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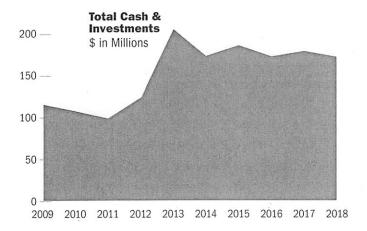
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GROWTH IN CASH & INVESTMENTS

10 Year Trend



Total cash and investments of the Association are \$172.8 million at December 31, 2018.

2018 REVENUE AND EXPENSES

Sources of Revenue: Where did the money to support all our activities—including those that are community based—come from? Member dues provide a base source of revenue for operations. The Association also depends on contributions, product sales and insurance and credit card program royalties to support the varied programs and operations. The following information shows the sources of 2018 revenue and the respective budget allocations for the various revenue sources.

Members' Dues (41.1%)

Allocated to:
Education, Safety &
Community Service,
Publications,
Member Services,
Legislative &
Political Action

Contributions (39.7%)

Allocated to: Education, Safety & Community Service, Legislative & Political Action

Program Fees (14.3%)

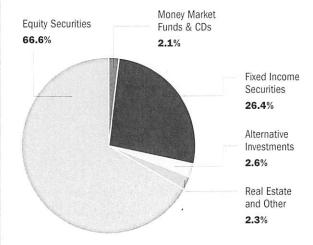
Allocated to: Education, Safety & Community Service

Licensing and Royalties (4.9%)

Allocated to: Communications, Public Relations, & Administration

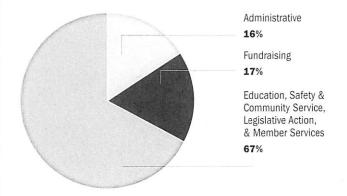
2018 INVESTMENT PORTFOLIO COMPONENTS

The management of the Association's investment portfolio is assigned to external managers under the supervision of the Treasurer, with oversight by the Investment Oversight Subcommittee of the Finance Committee. The portfolio is allocated among equity, fixed income, and other investments in a manner that maximizes investment returns at appropriate risk levels.



DISTRIBUTION OF 2018 EXPENSES

The Association strives to direct the maximum percentage of its funding toward educational and other general operations programs, legislative activities and member services. During 2018, 67 cents of every dollar was used for such program services.





NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2018 and 2017

Report of Independent Auditors

To the Board of Directors and Members of the National Rifle Association of America

Report on the Financial Statements

e have audited statements of and Affiliates statements of and 2017, the

e have audited the accompanying consolidated financial statements of National Rifle Association of America and Affiliates (NRA), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities,

functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements (collectively, financial statements).

Management's Responsibility for the Financial Statements

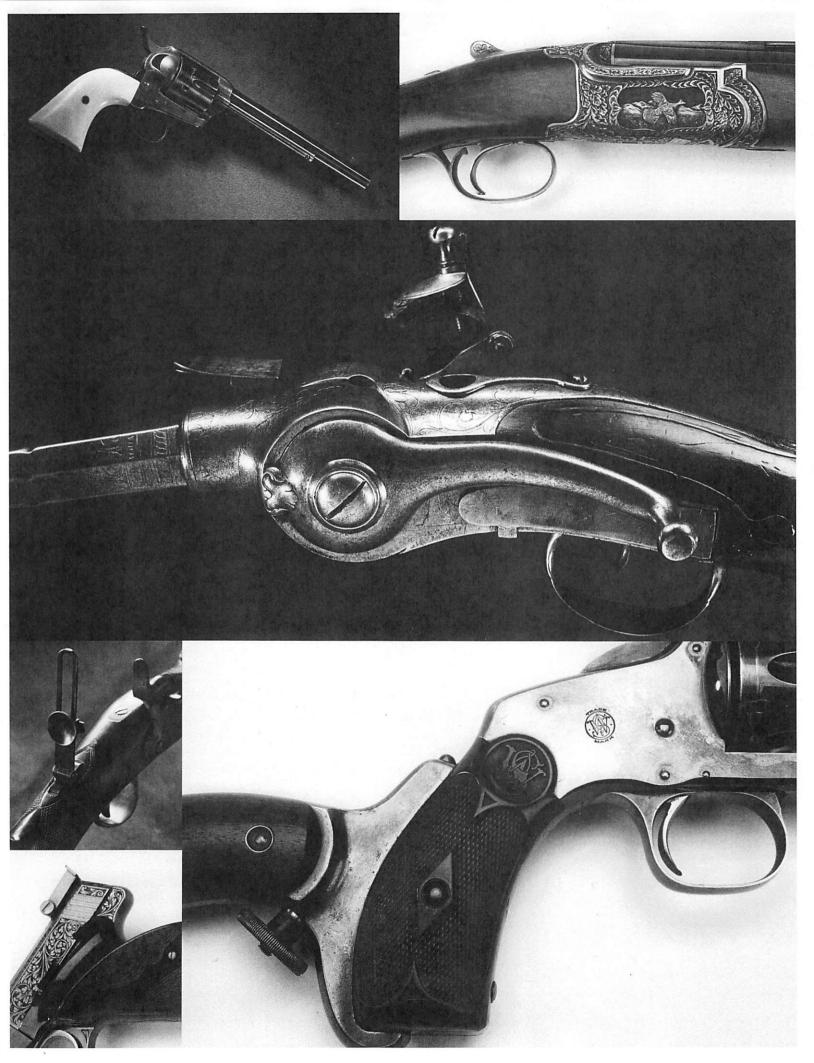
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making

