SECOND AMENDMENT FOUNDATION

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

for the years ended December 31, 2022 and 2021

GUNNING
STENSON
& PRICE

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees
Second Amendment Foundation
Bellevue, Washington

Qualified Opinion
We have audited the financial statements of Second Amendment Foundation (the "Foundation"), which comprise the Statement of Financial Position as of December 31, 2022 and 2021, and the related Statements of Activities and Comprehensive Changes in Net Assets, Schedule of Expenses and Statement of Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion
As more fully described in the notes to the financial statements, the Foundation's investment in Broadcast Stations and Internet Media Website is accounted for under the cost method, and is carried at $1,527,214, on the balance sheet at December 31, 2022 and 2021. In our opinion accounting principles generally accepted in the United States of America require that the investment in Broadcast Stations and Internet Media Website should be recorded on the Equity method of accounting. The effects of carrying the investment in Broadcast Stations and Internet Media Website on the Cost basis rather than the Equity method of accounting have not been determined.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a year and a day from the day these financial statements were issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Gunning, Stenson & Price, CPA, PS

July 13, 2023
Bellevue, Washington

SECOND AMENDMENT FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash:		
On deposit	$3,615,943	$3,449,100
Undeposited cash receipts	217,838	239,943
Escrow deposit		20,533
Short-term investments	2,609,217	2,606,684
Note receivable from radio station	50,000	50,000
Prepaid expenses and other assets	35,544	35,544
Total current assets	6,528,542	6,401,804
Investment in marketable securities	540,328	708,707
Furniture and equipment, less accumulated depreciation of $322,614 and $319,072 in 2022 and 2021, respectively	3,093	2,352
Right of use asset – operating lease	36,632	
Investment in broadcast stations	1,392,399	1,392,399
Investment in internet media web site	137,815	137,815
Other assets	14,333	14,333
Total assets	$8,653,142	$8,657,410

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable and accrued expenses:		
Trade	$ 548,687	$ 243,199
Affiliates	260,173	229,246
Right of use asset operating lease current liability	7,288	
Total current liabilities	816,148	472,445
Right of use asset operating lease non-current liability	29,344	
Total liabilities	845,492	472,445
Commitments		
Net assets without donor restrictions:		
Accumulated comprehensive income	343,776	512,155
Net assets without donor restrictions	7,463,874	7,672,810
Total net assets without donor restrictions	7,807,650	8,184,965
Total liabilities and net assets without donor restrictions	$8,653,142	$8,657,410

The accompanying notes are an integral part of the financial statements

SECOND AMENDMENT FOUNDATION

STATEMENT OF ACTIVITIES AND
COMPREHENSIVE CHANGES IN NET ASSETS

for the year ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Contributions	$6,687,392	$7,239,216
Program service recovery	100,777	105,909
Subscription and advertising income	1,050	1,370
Interest and dividends	14,988	20,857
Other	1,529	2,348
Total revenues	6,805,736	7,369,700
Expenses:		
Public education	2,812,476	3,741,617
Legal action	3,056,171	1,800,413
Fund raising	925,196	1,023,206
Management, general and administration	220,830	209,305
Total expenses	7,014,673	6,774,541
Change in net assets	(208,937)	595,159
Unrealized gain/(loss) on stock	(168,378)	115,347
Comprehensive change in net assets	(377,315)	710,506
Net assets, beginning of year	8,184,965	7,474,459
Net assets, end of year	$7,807,650	$8,184,965

