



NRA Finance Committee Meeting

January 6, 2023

▶ 2022 YTD Performance

- 2022 vs 2021/2022 Budget
- Investment Performance

▶ 2023 Budget (Proposed)

- Assumptions, Risks & Opportunities
- Summary – vs 2022F vs 2021
- By Department
- Capital Expenditures

▶ Finance Actions

- Corporate Insurance

2022 YTD Performance

2022 YTD (November) Performance



Executive Summary:

► **Revenues:** \$186.5M vs \$241.2M (Budget) or -\$54.7M (-23%) vs \$210.3M (2021) or -\$23.9M (-11.3%).

- Membership lower than budget -\$47.4M or -32%
- NRA-ILA lower than budget -\$8.9M or -33%.
- Publications lower than budget -\$1.0M or -5%.
- General Ops lower than budget -\$0.5M or -2%.
- Affinity higher than budget +\$1.2M or +26%.
- Advancement higher than budget +\$1.9M or +19%.

► **Expenses:** \$222.5M vs \$231.8M (Budget) or +\$9.3M (+4.0%) vs \$211.0M (2021) or -\$11.5M (-5.5%).

- Legal is higher than budget +\$16.4M or +47%.
- Publications is higher than budget +\$1.2M or +5%.
- All Other Areas underspent their budgets (-\$27.8M), to fully offset the higher than budget spend performance from above.

Membership/Contribution Performance has continued to experience softness through 2022. The Winter Vision Card Campaign dropped in mid November.

2022 YTD (November) Performance



Account Description	Actual	Budget	PY Actual	Budget Var +Fav/-Unfav	PY Variance +Fav/-Unfav
Revenue					
Foundation Revenue	\$5,979,954	\$5,979,792	\$4,141,492	\$162	\$1,838,462
Membership	102,298,046	149,694,217	130,946,607	(47,396,171)	(28,648,560)
General Operations	23,567,335	24,094,083	14,429,972	(526,748)	9,137,363
Advancement & Field Operations	11,517,731	9,656,763	5,623,777	1,860,968	5,893,954
Publications	18,937,006	19,910,341	19,883,905	(973,335)	(946,899)
ILA Special Programs	18,212,223	27,122,959	30,186,000	(8,910,736)	(11,973,777)
Affinity	5,940,925	4,728,600	5,106,334	1,212,325	834,591
Public Relations	0	0	0	0	0
Total Revenue	\$186,453,220	\$241,186,755	\$210,318,087	(\$54,733,535)	(\$23,864,867)
Expenses					
Membership - 3rd Party/Variable	\$61,725,495	\$69,201,812	\$60,658,057	\$7,476,317	(\$1,067,438)
Membership - Internal Operations	2,259,396	2,977,977	5,801,821	718,581	3,542,425
ILA Costs Reimbursed	8,182,550	10,144,568	7,882,111	1,962,018	(300,439)
ILA Special Programs	19,378,958	24,340,390	26,035,400	4,961,432	6,656,442
General Operations	15,218,208	19,698,462	13,536,223	4,480,254	(1,681,984)
Advancement & Field Operations	6,474,252	9,215,399	6,081,776	2,741,147	(392,476)
Publications	27,141,634	25,948,689	24,263,700	(1,192,945)	(2,877,935)
President Office	107,566	122,882	70,627	15,316	(36,938)
Executive Vice President	3,132,232	3,467,135	2,561,194	334,903	(571,038)
Security	5,608,771	6,564,066	4,046,893	955,295	(1,561,878)
Human Resources	605,109	819,735	506,456	214,626	(98,653)
Treasurer	19,357,472	22,136,404	17,156,924	2,778,932	(2,200,548)
OGC_Secretary	51,376,558	34,994,438	40,470,553	(16,382,120)	(10,906,005)
Affinity	740,216	722,214	695,245	(18,002)	(44,972)
Public Affairs	905,397	1,143,239	850,150	237,842	(55,247)
Public Relations	278,844	262,000	363,985	(16,844)	85,141
Total Expenses	\$222,492,658	\$231,759,410	\$210,981,115	\$9,266,752	(\$11,511,543)
Operating Income/(Loss) b/f Investments	(\$36,039,438)	\$9,427,345	(\$663,028)	(\$45,466,783)	(\$35,376,410)
Capital Expenditures	(\$1,745,900)	(\$3,500,000)	(\$1,448,400)	\$1,754,100	(\$297,500)
Principal Activity - Term Loan	(441,832)	(411,334)	(185,136)	(30,498)	(256,696)
Principal - Line of Credit	23,623,925	(6,700,000)	(4,452,524)	30,323,925	28,076,449
Retirement Plan Funding	0	0	(1,895,600)	0	1,895,600
Other Balance Sheet Activity	17,534,145	0	2,623,108	17,534,145	14,911,037
Excess (Deficiency) of Cash Receipts over Expenditures	\$2,930,900	(\$1,183,989)	(\$6,021,579)	\$4,114,889	\$8,952,480
Investment Activity					
Investment Income	(8,493,553)	2,864,750	5,631,373	(11,358,303)	(14,124,926)
Endowment Revenue	(5,227,648)	1,791,663	2,530,006	(7,019,311)	(7,757,654)
Total Investment Activity	(\$13,721,200)	\$4,656,413	\$8,161,379	(\$18,377,613)	(\$21,882,579)
Operating Income/(Loss)	(\$10,790,300)	\$3,472,424	\$2,139,800	(\$14,262,724)	(\$12,930,100)