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NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2018 and 2017

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Rifle Association of America and Affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, the NRA adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The adoption of this standard resulted in the issuance of the statement of functional expenses and additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia March 13, 2019

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

as of December 31, 2018 and 2017

			2017
Assets		•	
Cash and cash equivalents	\$ 39,647,380	\$	36,627,244
Investments	133,122,242		142,372,625
Pledges receivable, net	3,710,415		4,222,804
Accounts receivable, net	48,825,519		38,633,246
Inventories and supplies, net	20,638,194		23,530,187
Prepaid expenses	3,185,223		3,286,388
Property and equipment, net	43,569,423		45,657,677
Other assets	34,153,084		33,182,412
Total assets ·	\$ 326,851,480	\$	327,512,583
Liabilities and Net Assets			
Accounts payable	\$ 33,547,537	\$	32,194,045
Accrued liabilities	55,593,160		63,122,819
Notes payable and lines of credit	43,138,412		42,121,100
Annuities payable	3,117,505		3,054,348
Deferred revenue	46,721,701		31,486,456
Total liabilities	182,118,315		171,978,768
Net assets (deficit):			
Without donor restrictions			
Net assets without donor restrictions	10,951,244		39,792,282
Cumulative pension liability	(19,611,103)		(33,256,864)
Total net assets (deficit) without donor restrictions	(8,659,859)		6,535,418
With donor restrictions	 153,393,024		148,998,397
Total net assets	144,733,165		155,533,815
Total liabilities and net assets	\$ 326,851,480	\$	327,512,583

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES CONSOLIDATED STATEMENT OF ACTIVITIES

		A CALLEGATION OF	A. P.		
		ithout Donor Restrictions		With Donor Restrictions	Total
Revenue and other support					180 201 274
Members' dues	\$	170,391,374	\$	_	\$ 170,391,374
Contributions		115,364,098		49,711,190	165,075,288
Program fees		59,461,155		- .	59,461,155
nvestment 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
Net gain on pension obligation		4,927,105		.	4,927,105
Assets released from restrictions		39,878,657		(39,878,657)	
Total revenue and other support		407,838,881		4,394,627.	 412,233,508
Expenses		57,231,471		_	57,231,471
Legislative programs		39,413,517			39,413,517
Public affairs		36,460,363			36,460,363
Publications		32,716,600		_	32,716,600
Safety, education & training		22,568,233		_	22,568,233
Grant programs		17,786,603			17,786,603
Shows and exhibits		77,898,138		· <u> </u>	77,898,138
Member services and acquisition		69,144,170		_	69,144,170
Administrative		69,815,063			69,815,063
Fundraising		423,034,158			 423,034,158
Total expenses		723,033,130			
Change in mot assets		(15,195,277)		4,394,627	(10,800,650)
Change in net assets		6,535,418		148,998,397	155,533,815
Net assets, beginning of year Net assets (deficit), end of year	\$	(8,659,859)	\$	153,393,024	\$ 144,733,165

		 2017		
	ithout Donor Restrictions	With Donor Restrictions		Total
Revenue and other support	11031110110110	Nestrictions.		10111
Members' dues	\$ 128,209,303	\$ _	\$	128,209,303
Contributions	87,947,769	44,931,530		132,879,299
Program fees	65,449,523	_		65,449,523
Investment losses, net	8,442,142	10,321,763		18,763,905
Royalties and other	24,208,801	880,344		25,089,145
Unrealized gain on derivative instrument	952,998	_		952,998
Net gain on pension obligation	6,778,316	_		6,778,316
Assets released from restrictions	40,648,940	(40,648,940)		_
Total revenue and other support	362,637,792	15,484,697		378,122,489
Expenses				
Legislative programs	41,720,095	_		41,720,095
Public affairs	44,898,260	. <u>-</u>		44,898,260
Publications	36,904,080			36,904,080
Safety, education & training	42,599,871	_		42,599,871
Grant programs	18,477,237	_		18,477,237
Shows and exhibits	18,909,415	_		18,909,415
Member services and acquisition	76,546,402	_		76,546,402
Administrative	44,134,375	_		44,134,375
Fundraising	55,037,335	_		55,037,335
Total expenses	379,227,070	 _		379,227,070
Change in net assets	(16,589,278)	15,484,697		(1,104,581)
Net assets, beginning of year as previously presented	21,704,049	134,934,347		156,638,396
Reclassification to implement ASU 2016-14				,,
Underwater endowments	1,420,647	(1,420,647)		
Net assets (deficit), end of year as reclassified	\$ 6,535,418	\$ 148,998,397	\$	155,533,815

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES STATEMENT OF FUNCTIONAL EXPENSES

