred compensation plan	$ 2,872,120	$ 2,872,120	$ —	$ —
Supplemental executive retirement plan	921,312	921,312	—	—
Total other assets	**$ 3,793,432**	**$ 3,793,432**	**$ —**	**$ —**
Deferred compensation liability	$ (2,872,120)	$ —	$ (2,872,120)	$ —
Supplemental executive retirement liability	(921,312)	—	(921,312)	—
Total liabilities	**$ (3,793,432)**	**$ —**	**$ (3,793,432)**	**$ —**

	As of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Available-for-sale equity securities:				
Consumer discretionary	$ 462,454	$ 462,454	$ —	$ —
Consumer staples	538,812	538,812	—	—
Energy	953,581	953,581	—	—
Financial services	212,655	212,655	—	—
Healthcare	574,393	574,393	—	—
Industrials	351,298	351,298	—	—
Information technology	1,276,680	1,276,680	—	—
International equities	152,231	152,231	—	—
Materials	1,777,606	1,777,606	—	—
Multi-strategy mutual funds	80,864,650	80,864,650	—	—
Stock funds - commodities	1,226,444	1,226,444	—	—
Telecommunications	333,115	333,115	—	—
Total available-for-sale equity securities:	**88,723,919**	**88,723,919**	—	—
Available-for-sale fixed income securities:				
U.S. Treasury securities	4,926,180	4,926,180	—	—
Corporate bonds[(a)]	6,018,715	6,018,715	—	—
Multi-strategy bond funds	23,972,714	23,972,714	—	—
Mortgage obligations	129,025	129,025	—	—
Municipal bonds	47,812	47,812	—	—
Total available-for-sale fixed income securities	**35,094,446**	**35,094,446**	—	—
Alternative investments:				
Multi-strategy fund-of-funds [measured using a net asset value per share (or its equivalent) practical expedient]	3,405,044	—	—	—
Split interest agreements	2,254,669	—	—	2,254,669
Money market	2,472,687	2,472,687	—	—
Investments at fair value	**131,950,765**	**$ 126,291,052**	**$ —**	**$ 2,254,669**
Other investments	871,477			
Certificate of deposits held at cost	300,000			
Total investments	**$ 133,122,242**			
Other assets—multi-strategy mutual funds:				
Deferred compensation plan	$ 2,949,908	$ 2,949,908	$ —	$ —
Supplemental executive retirement plan	1,055,242	1,055,242	—	—
Total other assets	**$ 4,005,150**	**$ 4,005,150**	**$ —**	**$ —**
Interest rate swap	$ (429,922)	$ —	$ (429,922)	$ —
Deferred compensation liability	(2,949,908)	—	(2,949,908)	—
Supplemental executive retirement liability	(1,055,242)	—	(1,055,242)	—
Total liabilities	**$ (4,435,072)**	**$ —**	**$ (4,435,072)**	**$ —**

(a) Based on its analysis of the nature and risk of these investments, the NRA has determined that presenting them as a single class is appropriate.

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

Split interest agreements are classified as Level 3 instruments, as there is no market for the NRA's interest in the trusts. Further, the NRA's asset is the right to receive cash flows from the trusts, not the assets of the trusts themselves. Although the trust assets may be investments for which quoted prices in an active market are available, the NRA does not control those investments.

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 publically traded and is, therefore, considered Level 2.

The NRA's swap agreement was valued based on quoted values stated by the bank's mark-to-market estimate using stated fixed rate and LIBOR interest ratings. The interest rate was observable at commonly quoted indexes for the full term of the instrument and is, therefore, considered a Level 2 item.

The table below presents additional information regarding the alternative investments.

	2019 Fair Value	2018 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy fund-of-funds (a)	$ 3,352,620	$ 3,020,588	$ —	semi-annually	105 days
Multi-strategy fund (b)	431,278	384,456	—	daily	1 day
	$ 3,783,898	**$ 3,405,044**	**$ —**		

(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 investments.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), *Fair Value Measurement* requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net.

The table below represents the reconciliation of the Foundation's, CRDF's and FAF's assets measured at fair value on a recurring basis using significant unobservable inputs:

	2[illegible]	2018
Split interest agreements, beginning of year	$ 2,254,669	$ 2,390,394
Distributions received	(18,499)	(16,629)
Present value of gifts received	—	61,079
Change in value	307,221	(180,175)
Split interest agreements, end of year	**$ 2,543,391**	**$ 2,254,669**

11. Net Assets with Donor Restrictions and Endowment Funds

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

	2019	2018
NRA Foundation	$ 129,427,698	$ 120,049,854
Legislative programs	21,628,497	20,476,324
NRA Civil Rights Defense Fund	5,079,418	4,090,641
Firearms & marksmanship training	2,513,071	2,513,071
NRA Special Contribution Fund	2,494,469	1,458,219
NRA Freedom Action Foundation	717,467	576,927
Hunting & wildlife conservation	364,639	364,639
Other safety and training programs	2,768,039	1,385,136
Other, passage of time	3,947,006	2,478,213
Total	**$ 168,940,304**	**$ 153,393,024**

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 or Board designation absent explicit donor stipulations or Board action to the contrary. As a result of this interpretation, the NRA classifies as permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges, and (c) the fair value of non-cash gifts received whereby the proceeds of any future sale are donor restricted to permanent endowment. Board designated endowment funds are classified in net assets without donor-restrictions until utilized by the NRA for the Board designated purpose.