The accompanying notes are an integral part
of the financial statements

SECOND AMENDMENT FOUNDATION

SCHEDULE OF EXPENSES

for the year ended December 31, 2022

	Public Education	Legal Action	Fund Raising	Management, General and Administrative	Total
Salaries, payroll taxes and employee benefits	$ 273,113	$ 19,786	$ 17,214	$ 65,741	$ 375,854
Printing	305,607		284,152		589,759
Telephone	1,322	1,437	436	180	3,375
Supplies	22,702	24,669	7,468	3,095	57,934
Conferences, conventions and trips	192,144			603	192,747
Professional fees and service contracts	410,872		205,721	82,672	699,265
Legal defense		2,967,157			2,967,157
Publicity and advertising	1,051,465				1,051,465
Postage and shipping	387,881		287,643		675,524
Mailing list	109,519		109,508		219,027
Repairs and maintenance				31,912	31,912
Research	16,273				16,273
Interest and bank charges				11,409	11,409
Rent	39,683	43,122	13,054	5,410	101,269
Book Program	1,855				1,855
Taxes and insurance				2,583	2,583
Depreciation and amortization				3,542	3,542
Miscellaneous	40			13,683	13,723
Total	$2,812,476	$3,056,171	$925,196	$220,830	$7,014,673
Percentage of expenses	40.09%	43.57%	13.19%	3.15	100.00%

The accompanying notes are an integral part of the financial statements

SECOND AMENDMENT FOUNDATION

SCHEDULE OF EXPENSES

for the year ended December 31, 2021

	Public Education	Legal Action	Fund Raising	Management, General and Administrative	Total
Salaries, payroll taxes and employee benefits	$235,827	$ 12,600	$ 5,400	$ 61,212	$ 315,039
Printing	316,180		274,276		590,456
Telephone	1,412	234	386	132	2,164
Supplies	28,859	4,775	7,892	2,696	44,222
Conferences, conventions and trips	75,670			842	76,512
Professional fees and service contracts	336,420		203,216	73,450	613,086
Legal		1,772,668			1,772,668
Depreciation				4,165	4,165
Publicity and advertising	2,026,567				2,026,567
Postage and shipping	484,154		354,891		839,045
Repairs and maintenance				29,578	29,578
Mailing list	160,394		160,393		320,787
Research	8,401				8,401
Interest and bank charges				11,894	11,894
Rent	61,258	10,136	16,752	5,723	93,869
Taxes				5,534	5,534
Miscellaneous	6,475			14,079	20,554
Total	$3,741,617	$1,800,413	$1,023,206	$209,305	$6,774,541
Percentage of expenses	55.23%	26.58%	15.10%	3.09%	100.00%

The accompanying notes are an integral part of the financial statements

SECOND AMENDMENT FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in unrestricted net assets	$ (208,937)	$ 595,159
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	3,542	4,165
Changes in:		
Escrow deposit	20,533	(20,533)
Accounts receivable		17,994
Prepaid expenses and other assets		(32,562)
Accounts payable and accrued expenses	336,415	60,658
Total adjustments	360,490	29,722
Net cash provided by operating activities	151,553	624,881
Cash flows provided by investing activities:		
Additions to Furniture and equipment	(4,282)	
Proceeds from sale of short-term investments	2,941,629	2,687,652
Purchase of short-term investments	(2,944,162)	(2,694,781)
Net cash provided by/(used in) investing activities	(6,815)	(7,129)
Net increase in cash	144,738	617,752
Cash (including undeposited cash receipts):		
Beginning of year	3,689,043	3,071,291
End of year	$ 3,833,781	$ 3,689,043
Cash paid for interest	$ -0-	$ -0-

The accompanying notes are an integral part of the financial statements

1. The Foundation and Significant Accounting Policies:

Second Amendment Foundation (the "Foundation") is a nonprofit organization incorporated in the State of Washington in 1974. The purpose of the Foundation is to engage in activities relating to the Second Amendment of the United States Constitution. These activities include dissemination of information regarding the historical antecedents of the Second Amendment and its contemporary application to American society; fostering research and study of issues related to the Second Amendment; and, as appropriate, appearing as a friend of the court or engaging in test cases in litigation affecting the Second Amendment. Additionally, the Foundation operates the following publications:

TheGunMag.com	- A monthly online magazine devoted to reporting on gun-related issues.
Gottlieb-Tartaro Report	- A monthly newsletter covering current events in the gun rights movement.