	\$ 57,231,471	\$ 39,413,517	\$	36,460,363	\$ 32,716,600	\$ 22,568,233
Friends of NRA direct benefits expense					_	_
Interest expense	219,425	_		114,801	713,895	_
Cost of merchandise sold	_	_		_	1,277,752	
Depreciation & amortization	357,293	426,331		270,239	1,882,749	17,332
Professional services and other	26,397,224	37,505,494		682,399	6,097,965	18,051,516
Legal, audit and taxes	8,633,178	999,774		_	143,712	10,000
Committee & annual mtgs	_	_			_	_
Advertising	_	481,320		_	_	-
Member communications	_	_		_	_	_
Printing and publications	_	598		25,296,136	_	8,879
Data processing	909,644	_		677,843	4,390,174	-
Occupancy	662,745	-		346,741	1,931,508	34,200
Fulfillment material	_	_		_	572,346	_
Travel & entertainment	2,401,866	_		597,119	2,435,351	469,446
Office supplies	2,131,164	_		138,276	1,875,593	830,481
Salaries, benefits and taxes	\$ 15,518,932	\$ -	s	8,336,809	\$ 11,395,555	\$ 3,146,379
x	Legislative Programs	Public Affairs		Publications	Safety, Edu & Training	Grant Programs
				2018		

	Shows and Exhibits	Member Svc & Acq.	A	dministrative	Fundraising	Total
Salaries, benefits and taxes	\$ 2,538,045	\$ 4,950,566	\$	19,305,304	\$ 12,769,095	\$ 77,960,685
Office supplies	1,647,194	186,108		520,769	1,945,622	9,275,207
Travel & entertainment	486,465	217,469		1,478,787	2,108,257	10,194,760
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	_	j 		21,911,953	1,803,770	33,502,387
Professional services and other	8,912,527	3,389,638		16,579,833	8,425,629	126,042,225
Depreciation & amortization	77,550	616,234		1,425,961	397,967	5,471,656
Cost of merchandise sold	3,477,651	_		_	34,144,248	38,899,651
Interest expense	20,034	138,492		357,972	135,940	1,700,559
Friends of NRA direct benefits expense	_			-	(39,353,154)	(39,353,154)
	\$ 17,786,603	\$ 77,898,138	\$	69,144,170	\$ 69,815,063	\$ 423,034,158

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES **STATEMENT OF FUNCTIONAL EXPENSES**

			2017		
	Legislative Programs	Public Affairs	Publications	Safety, Edu & Training	Grant Programs
Salaries, benefits and taxes	\$ 13,713,230	\$ _	\$ 8,544,090	\$ 18,577,809	\$ 473,709
Office supplies	1,632,532	_	134,964	2,238,901	564,554
Travel & entertainment	2,091,359	_	674,177	2,641,456	9,592
Fulfillment material	_	_		688,625	_
Occupancy	604,018	_	316,015	1,888,967	34,200
Data processing	728,244	_	815,247	4,235,203	_
Printing and publications	_	832	25,348,243	_	15,232
Member communications	_	<u>-</u>			_
Advertising	_	735,408	_	_	_
Committee & annual mtgs	_	-	_	_	_
Legal, audit and taxes	6,612,772	23,288	_	136,761	10,000
Professional services and other	15,750,137	43,787,728	716,266	8,135,895	17,352,588
Depreciation & amortization	376,762	351,004	244,664	1,903,397	17,362
Cost of merchandise sold	_	_	_	1,422,233	_
Interest expense	211,041	_	110,414	730,624	_
Friends of NRA direct benefits expense	 		_	_	_
	\$ 41,720,095	\$ 44,898,260	\$ 36,904,080	\$ 42,599,871	\$ 18,477,237

		Shows and Exhibits	Member Svc & Acq.	A	dministrative	Fundraising	Total
Salaries, benefits and taxes	s	2,119,332	\$ 4,888,582	\$	17,458,669	\$ 7,603,656	\$ 73,379,077
Office supplies		1,854,084	182,465		526,671	1,383,224	8,517,395
Travel & entertainment		601,751	276,867		1,368,159	1,102,477	8,765,838
Fulfillment material		_	7,588,562			2,084,219	10,361,406
Occupancy		55,149	381,232		1,113,312	2,278,755	6,671,648
Data processing		393,123	1,075,181		2,700,638	803,438	10,751,074
Printing and publications		_	· _		164,272	550,369	26,078,948
Member communications		_	58,718,873		_	21,162,242	79,881,115
Advertising		_	_			12,198,387	12,933,795
Committee & annual mtgs		_	_		2,565,463	_	2,565,463
Legal, audit and taxes		_	_		4,616,535	1,532,265	12,931,621
Professional services and other		10,243,198	2,703,402		11,906,507	8,797,471	119,393,192
Depreciation & amortization		74,390	598,037		1,327,889	403,413	5,296,918
Cost of merchandise sold		3,549,119			· -	34,228,864	39,200,216
Interest expense		19,269	133,201		386,260	86,566	1,677,375
Friends of NRA direct benefits expense		_	_		_	(39,178,011)	(39,178,011)
	\$	18,909,415	\$ 76,546,402	\$	44,134,375	\$ 55,037,335	\$ 379,227,070