Investment Performance Update:

- Investment market valuation was \$72.3 million through November 30, 2022.
- Investment losses were (\$8.5) million through November 30, 2022.
- The NRA long-term portfolio finished down (14.52%) through November 30, 2022.
- During this same period, the blended benchmark (60% equities, 20% fixed income, and 20% alternative investments) was down (12.43%).

2023 Proposed Budget Discussion

Key Assumptions

- ▶ 3% merit pool-effective March 26th 2023; excludes 2022 staff that received promotions or merit increases
- ▶ Fringe rate – 2023B - 35.4% vs 2022B - 30.2% or +5.2%
 - ▶ Required pension plan contribution of \$1.5M, no contribution required in 2022. (+4.4% increase to fringe rate)
 - ▶ Expected increase in benefits costs. (+0.8% increase to fringe rate)
- ▶ Membership revenue growth vs 2022F of +\$23.4M or +21.1%
- ▶ 5.5% return for investment income

Risks:

- ▶ Membership market performance TBD
- ▶ Additional Capex requests \$2M
- ▶ Any legal settlements/outcomes TBD

Opportunities:

- ▶ Membership market performance TBD
- ▶ Any legal settlements/outcomes TBD

2023 Proposed Budget



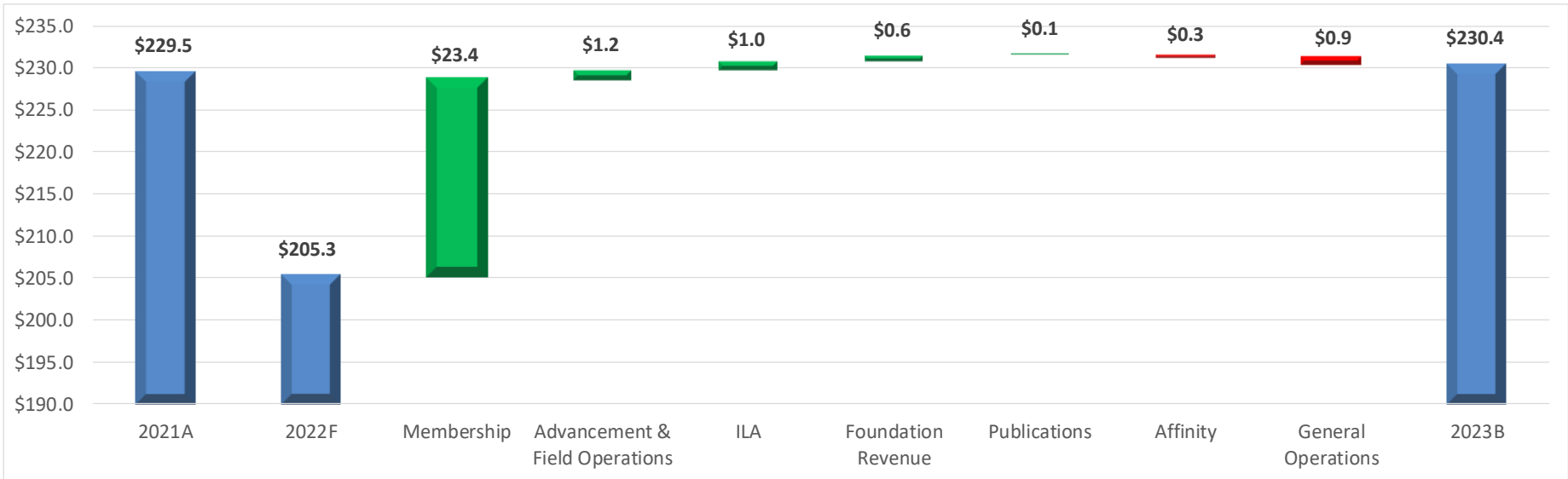
Account Description	Budget 2023	Forecast 2022	Actual 2021	2023B v 2022F +Fav/-Unfav	2023B v 2021A +Fav/-Unfav
Revenue					
Foundation Revenue	\$ 10,000	\$ 9,384	\$ 3,631	\$ 616	\$ 6,369
Membership	134,000	110,608	137,058	23,392	(3,058)
General Operations	23,313	24,216	16,736	(903)	6,578
Advancement & Field Operations	13,971	12,811	8,927	1,160	5,043
Publications	21,301	21,162	22,212	139	(911)
ILA Special Programs	20,699	19,702	32,321	997	(11,622)
Affinity	7,078	7,379	8,596	(301)	(1,518)
Public Relations	-	-	-	-	-
Total Revenue	\$ 230,362	\$ 205,262	\$ 229,481	\$ 25,100	\$ 882
Expenses					
Membership - 3rd Party Support	\$ 61,884	\$ 66,706	\$ 65,876	\$ 4,822	\$ 3,992
Membership - Internal Operations	3,228	2,745	2,372	(483)	(856)
ILA Costs Reimbursed	32,279	30,486	33,034	(1,793)	755