Since inception, the Foundation's activities have primarily related to public education concerning the preservation of the individual citizen's right to keep and bear firearms. For the year ended December 31, 2022 and 2021, public education and fund raising have been conducted in conjunction with mail and internet solicitations of contributions.

Investment in Marketable Securities

The Foundation has adopted FASB Accounting Standards Codification 958, Not-for-Profit Entities ("FASC 958"). Under the provisions of FASC 958, the marketable securities are recorded at the fair market value at December 31, 2022 and 2021 and the unrealized gains or losses for the year are recorded in the statement of activities and comprehensive changes in net assets (Note 3). Realized gains and losses, if any, for the year ended December 31, 2022 and 2021 are recorded in Realized (gain)/loss on securities. At December 31, 2022 and 2021 the aggregate cost and market value of the investment in marketable securities are summarized as follows:

	2022	2021
Market Value	$540,328	$708,707
Cost	196,552	196,552
Cumulative unrealized gain	$343,776	$512,155

Cash and Cash Equivalents and Short-Term Investments

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Short-term investments consist of certificate of deposits with original maturities of six months to eighteen months. The Foundation manages deposit concentration risk by placing cash and certificates of deposits with financial institutions believed by management of the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits. To date the Foundation has not experienced losses in any of these accounts. At December 31, 2022 and 2021 the aggregate amount of cash and cash equivalents and certificates of deposit with several banks exceeds the Federally insured limit.

Escrow Deposit

The Foundation was required to deposit $20,533 into an escrow account for potential liability for legal fees. The funds were expended in 2022 and classified in Legal Action.

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Impact of COVID-19

On March 1, 2020 the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. COVID-19 pandemic and government responses are created disruption in global supply chains and adversely impacted many industries. The outbreak could have a continued material adverse impact on investments. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents a potential material uncertainty and risk with respect to The Foundation, its performance and its financial results.

On March 27, 2020 the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. The Foundation did not apply for or take advantage of any of the provisions of the CARES Act or the Payroll Protection Program.

The Foundation will continue to examine the impact that the CARES Act may have on its business. Currently the Foundation is unable to determine the impact that COVID-19 or the CARES Act will have on the financial condition, results of operations or liquidity.

Management Estimates

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

Property, Donated Assets, Depreciation and Amortization

Furniture and equipment, with the exception of donated assets, are stated at cost. Additions and improvements are capitalized; repairs and maintenance are charged to expense. Donated assets, if any, are recognized as income and are capitalized at their estimated fair market values when received. Depreciation is provided by the straight-line method over the estimated useful lives of the properties of three to five years.

The cost and related accumulated depreciation and amortization of assets sold are removed from the accounts and resulting gains or losses, if any, are reflected in other revenues.

Contributions

The Foundation's practice is to record contributions as revenue when collected. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Subscription Income

Income from sales of magazine subscriptions was recognized over the term of the subscription. During the year ended December 31, 2019 the publications ceased to be subscription based. At the discretion of the subscriber, remaining subscription obligations were either refunded or converted to contributions.

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Classification and Recognition of Expenses

The cost of providing various services or activities of the Foundation is reported on a functional basis. Costs that apply to more than one functional purpose are allocated among functions using an appropriate basis. For example, allocations of expenses, such as postage, envelopes, printed material and mailing fees, made to public education and fund raising functions are based upon the content of the material, reasons for the distribution and the audience of the mailing. Other allocation factors include office space occupied, employee time incurred and other pertinent criteria. Fund-raising costs and costs of compiling mailing lists of prospective contributors are expensed as incurred.