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2018 and 2017

		2017		
Cash flows from operating activities:	200			
Change in net assets	\$ (10,800,650)	\$ (1,104,581)		
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	5,471,656	5,296,918		
Provision for losses on pledges receivable	332,961	187,711		
Provision for losses on accounts receivable	4,650,202	6,332,912		
Provision for losses on inventory	174,372	340,692		
Provision for losses on property and equipment	(11,000)	35,000		
Provision for losses on other assets	9,500	20,600		
Net gain on pension obligation	(4,927,105)	(6,778,316)		
Donated assets, museum collections	(650,880)	(1,051,424)		
Donated assets, unrestricted securities	(57,271)	(210,070)		
Loss on disposal of property and equipment	249,751	97,031		
Contributions restricted for long-term investment	(2,208,336)	(2,367,058)		
Net unrealized and realized loss (gain) on investments	12,285,859	(16,061,538)		
Unrealized gain on derivative instrument	(745,782)	(952,998)		
Increase (decrease) in discounts on pledges receivable	22,261	(1,107)		
Decrease in value of split interest agreements	135,725	81,474		
Changes in assets and liabilities:	•			
Decrease in pledges receivable, net	157,167	8,210		
(Increase) decrease in accounts receivable, net	(14,842,475)	6,672,060		
Decrease in inventories and supplies, net	2,717,621	6,126,811		
Decrease in prepaid expenses	101,165	506,897		
Increase in other assets	(329,292)	(169,898)		
Increase (decrease) in accounts payable	1,353,492	(5,317,512)		
(Decrease) increase in accrued liabilities	(1,856,772)	7,163,141		
Increase (decrease) in deferred revenue	15,235,245	(8,013,787)		
Total adjustments	17,268,064	(8,054,251)		
Net cash provided by (used in) operating activities	6,467,414	(9,158,832)		

NATIONAL RIFLE ASSOCIATION OF AMERICA AND AFFILIATES **CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

for the years ended December 31, 2018 and 2017

		2017		
Cash flows from investing activities:				
Sales of investments	28,217,963		43,571,296	
Purchases of investments	(31,331,893)		(35,619,083)	
Purchases of property and equipment	(3,622,153)		(3,007,740)	
Net cash (used in) provided by investing activities	(6,736,083)		4,944,473	
Cash flows from financing activities:				
Principal payments on notes payable	(1,107,008)		(1,039,944)	
Principal payments on lines of credit	(145,171,240)		(132,737,519)	
Payments on annuity obligations	(303,451)		(394,714)	
Draw downs on lines of credit	147,295,560		133,060,439	
Proceeds from life insurance policy loans	3,500,000		3,500,000	
Principal payments on life insurance policy loans	(3,500,000)		_	
Contributions restricted for long-term investment	2,208,336		2,367,058	
Investments subject to annuity agreements	366,608		377,934	
Net cash provided by financing activities	3,288,805		5,133,254	
Net increase in cash and cash equivalents	3,020,136		918,895	
Cash and cash equivalents at beginning of year	36,627,244		35,708,349	
Cash and cash equivalents at end of year	\$ 39,647,380	\$	36,627,244	
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	\$ 1,585,298	\$	1,623,668	

NOTES

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 notfor-profit corporation supported by the membership fees of publicminded 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 interorganization accounts and transactions have been eliminated in the preparation of these consolidated financial statements.

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.

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, 2018 and 2017, these are \$2,768,395 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 one financial institution in Virginia at December 31, 2018 and 2017.

Concentrations of Credit Risk

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, 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, 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. 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 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 represent 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 receivable consist of irrevocable and measurable bequest proceeds due to the NRA and donor promises to give in future periods, usually over a period of one to ten years. Pledges due in more than one year are recorded at the present value of estimated cash flows and for both the years ended December 31, 2018 and 2017, have been discounted by rates ranging from 0.77% to 3.03%. An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults.

Accounts Receivable

Membership dues, advertising and other accounts receivable are recorded at the invoiced amount and do not bear interest. Contributions receivable consist of irrevocable and measurable bequest proceeds due to the NRA and donor promises to give in future periods, usually over a period of one to ten years. Membership contributions receivable are recorded when received. 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 the membership dues accounts receivable allowance based on the aging of accounts receivable, where three or more monthly or quarterly invoices are past due. The NRA determines all other 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 asset 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 collection 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 year ended December 31, 2018, the discount rate applied ranged from 1.2% to 3.4% and for the year ended December 31, 2017, the discourate applied ranged from 1.2% to 3.4%.

Members' Dues

A portion of members' dues that represents the present value of the cost of the magazine that is a benefit of membership for the given membership term is deferred and amortized over the life of the membership. The portion considered a contribution is recorded as dues revenue when the membership is received.

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. When the donor's restrictions are met by the NRA, contributions are released from restriction and are recognized in the net asset without donor restrictions category.

Revenue Recognition

Program fees and royalties and other revenue are recognized as revenue when earned.

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 Standar

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 8).

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 2018 or 2017.

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 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 pronouncement

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Notfor-Profit Entities. The amendments in this ASU are intended to make improvements to the information provided in the financial statements and the accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU was adopted by the NRA in 2018.

Pending accounting pronouncements

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, 2019.

In May 2014, the 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 NRA has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

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. Management is currently evaluating the effect on the financial statements.

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.