ILA Special Programs	-	-	-	-	-
General Operations	23,269	16,709	16,080	(6,560)	(7,188)
Advancement & Field Operations	9,226	7,335	5,278	(1,890)	(3,947)
Publications	28,699	30,266	27,255	1,567	(1,444)
President Office	123	111	82	(12)	(41)
Executive Vice President	3,136	3,754	2,750	618	(387)
Security	5,938	5,993	4,299	55	(1,639)
Human Resources	963	710	553	(253)	(410)
Treasurer	25,225	21,667	8,606	(3,558)	(16,619)
OGC_Secretary	34,726	53,895	43,415	19,169	8,689
Affinity	835	813	831	(22)	(4)
Public Affairs	1,106	1,036	926	(70)	(180)
Public Relations	309	329	416	20	107
Total Expenses	\$ 230,945	\$ 242,554	\$ 211,772	\$ 11,609	\$ (19,173)
Operating Income/(Loss) b/f Investments	\$ (582)	\$ (37,292)	\$ 17,709	\$ 36,710	\$ 18,291
Capital Expenditures	\$ (1,893)	\$ (1,805)	\$ (1,942)	\$ (88)	\$ (49)
Principal Activity - Term Loan	(412)	(442)	(225)	30	187
Principal - Line of Credit	-	23,624	(8,683)	(23,624)	(8,683)
Retirement Plan Funding	(1,200)	-	(12,706)	(1,200)	(11,506)
Other Balance Sheet Activity	4,087	17,534	(3,277)	(13,447)	(7,364)
Excess (Deficiency) of Cash Receipts over Expenditures	\$ (0)	\$ 1,620	\$ (9,125)	\$ (1,620)	\$ 9,125
Investment Activity					
Investment Income	\$ 2,465	\$ (8,233)	\$ 7,071	\$ 10,698	\$ (4,606)
Endowment Revenue	2,000	(5,019)	3,718	7,019	(1,718)
Total Investment Activity	\$ 4,465	\$ (13,253)	\$ 10,789	\$ 17,718	\$ (6,324)
Operating Income/(Loss)	\$ 4,465	\$ (11,633)	\$ 1,664	\$ 16,098	\$ 2,801

2023 Budget-Revenues



TOTAL REVENUES 2021A, 2022F v 2023B

(in millions)



Account Description	Budget 2023	Forecast 2022	2023B v 2022F +Fav/-Unfav
Revenue			
Foundation Revenue	\$ 10,000	\$ 9,384	\$ 616
Membership	134,000	110,608	23,392
General Operations	23,313	24,216	(903)
Advancement & Field Operations	13,971	12,811	1,160
Publications	21,301	21,162	139
ILA Special Programs	20,699	19,702	997
Affinity	7,078	7,379	(301)
Total Revenue	\$ 230,362	\$ 205,262	\$ 25,100