Donated Services

No amounts are recorded in the financial statements for donated services for which there is no basis available to measure the value of such services, which includes but is not limited to certain legal services and media advertising. Several volunteers and businesses have donated their time or services to the program services and fund-raising activities of the Foundation. Management of the Foundation estimates that the value of the legal services provided, if the providers had charged their time at standard billing rates for the year ended December 31, 2022 and December 31, 2021 would have been approximately $350,000 and $250,000, respectively, higher than the amount actually paid and recorded on the books of the Foundation for the each year, respectively.

During the year 2022 and 2021, a law firm provided direct and consulting legal services and support services to the Foundation in legal actions in which the Foundation was involved. The law firm provided the Foundation with a summary of the hours and rates for the work. For the year ended December 31, 2022 and 2021, the Foundation recorded a non-cash, provided services contribution of approximately $1,886,400 and $1,181,350, respectively, and a corresponding functional expense for legal action in the same amount.

Income Tax Status

The Foundation is exempt from Federal income tax as a nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements. As a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, contributions to the Foundation may be tax deductible.

The Statement of Financial Position includes only those assets and liabilities which relate to the business of the Foundation. The Statement of Financial Position does not reflect the effects of any benefit or liability for federal income taxes. The Foundation has considered federal or state tax positions taken and has evaluated its tax positions taken for all open tax years. Currently, the 2019, 2020 and 2021 tax years are open and subject to examination by the IRS. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2022 and 2021.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. All of the net assets of the Foundation are assets without donor or governing board restrictions.

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Net Assets With Donor Restrictions – The Foundation has no net assets subject to donor (or certain grantor) restrictions. Donor imposed restrictions can be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions may be perpetual in nature, where donor stipulates that resources be maintained in perpetuity. If the Foundation had any net assets with donor restrictions, the donor imposed restrictions would be released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Guidance:

Not for Profit Entities Presentation of Financial Statements
In August, 2016 the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update 2016-14 "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities" ("ASU 2016-14"). ASU 2016-14 is effective for years beginning after December 31, 2017. With the issuance of ASU 2016-14 FASB has attempted to (1) improve the usefulness of information provided to donors, grantors, creditors and other users of the Foundation's financial statements, (2) reduce complexities or costs for preparers or users of financial statements, or (3) both improve usefulness and reduce complexities or costs.

Under the guidance of ASU 2016-14 the Foundation implemented the following:

1) Adoption of two classes, if any, of net assets, which are Net Assets Without Donor restrictions and Net Assets With Donor Restrictions
2) Presentation on the face of the statement of activities the amount of the change in the two classes, if any, of net assets noted in item 1.
3) Presentation in the financial statements of the functional allocation of expenses.
4) Continued use of the indirect method of reporting of operating cash flows.
5) Enhanced disclosures about governing body designations, if any. A qualitative and quantitative presentation about the Foundation's management of liquid assets and the ability to meet the cash needs for general expenditures within one year of the most recent fiscal year end of December 31.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments
In August 2016, the FASB issued guidance for eight specific cash flow classification issues to reduce diversity in practice. The Foundation adopted the standard effective January 1, 2019.

Statement of Cash Flows: Restricted Cash
In November 2016, the FASB issued a new standard related to the presentation of restricted cash on the statement of cash flows. The new standard requires that restricted cash be combined with the cash and cash equivalents on the statement of cash flows. The Foundation adopted the standard effective January 1, 2019.

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Revenue from Contracts with Customers
In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This update, along with ASU 2016-08, *Revenue from Contracts with Customers* (Topic 606), *Principal versus Agent Consideration (Reporting Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers* (Topic 606) *Identifying Performance Obligations and Licensing,* and ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow Scope Improvements and Practical Expedients*, establishes a comprehensive revenue recognition standard.

The updates require that revenue should be recognized to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services. Additional disclosure is also required to enable financial statement users to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The Foundation adopted these updates (collectively "Topic 606") on January 1, 2019 under the modified retrospective method. There were no contracts as of January 1, 2022 and 2021 to apply Topic 606.