Subsequent Events

The NRA evaluated subsequent events through March 13, 2019, 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, 2018 and 2017:

			2017
Financial assets at year-end:			
Cash and cash equivalents	\$	39,647,380	\$ 36,627,245
Accounts receivable available	2		
within one year, net		14,727,344	12,800,911
Pledges receivable		2,799,080	2,135,992
Investments		128,606,492	137,576,113
Other assets		832,388	 908,669
Total financial assets	\$	186,612,684	\$ 190,048,930
Less amounts not available to			
be used within one year:			
Net assets with donor			=
restrictions		94,398,878	98,729,522
	\$	94,398,878	\$ 98,729,522
Financial assets available to meet general expenditures			
over the next twelve months	\$	92,213,806	\$ 91,319,408

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 8)

3. Investments

Investments as of December 31, 2018 and 2017 consist of:

		2017
Money market funds	\$ 2,472,687	\$ 2,423,959
Certificates of deposit	300,000	. 300,000
Equity securities	88,723,919	102,891,708
Fixed income securities	35,094,446	27,845,012
Alternative investments	3,405,044	5,874,330
Other	3,126,146	3,037,616
	\$ 133,122,242	\$ 142,372,625

Investment (loss) income for the years ended December 31, 2018 and 2017 include the following:

		_	2017
Realized gains, net	\$ 1,428,337	\$	4,476,991
Dividends and interest	3,390,702		2,702,367
	 4,819,039		7,179,358
Unrealized (losses) gains, net	(13,714,196)		11,584,547
	\$ (8,895,157)	\$	18,763,905

4. Pledges Receivable

At December 31, 2018 and 2017, donors to the NRA have unconditionally promised to give amounts as follows:

		_	2017
Within one year	\$ 2,348,914	\$	2,120,549
One to five years	1,318,997		1,679,806
More than five years	901,224		974,869
	 4,569,135		4,775,224
Less: discount of pledges receivable	(46,408)		(24,147)
1 0	4,522,727		4,751,077
Less: allowance for uncollectible pledges	(812,312)		(528,273)
1 0	\$ 3,710,415	\$	4,222,804

5. Accounts Receivable

Accounts receivable as of December 31, 2018 and 2017 consist of:

	# 15 17.		_	2017
Membership	\$	48,428,577	\$	40,354,236
Contributions		10,064,207		4,664,708
Advertising		3,149,717		3,412,352
Other		2,194,318		2,346,416
		63,836,819		50,777,712
Less: allowance for doubtful accounts		15,011,300		12,144,466
	\$	48,825,519	\$	38,633,246

Following are the changes in the allowance for doubtful accounts during the years ended December 31, 2018 and 2017, respectively:

	i -		_	2017
Allowance at beginning of year	\$	12,144,466	\$	16,504,929
Provision for losses on accounts receivable		4,650,202		6,332,912
Write-offs, net of recoveries		(1,783,368)		(10,693,375)
Allowance at end of year	\$	15,011,300	\$	12,144,466

6. Inventories and Supplies

Inventories and supplies as of December 31, 2018 and 2017 consist of

		2017
Sales inventories	\$ 13,029,650	\$ 14,008,925
Supplies: Magazine paper	1,997,175	1,650,439
Fulfillment and promotional materials	6,066,869	9,048,870
Other	967,588	63,664
	22,061,282	24,771,898
Less: obsolescence allowance	1,423,088	1,241,711
	\$ 20,638,194	\$ 23,530,187

7. Property and Equipment

Property and equipment as of December 31, 2018 and 2017 consist of:

		2017
Land	\$ 8,047,523	\$ 8,047,523
Buildings and improvements	68,350,417	66,920,118
Furniture, fixtures and equipment	22,435,445	21,767,111
Construction-in-progress	260,652	342,692
	99,094,037	97,077,444
Less: accumulated depreciation	55,524,614	51,419,767
	\$ 43,569,423	\$ 45,657,677

Construction-in-progress at December 31, 2018 and 2017 consisted of construction improvements at the NRA Whittington Center.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$5,471,656 and \$5,296,918, respectively.

8. Notes Payable and Credit Agreements

At December 31, 2018 and 2017, \$17,680,174 and \$18,787,182, respectively, was payable under a credit agreement with a bank, which expires on October 1, 2019. Under the terms of this agreement, the NRA pays a fixed rate of 6.08%.

This credit agreement incorporates an interest rate swap agreement. This swap agreement is recognized on the statements of financial position in accrued liabilities at its fair value of \$429,922 and \$1,175,704 as of December 31, 2018 and 2017, respectively.

The NRA maintained a \$25,000,000 line of credit agreement which expired on September 27, 2018. Under the terms of this agreement, the NRA made monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.60%. On September 27, 2018, the NRA entered into 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, 2018 and 2017, \$25,458,238 and \$23,333,918 was payable under the different agreements at interest rates of 3.10% and 2.16%, respectively.

On the \$28,000,000 line of credit agreement, the NRA has pledged as collateral \$34,741,486 at December 31, 2018, in cash and investments held in certain custodial accounts by the bank. For the credit agreement, 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 and its consolidated affiliates must maintain minimum cash and investment balances.

The Foundation maintained a \$2,000,000 collateralized line of credit agreement with a bank, secured by cash and securities totaling \$9,640,633 at December 31, 2017. Under the terms of this agreement, for any borrowings, the Foundation would make monthly interest payments on the daily outstanding principal at a variable rate based on the 30-day LIBOR rate, plus 0.70%. The line of credit agreement expired September 30, 2018 and no amounts were outstanding at December 31, 2017.

The aggregate maturities of such required principal payments under the above agreements at December 31, 2018 are as follows:

	\$	43,138,412
2021		25,458,238
2020	,	_
2019	\$	17,680,174
2019	¢	

Interest expense for the years ended December 31, 2018 and 2017. was \$1,590,039 and \$1,585,858, respectively.