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.

The changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

		December 31, 2019	
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,275,103	$ 104,013,538	$ 108,288,641
Interest and dividends, net	(85,214)	2,071,941	1,986,727
Net appreciation	348,741	10,497,780	10,846,521
Designations and contributions	436,577	6,337,230	6,773,807
Amount appropriated for expenditure	—	(2,008,204)	(2,008,204)
Endowment net assets, end of year	$ 4,975,207	$ 120,912,285	$ 125,887,492
Donor-restricted endowments	$ —	$ 120,912,285	$ 120,912,285
Board designated endowment	4,975,207	—	4,975,207
Total endowments	**$ 4,975,207**	**$ 120,912,285**	**$ 125,887,492**

		December 31, 2018	
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,742,051	$ 108,558,044	$ 112,300,095
Interest and dividends, net	391,443	1,295,894	1,687,337
Net depreciation	(185,396)	(5,915,948)	(6,101,344)
Designations and contributions	459,499	3,186,491	3,645,990
Amount appropriated for expenditure	(132,494)	(3,110,943)	(3,243,437)
Endowment net assets, end of year	$ 4,275,103	$ 104,013,538	$ 108,288,641
Donor-restricted endowments	$ —	$ 104,013,538	$ 104,013,538
Board designated endowment	4,275,103	—	4,275,103
Total endowments	**$ 4,275,103**	**$ 104,013,538**	**$ 108,288,641**

The related assets are included in 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 as of December 31, 2019 and 2018, were $1,279,150 and $2,855,143, respectively. The deficiencies in the donor-restricted endowment funds at December 31, 2019 and 2018, resulted from unfavorable market fluctuations and the continued appropriation of endowment assets, which was deemed prudent by the NRA. The total amount of the original gifts were $20,579,894 and $21,290,642 as of December 31, 2019 and 2018, respectively.

12. 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 will 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, 2019 and 2018 consist of the following:

	2019	2018
Service cost - benefits earned during the year	$ —	$ 3,344,289
Interest cost on projected benefit obligation	5,994,964	6,011,108
Return on plan assets	(6,642,488)	(7,552,421)
Recognized net actuarial loss	1,332,089	2,253,340
Net amortization and deferral	—	1,362,712
Net periodic benefit cost	**684,565**	**5,419,028**
Recognized curtailment loss	—	8,718,656
Other changes	6,924,096	(13,645,761)
Net recognized curtailment loss and other changes	**6,924,096**	**(4,927,105)**
Total recognized in statements of activities	**$ 7,608,661**	**$ 491,923**

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, 2019 and 2018 (utilizing a measurement date of December 31):

	2019	2018
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 134,118,464	$ 147,957,262
Service cost	—	3,344,289
Interest cost	5,994,964	6,011,108
Actuarial loss (gain)	22,043,094	(13,322,876)
Benefits paid	(4,979,846)	(6,452,460)
Plan amendments	—	9,309,837
Plan curtailments	—	(12,728,696)
Projected benefit obligation at end of year	**157,176,676**	**134,118,464**
Change in plan assets:		
Fair value of plan assets at beginning of year	91,529,371	98,260,092
Actual return on plan assets	20,429,397	(7,878,261)
Employer contributions	5,527,904	7,600,000
Benefits paid	(4,979,846)	(6,452,460)
Fair value of plan assets at end of year	**112,506,826**	**91,529,371**
Accrued pension costs reflected in the consolidated statements of financial position in accrued liabilities	**$ (44,669,850)**	**$ (42,589,093)**
Accumulated benefit obligation	**$ (157,176,676)**	**$ (134,118,464)**
Amounts recognized in net assets without donor restrictions:		
Total net loss	$ 26,535,199	$ 19,611,103
Prior service cost	—	—
Total	**$ 26,535,199**	**$ 19,611,103**

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 $1,616,970 and $880,576, respectively.

In 2019 the NRA implemented the provisions of FASB ASU 2017-07 that require that an employer report the service cost component separately form the other components of net benefit cost. 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 benefit cost are reported as non-operating activities. In prior years benefit cost was reported in salaries and benefits. Statement of activities amounts for 2018 have been reclassified to give retroactive effect to the adoption of ASU 2017-07 (with no effect on previously-reported change in net assets).

Service costs are included in the statement of functional expenses as follows:

	2019	2018
Salaries, benefits and taxes	$ —	$ 3,344,289

The NRA has used the practical expedient provided by ASU 2017-07 of using amounts disclosed in the retirement plan note in the 2019 financial statements as the estimation basis for applying the retrospective requirements of the ASU.