Comments:

- 1.) Membership: +10.7M New & Renewal, +\$10.7M Contributions and Golden Eagle +\$2.0M
- 2.) ILA Spec Prgm: +\$2.8M investments, -\$1.8M fund raising
- 3.) Advancement: +\$1.2 in planned giving/donor contributions.
- 4.) Foundation: +\$0.6M in planned program activities

2023 Budget - Membership



	Budget 2023	Forecast 2022	Actual 2021	2023B v 2022F +Fav/-Unfav	2023B v 2021A +Fav/-Unfav
MEMBERSHIP					
Revenue	\$ 134,000	\$ 110,608	\$ 137,058	\$ 23,392	\$ (3,058)
3rd Party Expenses	\$ 61,884	\$ 66,706	\$ 65,876	\$ 4,822	\$ (3,992)
Internal Cost	\$ 3,228	\$ 2,745	\$ 2,372	\$ (483)	\$ 856
Net Revenue	\$ 68,888	\$ 41,157	\$ 68,810	\$ 27,731	\$ 79

AFFINITY					
Revenues	\$ 7,078	\$ 7,379	\$ 8,596	\$ (301)	\$ (1,518)
Costs	\$ 835	\$ 813	\$ 831	\$ (22)	\$ 4
Net Revenue	\$ 6,243	\$ 6,567	\$ 7,765	\$ (324)	\$ (1,522)

PERFORMANCE TREND						
AFFINITY	2018	2019	2020	2021	2022F	2023B
Revenues	\$ 11,059	\$ 12,303	\$ 11,001	\$ 8,596	\$ 7,379	\$ 7,078
Costs	\$ 1,387	\$ 2,118	\$ 860	\$ 831	\$ 813	\$ 835
Net Revenue	\$ 9,672	\$ 10,184	\$ 10,141	\$ 7,765	\$ 6,567	\$ 6,243

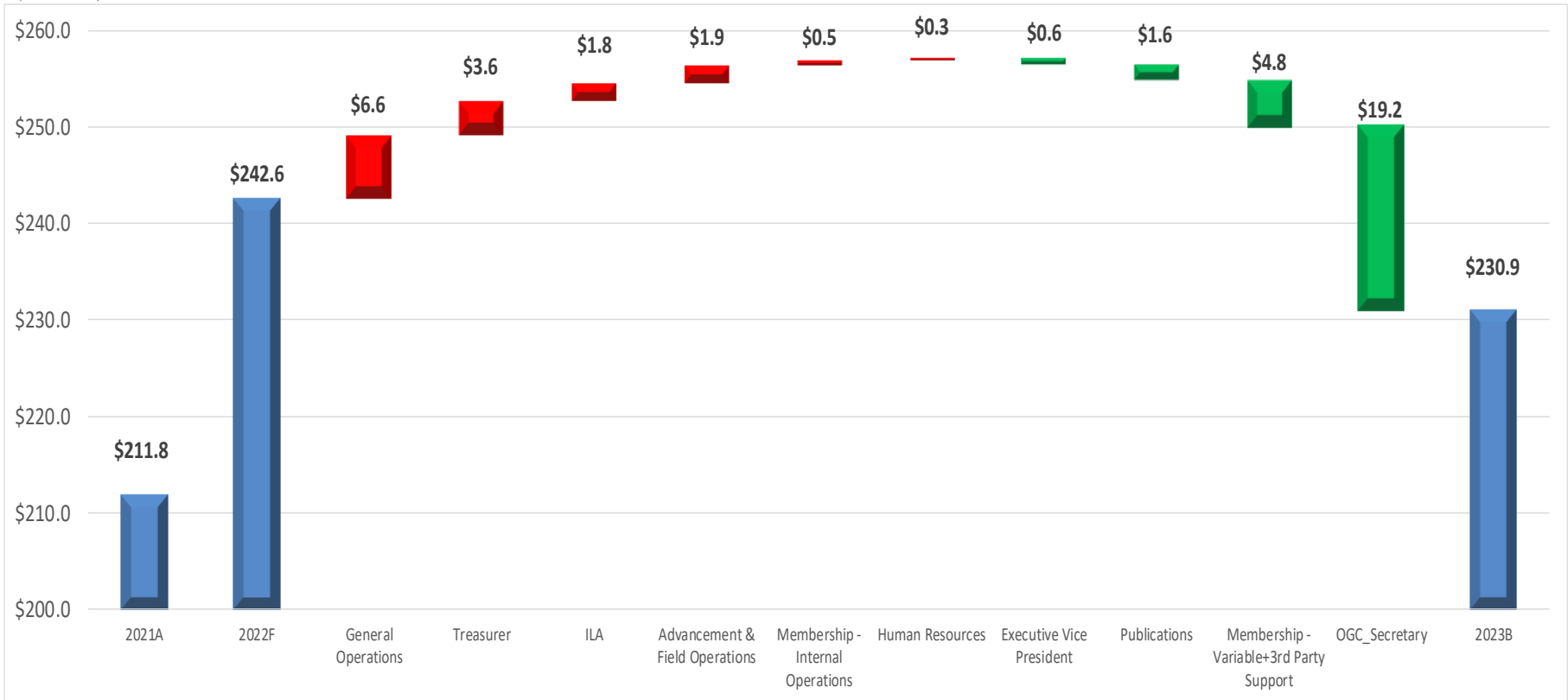
Membership revenue expected to grow by \$23.4M for 2023, while benefiting from the MMP contract adjustment and maintaining the internal operating (non-variable) support structure.