9. 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.

		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	s	131,950,765	\$ 1	26,291,052	\$	_	\$	2,254,669
Other investments	•	871,477						
Certificate of deposits held at cost		300,000						
Total investments	\$	133,122,242						
Total investments		100,122,212						
Other assets—multi-strategy mutual funds:								
Deferred compensation plan	\$	2,949,908	s	2,949,908	\$	_	\$	_
Supplemental executive retirement plan	Ψ	1,055,242	•	1,055,242	-			_
Total other assets	\$	4,005,150	\$	4,005,150	\$		\$	
Total other assets	Ψ_	1,000,100		_,,				
Interest rate suren	\$	(429,922)	\$		\$	(429,922)	\$	_
Interest rate swap	Ţ	(2,949,908)	J	_	•	(2,949,908)	•	_
Deferred compensation liability		(1,055,242)		. <u> </u>		(1,055,242)		_
Supplemental executive retirement liability			\$		\$		\$	
Total liabilities	\$	(4,435,072)	<u> </u>		ټ	(1)100,074)	Ψ	

As of December 31, 2017

	Total	Level 1	Level 2	Level 3
Available-for-sale equity securities:				
Consumer discretionary	\$ 592,355	\$ 592,355	\$	\$ -
Consumer staples	715,136	715,136		_
Energy	468,607	468,607	_	_
Financial services	184,930	184,930	_	_
Healthcare	576,707	576,707	_	_
Industrials	542,452	542,452	_	_
Information technology	1,975,910	1,975,910	_	_
International equities	161,581	161,581	-	· _
Materials	2,054,921	2,054,921	_	_
Multi-strategy mutual funds	93,573,701	93,573,701	_	_
Real estate	2,815	2,815		
Stock funds - commodities	1,892,905	1,892,905		_
Telecommunications	149,688	149,688	_	_
Total available-for-sale equity securities:	102,891,708	102,891,708		_
Available-for-sale fixed income securities:		•		
U.S. Treasury securities	5,422,059	5,422,059		_
Corporate bonds ^(a)	5,700,579	5,700,579	· <u> </u>	_
Multi-strategy bond funds	16,539,014	16,539,014	_	_
Mortgage obligations	131,072	131,072		_
Municipal bonds	52,288	52,288	_	
Total available-for-sale fixed income securities	27,845,012	27,845,012	-	_
Alternative investments:				
Multi-strategy fund-of-funds [measured using a net				
asset value per share (or its equivalent) practical expedient]	5,874,330	_	_	_
Split interest agreements	2,390,394	•	_	2,390,394
Money market	2,423,959	2,423,959	_	
Investments at fair value	\$ 141,425,403	\$ 133,160,679	\$ —	\$ 2,390,394
Other investments	647,222			• • • • • • • • • • • • • • • • • • • •
Certificate of deposits held at cost	300,000			
Total investments	\$ 142,372,625			
Other assets—multi-strategy mutual funds:				
Deferred compensation plan	\$ 2,886,533	\$ 2,886,533	\$ —	\$ —
Supplemental executive retirement plan	1,156,982	1,156,982	_	_
Total other assets	\$ 4,043,515	\$ 4,043,515	s –	s –
Interest rate swap	\$ (1,175,704)	s _	\$ (1,175,704)	\$ —
Deferred compensation liability	(2,886,533)	-	(2,886,533)	_
Supplemental executive retirement liability	(1,156,982)	_	(1,156,982)	_
Total liabilities	\$ (5,219,219)	\$ _	\$ (5,219,219)	s –
	. (~,>,>)		<u> </u>	

(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 is 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 is 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.

	2018 Fair Value	2017 Fair Value	Unfunded Commitments	Redemptibn Frequency	Redemption Notice Period
Multi-strategy fund-of-funds (a)	\$ —	\$ 2,408,648	\$ —	quarterly	65 days
Multi-strategy fund-of-funds (b)	3,020,588	3,043,894	_	semi-annually	105 days
Multi-strategy fund (c)	384,456	421,788		daily	1 day
	\$ 3,405,044	\$ 5,874,330	\$ <u>-</u>		

- (a) This class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this class includes investments in long, short equity portfolio funds (investments in emerging markets and multiple sectors), directional macro strategy funds (investments in trade futures, options, futures and foreign exchange contracts, and diversified markets), event driven portfolio funds (investments in risk arbitrage, distressed and special situations, and opportunistic investing), relative value portfolio funds (investments in arbitrage, commodity trading advisors and market neutral strategies), and global asset allocation portfolio funds (investment in currencies, bonds, global equities and equity indices). 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 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.
- (c) This class invests in a managed futures product that pursue multiple strategies to diversify risks and reduce volatility. The multistrategy 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:

	ž		 2017
Split interest agreements, beginning of year	\$	2,390,394	\$ 2,471,868
Distributions received		(16,629)	–
Present value of gifts received		61,079	_
Change in value		(180,175)	(81,474)
Split interest agreements, end of year	\$	2,254,669	\$ 2,390,394