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, 2019 and 2018:

	2019	2018
Discount rate used to determine benefit obligation	3.45%	4.45%
Discount rate used to determine net periodic benefit cost	4.45%	3.90%
Rate of compensation increase	N/A	4.00%
Expected return on plan assets	8.00%	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 includin

- 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.

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, 2019 and 2018.

Multi-strategy equity and fixed income mutual funds and Pooled separate accounts: 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 calcul ion 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 ma t participants, the use of different methodologies or assumptions 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, 2019 and 2018, the fair value and the asset allocation of the NRA's pension plan assets was as follows:

	2019		2018	
Asset category:				
Multi-strategy equity Mutual funds/PSAs	$ 70,580,029	62.7%	$ 55,411,934	60.5%
Multi-strategy fixed income Mutual funds/PSAs	41,284,908	36.7	35,569,933	38.9
Cash	641,889	0.6	547,504	0.6
	$ 112,506,826	100.0%	$ 91,529,371	100.0%

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. Expected contributions for the plan year ending December 31, 2020, are $4,668,160.

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

2020	$	6,316,583
2021	$	6,572,714
2022	$	6,998,128
2023	$	7,152,091
2024	$	7,463,294
2025 – 2029 (total)	$	40,115,216

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 matches participant contributions based on plan provisions. 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 $2,465,492 and $2,569,393 for the years ended December 31, 2019 and 2018, 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 key employees are enrolled in the Agreement. Management believes that no unfunded liability exists under the Agreement. At December 31, 2019 and 2018, the NRA had assets relating to the cash surrender values of the whole life insurance policies of $2,834,441 and $4,406,082, respectively. At December 31, 2019 and 2018, the NRA had loans against the whole life insurance policies of $2,290,837 and $3,535,004, respectively, with the net included in investments on the statements of financial position. The policies serve as the underlying collateral for the loans and interest on the loans is accrued at rates between 3.9% and 4.4%. The NRA had an accrued postretirement liability of $0 and $278,958 at December 31, 2019 and 2018, respectively. Deferred compensation expense for the years ended December 31, 2019 and 2018 was $(262,558) and $(30,955), 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, 2019 and 2018. At December 31, 2019 and 2018, the NRA held assets, and had related obligations, relating to this plan of $2,872,120 and $2,949,908, respectively.

The NRA has also established a 457(f) supplemental executive retirement plan for the benefit of certain executives. At December 31, 2019 and 2018, the NRA held assets, and had related obligations, relating to the plan of $921,312 and $1,055,242, respectively. The NRA incurred deferred compensation expense of $56,700 and $206,700 for the years ended December 31, 2019 and 2018.

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

13. Rental Operations as Lessor

The NRA leases a portion of its headquarters building 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 noncancellable operating leases as of December 31, 2019:

2020	$	1,312,224
2021		908,893
2022		771,743
2023		697,090
2024		361,349
2025 & Thereafter		1,739,932
Total minimum future rentals	$	**5,791,231**

Total rental income for the years ended December 31, 2019 and 2018 was $1,317,211 and $1,357,108, respectively.

14. Commitments and Contingencies

Operating Leases

The NRA leases warehouse, office space and equipment under noncancellable operating leases with terms expiring through 2022. The lease agreements for various office space include renewal options and escalation clauses and require that the NRA pay for shared operating expenses.

The Foundation leases warehouse space and equipment under operating leases, cancelable with one year's notice, with terms expiring through 2022.

The annual minimum payments related to these obligations as of December 31, 2019 are as follows:

2020	$	1,024,583
2021		653,960
2022		390,370
Total minimum payments required	$	2,068,913

Total lease expense for the years ended December 31, 2019 and 2018 was $1,611,552 and $1,596,229, respectively.

Capital Leases

The NRA leases vehicles under leases classified as capital leases. The leased vehicle is depreciated on a straight line basis over 3 years. Capital lease assets and accumulated amortization are included in property and equipment, net on the Statement of Financial Position.

	2019	2018
Capital Lease assets	$ 1,957,917	$ 2,016,096
Accumulated amortization	(1,148,748)	(1,076,310)
Net book value	**$ 809,169**	**$ 939,786**

The future minimum payments related to these capital leases as of December 31, 2019 are as follows:

2020	$	578,494
2021		312,976
2022		100,561
2023		4,296
Total minimum lease payments		996,327
Less amount representing interest		(161,175)
Present value of minimum lease payments	**$**	**835,152**

The present value of the minimum lease payments have been discounted using rates ranging from 4.50% to 6.75%. The capital lease liability is included in accrued liabilities on the Statement of Financial Position.

Total accumulated depreciation related to the leased equipment for years ended December 31, 2019 and 2018 was $1,148,748 and $1,076,310.

Litigation and claims

NRA is subject to various legal proceedings as well as federal and state government agency inquires. In the opinion of the management of the NRA, there are no material pending legal proceedings to which the NRA will be found liable. Management also believes the federal and state inquiries have no merit and will be resolved to the benefit of the NRA.

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