Opportunities: continue to focus membership renewal/new members acquisition to lower costs service methods (e.g.. Web/Digital/Direct Mail).

2023 Budget-Expenses



TOTAL EXPENSES 2021A, 2022F v 2023B
(in millions)



Operational and program related expenses are expected to return based on the abilities to do so in the market. Management will continue to monitor all efforts and make the appropriate adjustments.

2023 Budget-Expenses



Account Description	Budget 2023	Forecast 2022	Actual 2021	2023B v 2022F +Fav/-Unfav	2023B v 2021A +Fav/-Unfav
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Membership - Internal Operations	3,228	2,745	2,372	(483)	(856)
ILA Costs Reimbursed	32,279	30,486	33,034	(1,793)	755
ILA Special Programs	-	-	-	-	-
General Operations	23,269	16,709	16,080	(6,560)	(7,188)
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Public Relations	309	329	416	20	107
Total Expenses	\$ 230,945	\$ 242,554	\$ 211,772	\$ 11,609	\$ (19,173)

Overall, expenses are budgeted to be down 4.8% vs 2022F. We are maintaining cost controls, while phasing in program/events support when and if appropriate under market conditions.

2023 Budget-Cash/Investment Activities



Account Description	Budget 2023	Forecast 2022	Actual 2021	2023B v 2022F +Fav/-Unfav	2023B v 2021A +Fav/-Unfav
Capital Expenditures	\$ (1,893)	\$ (1,805)	\$ (1,942)	\$ (88)	\$ (49)
Principal Activity - Term Loan	(412)	(442)	(225)	30	187
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Endowment Revenue	2,000	(5,019)	3,718	7,019	(1,718)
Total Investment Activity	\$ 4,465	\$ (13,253)	\$ 10,789	\$ 17,718	\$ (6,324)
Operating Income/(Loss)	\$ 4,465	\$ (11,633)	\$ 1,664	\$ 16,098	\$ 2,801

Focused on delivering budget independent of uncontrollable variable (e.g. Investment Returns) while supporting the critical capital needs and maintaining the appropriate cash flow and leverage.