10. Net Assets with Donor Restrictions and Endowment Funds

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

		2017
NRA Foundation	\$ 120,049,854	\$ 114,651,516
Legislative programs	20,476,324	19,195,883
NRA Civil Rights Defense Fund	4,090,641	3,085,842
Firearms & marksmanship training	2,513,071	2,513,071
NRA Special Contribution Fund	1,458,219	1,686,980
NRA Freedom Action Foundation	576,927	1,150,783
Hunting & wildlife conservation	364,639	439,639
Other safety and training programs	1,385,136	2,960,867
Other, passage of time	2,478,213	3,313,816
Total	\$ 153,393,024	\$ 148,998,397

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 proceed 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 donorrestricted 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, 2018 and 2017 are as follows:

	 ithout Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,743,045	\$ 108,558,045	\$ 110,301,090
Interest and dividends, net	56,810	1,295,894	1,352,704
Net depreciation	(185,820)	(6,452,000)	(6,637,820)
Designations and contributions	459,499	3,200,968	3,660,467
Amount appropriated for expenditure	(48,991)	(3,110,943)	(3,159,934)
Other changes	424	(424)	_
Endowment net assets, end of year	\$ 2,024,967	\$ 103,491,540	\$ 105,516,507
Donor-restricted endowments	\$ _	\$ 103,491,540	\$ 103,491,540
Board designated endowment	2,024,967	_	2,024,967
Total endowments	\$ 2,024,967	\$ 103,491,540	\$ 105,516,507

December 31, 2017

	.,	ithout Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$	1,212,649	\$ 98,830,839	\$ 100,043,488
Interest and dividends, net		35,786	2,659,846	2,695,632
Net appreciation		171,091	6,730,016	6,901,107
Designations and contributions		327,396	3,351,112	3,678,508
Amount appropriated for expenditure		(5,873)	(3,011,772)	(3,017,645)
Other changes		1,996	(1,996)	_
Endowment net assets, end of year	\$	1,743,045	\$ 108,558,045	\$ 110,301,090
Donor-restricted endowments	\$	<u> </u>	\$ 108,558,045	\$ 108,558,045
Board designated endowment		1,743,045	_	1,743,045
Total endowments	\$	1,743,045	\$ 108,558,045	\$ 110,301,090

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, 2018 and 2017, were \$2,053,356 and \$396,736, respectively. The deficiencies in the donor-restricted endowment funds at December 31, 2018 and 2017, 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 that have fallen below the level that the donor requires as of December 31, 2018 and 2017, were \$21,058,804 and \$17,735,887, respectively.

The NRA has reclassified \$1,420,647 of underwater endowments, from net assets without donor restrictions to net assets with donor restrictions as of January 1, 2017 to conform with the new standards as required by ASU 2016-14.

11. 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, 2018 and 2017 consist of the following:

	2010	2017
Service cost-benefits earned during the year	\$ 3,344,289	\$ 3,303,061
Interest cost on projected benefit obligation	6,011,108	5,648,941
Return on plan assets	(7,552,421)	(6,244,120)
Recognized net actuarial loss	2,253,340	3,450,270
Net amortization and deferral	1,362,712	98,035
Net periodic benefit cost	5,419,028	6,256,187
Recognized curtailment loss	8,718,656	_
Other changes	(13,645,761)	(6,778,316)
Net recognized curtailment loss and other changes	(4,927,105)	(6,778,316)
Total recognized in statements of activities	\$ 491,923	\$ (522,129)

The following table sets forth the changes in the defined benefit pension plan's funded status and the amount of accrued pension cost: for the plan years ended December 31, 2018 and 2017 (utilizing a measurement date of December 31):

	TT.	2010		2017
Change in benefit obligation:				
Projected benefit obligation				
at beginning of year	\$	147,957,262	\$	137,051,8
Service cost		3,344,289		3,303,0
Interest cost		6,011,108		5,648,9
Actuarial (gain) loss		(13,322,876)		5,519,8
Benefits paid		(6,452,460)		(3,771,8)
Plan amendments		9,309,837		205,3
Plan curtailments		(12,728,696)		
Projected benefit obligation at end of year		134,118,464		147,957,2
Change in plan assets:				
Fair value of plan assets at beginning of year		98,260,092		86,832,5
Actual return on plan assets		(7,878,261)		15,199,3
_ ·		7,600,000		10,117,0
Employer contributions		(6,452,460)		(3,771,8
Benefits paid		(0,432,400)		(3,771,0
Fair value of plan assets at end of year		91,529,371		98,260,0
Accrued pension costs				
reflected in the consolidated				
statements of financial position	_	(40 500 003)	•	(40.607.1
in accrued liabilities	\$	(42,589,093)	\$	(49,697,1
Accumulated benefit obligation	\$	(134,118,464)	\$	(132,178,8
Amounts recognized in net assets without donor restrictions:				
Total net loss	\$	19,611,103	\$	32,485,3
Prior service cost				771,5
Total	\$	19,611,103	\$	33,256,8

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 \$880,576 and \$0, respectively.

The following weighted-average assumptions were used in calculating the above benefit obligations, net periodic benefit cost ar fair value of plan assets at December 31, 2018 and 2017:

		2017
Discount rate used to determine benefit obligation	4.45%	3.90%
Discount rate used to determine net periodic benefit cost	3.90%	4.15%
Rate of compensation increase	4.00%	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 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.

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, 2018 and 2017.