2023 Capital Expenditures



Asset Type/Description	2023		2022		2022		'23 B vs. '22 F Variance
	Count	Budget	Count	Forecast	Count	Budget	
Software & Computer Equipment							
Personal Computers	167	\$ 284.0	50	\$ 66.4	5	\$ 9.9	\$ (217.6)
Laptops	1	2.0	4	3.7	62	129.2	\$ 1.7
iMac / MacBook	7	18.0	7	23.5	28	82.1	\$ 5.5
Tablets / Printers / Monitors	-	-	-	-	17	24.1	\$ -
Applications (CRM, Intranet, Advantage etc.)		5.0		-		196.0	\$ (5.0)
IS Security/VOIP		-		-		-	\$ -
Network Server / Switches / Other		191.5		573.4		712.0	\$ 381.9
Total Software & Computer Equipment	175	\$ 500.5	61	\$ 667.1	127	\$ 1,153.3	\$ 166.6
Office & Other Equipment							
Furniture & Fixtures		\$ -		\$ -		\$ -	\$ -
Cafe Equipment		-		-		-	\$ -
Museum Equipment		-		-		-	\$ -
Security Equipment		-		-		-	\$ -
Competitive Shooting		-		-		-	\$ -
Education & Training/YHEC		-		-		-	\$ -
Auditorium / Conference Rooms		3.0		-		189.0	\$ (3.0)
Exhibit Booths (Local Gun Shows)		-		-		-	\$ -
Other Equipment - Video, Telecomm, Generator		200.5		341.2		-	\$ 140.7
Total Office & Other Equipment		\$ 203.5		\$ 341.2		\$ 189.0	\$ 137.7
Vehicles & Trailers							
Field Staff / Media Relations / Comp / Advance	12	\$ 684.0	13	\$ 661.4	13	\$ 568.0	\$ (22.6)
Total Vehicles & Trailers	12	\$ 684.0	13	\$ 661.4	13	\$ 568.0	\$ (22.6)
Building Improvements							
Tenant/Building Improvements		\$ 505.0		\$ 44.9		\$ 2,000.0	\$ (460.1)
Waples Mill Property		-		90.5		-	\$ 90.5
NRA Range Improvements		-		-		-	\$ -
Total Building Improvements		\$ 505.0		\$ 135.4		\$ 2,000.0	\$ (369.6)
TOTAL		\$ 1,893.0		\$ 1,805.0		\$ 3,910.3	\$ (88.0)

2023 CAPEX Plan contains key operational support/replacement assets.

Finance Actions

Corporate Insurance



Renewal Negotiations (April 1, 2022 – March 31, 2023)

20 policies renewed (incl. the D&O and EPL policies), despite a very tight insurance market.

Highlights:

- The overall renewal premium was relatively flat compared to the previous year.
- The 2022 Annual Meeting and 2022 GAOS Event Cancellation Insurance were renewed at a similar cost. The event cancellation market that has been stable for several years had to remove themselves from working with the NRA. An alternative option was found with better terms and similar pricing.
- Crum & Forster, biBERK and James River continued with their 4th consecutive renewal (General Liability, Property, Auto, Work Comp, Umbrella).
- Worker's Comp insurance was renewed at a significant savings (\$46,000).
- Cyber insurance renewals in the market have been a major challenge. Ransomware claims have become rampant with demands significantly greater. The cyber primary layer of \$5 million was renewed at a 45% increase. The insurance market is delivering up to 400% increases on renewals.
- With the cyber insurance renewal, NRA had to implement a needed change requiring multifactor authentications for all outside networks. This was implemented the week of May 9. The excess cyber insurance market would not consider offering options until this requirement was implemented. In November 2022, an additional \$5 million of cyber liability excess was obtained. The premium is for 4 months until the next renewal cycle.

COVERAGE LINE	22/23 Premium	21/22 Premium	\$ Difference	% Difference
Property	250,461	220,977	29,484	13.3%
Work Comp	90,293	136,712	(46,419)	-34.0%
Business Auto	305,390	313,597	(8,207)	-2.6%
General Liability	380,266	376,443	3,823	1.0%
Umbrella	659,346	651,064	8,282	1.3%
Cyber Liability	143,779	99,554	44,225	44.4%
Cyber Liability Excess	50,000	24,873	25,127	101.0%
Fiduciary Liability	53,362	46,302	7,060	15.2%
Inland Marine (Cargo)	20,000	21,600	(1,600)	-7.4%
Professional Liability	27,735	25,267	2,468	9.8%
Special Crime (K&R)	5,600	5,600	-	0.0%
GAOS Event Cancellation	18,799	-	18,799	100.0%
Annual Meeting Even Cancellation	49,447	45,833	3,614	7.9%
Employed Lawyers	46,138	46,138	-	0.0%
Risk Management Fee	265,000	250,000	15,000	6.0%
Total Coverage Lines	2,365,616	2,263,960	101,656	4.5%

D&O Renewal Negotiations

Highlights:

- The organization was able to renew the D&O insurance coverage for the August 9th, 2022 to August 8th, 2023 period. This renewal was for \$15 million of Side A coverage with the following additional provisions:
 - \$0 deductible
 - Coverage applies only for claims made against directors and officers when NRA does not indemnify (Side A only)
 - Prior acts and known matters are excluded.
- The organization's broker (Lockton) was able to secure this coverage with a premium reduction of \$400,000. Certain excess carriers did not renew. Lockton was successful finding replacements.
- The organization is still moving forward with the full evaluation of a D&O indemnification trust for potential future utilization.

Appendix