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 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, 2018 and 2017, the fair value and the asset allocation of the NRA's pension plan assets was as follows:

	\$ 91,529,371	100.0%	\$ 98,260,092	100.0%
Cash	547,504	0.6	279,745	0.3
funds/PSAs	35,569,933	38.9	36,014,604	36.7
Multi-strategy fixed income Mutual				
Asset category: Multi-strategy equity Mutual funds/PSAs	\$ 55,411,934	60.5%	\$ 61,965,743	63.0%
			201	7

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, 2019, are \$4,500,000.

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

2019	\$ 6,012,421
2020	\$ 6,246,760
2021	\$ 6,700,276
2022	\$ 6,849,292
2023	\$ 7,182,166
2024 - 2028 (total)	\$ 38,557,012

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 \$2,569,393 and \$2,430,068 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, the NRA had assets relating to the cash surrender values of the whole life insurance policies of \$4,406,082 and \$4,182,192, respectively. At December 31, 2018 and 2017, the NRA had loans against the whole life insurance policies of \$3,535,004 and \$3,535,370, 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 4.20% and 4.25%. The NRA had an accrued postretirement liability of \$278,958 and \$275,795 at December 31, 2018 and 2017, respectively. Deferred compensation expense for the years ended December 31, 2018 and 2017 was \$(30,955) and \$71,973, 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, 2018 and 2017. At December 31, 2018 and 2017, the NRA held assets, and had related obligations, relating to this plan of \$2,949,908 and \$2,886,533, respectively.

The NRA has also established a 457(f) supplemental executive retirement plan for the benefit of certain executives. At December 31, 2018 and 2017, the NRA held assets, and had related obligations, relating to the plan of \$1,055,242 and \$1,156,982, respectively. The NRA incurred deferred compensation expense of \$206,700 for the years ended December 31, 2018 and 2017.

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

12. 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.

The following is a schedule of minimum future rentals on noncancellable operating leases as of December 31, 2018:

Total minimum future rentals	\$ 6,578,923
2024 & Thereafter	2,079,638
2023	913,527
2022	752,222
2021	775,193
2020	878,796
2019	\$ 1,179,547

Total rental income for the years ended December 31, 2018 and 2017 was \$1,357,108 and \$1,255,235, respectively.

13. Commitments and Contingencies

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 2019.

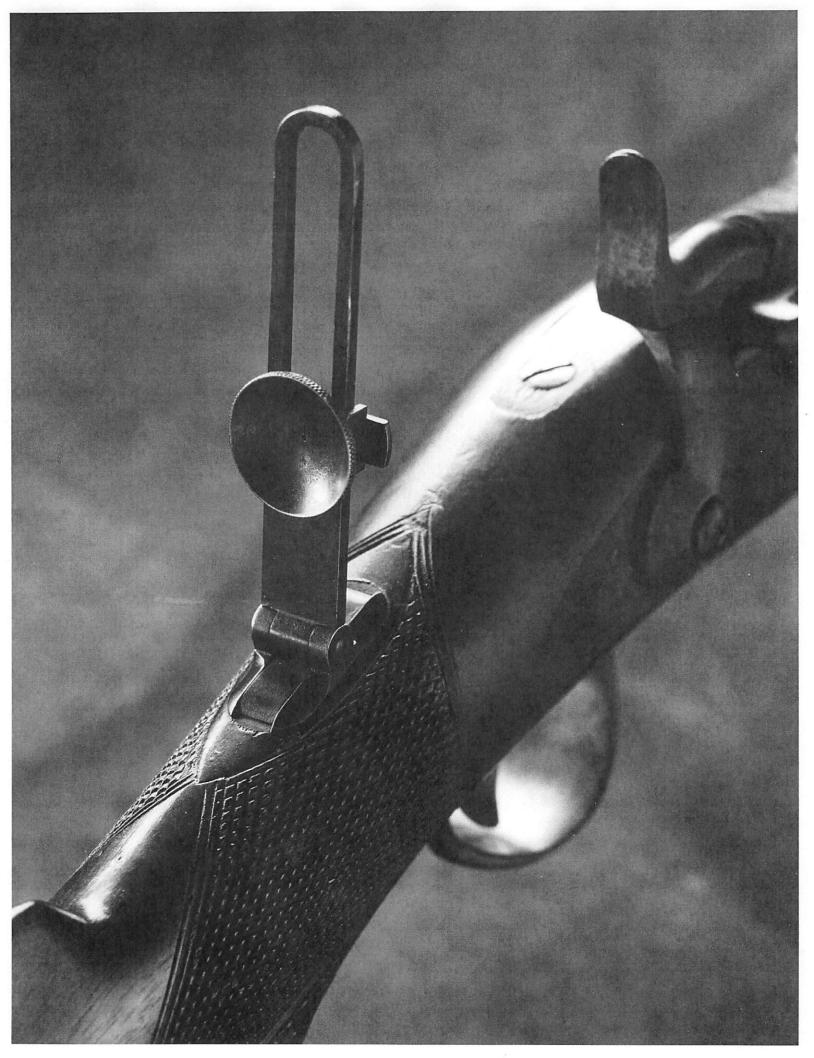
The annual minimum payments related to these obligations as of December 31, 2018 are as follows:

Total minimum payments required	\$ 3,074,876
2022	194,912
2021	458,502
2020	821,277
2019	\$ 1,600,185

Total lease expense for the years ended December 31, 2018 and 2017 was \$1,596,229 and \$1,484,239, respectively.

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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