The Foundation opted to apply the practical expedient which allows for application of the Topic 606 guidance to a portfolio of contracts, if any, with similar characteristics. An analysis of all of the various provisions of Topic 606 resulted in no significant changes in the way the Foundation recognizes revenue; however, the presentation and disclosures of revenue has been enhanced. The timing and amount of revenue recognized by the Foundation in the financial statements was not materially impacted by the adoption of Topic 606.

Financial Instruments – Overall
In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10), *Recognition and Measurement of Financial Assets and Financial Liabilities.* The update affects the accounting for equity instruments and financial liabilities. The Foundation adopted ASU 2016-01 and there was no effect on the change in net assets reported at December 31, 2022 and 2021.

Not for Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions
In June 2018, FASB issued ASU 2018-08, *Not for Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. ASU 2018-08 provides guidance to assist in determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. ASU 2018-08 will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The Foundation adopted ASU 2018-08 in 2019 under the modified prospective basis. The adoption of ASU 2018-08 did not impact the financial statements.

Fair Value Measurement – Disclosure Framework
In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.*
ASU 2018-13 modifies certain disclosure requirements in *Topic 820, Fair Value Measurement.* ASU 2018-13 is effective for The Foundation January 1, 2020 and was adopted on that date, but had no impact on the Foundation's financial statements or disclosures.

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Codification Improvements to Topic 326, Financial Instruments

In April 2019, FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* ASU 2019-04 addresses a wide variety of amendments to ASU 2016-13, *Financial Instruments – Overall.* There were no amendments that impacted the Foundation's financial statements, because none of the amendments in ASU 2019-04 apply to assets, liabilities or activities of the Foundation.

Reference Rate Reform

In March 2020, FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The ASU provides guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU only applies to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discounted because of the reference rate reform. The ASU is effective for the Foundation's financial statements as of March 12, 2020 through December 31, 2022. The Foundation has no reference rate assets or liabilities.

Financial Instruments – Credit Losses

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, the Foundation will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. With the issuance of ASU No. 2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, the new standard will be effective for the Foundation beginning January 1, 2022, with early adoption permitted beginning January 1, 2019. The Foundation adopted the standard effective January 1, 2022. Adoption of ASU No. 2018-19 had no impact on the Foundation's financial statements.

Codification Improvements

In October 2020, the FASB issued ASU 2020-10, Codification Improvements which among other things, codifies certain items that were included in Other Presentation Matters section of the Codification in the Disclosure section since an option had been provided to give certain information either on the face of the financial statements or in the notes. ASU 2020-10 was effective for the Foundation January 1, 2022.

Leases

On January 1, 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02 Leases ("Topic 842") ("ASU 2016-02") as amended, using the modified retrospective approach permitted under ASU No 2018-11, Targeted Improvements, collectively Accounting Standards Codification Topic 842 ("ASC 842"). Accordingly, previously reported financial information has not been restated to reflect the application of the new standard to the comparative periods presented. As permitted under the transition guidance in ASC 842, the Foundation has made an accounting policy election to adopt the following package of practical expedients:

a) To not reassess whether expired or existing contracts contain leases;
b) To not reassess lease classification for expired or existing leases;
c) To not reassess any initial direct costs for any existing lease
d) To record short-term lease payments (less than 12 months) in profit and loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred, and;
e) To not prospectively, and upon adoption, separate lease and non-lease components

Continued

1. The Foundation and Significant Accounting Policies, Continued:

Right Of Use ("ROU") assets represent the Foundation's right to use an underlaying asset for the lease term and operating lease liability represents the Foundation's obligation to make lease payments arising from the lease. Upon adoption, the Foundation recognized ROU assets of approximately $38,400 and operating lease liabilities of approximately $38,400 for operating leases.

The Foundation leases equipment under a lease agreement. The Foundation determined if the arrangement was a lease at inception. Amounts related to operating leases are included in Operating Lease – Right of Use assets, net and Short term and Long term Operating lease liabilities in the balance sheet. Operating lease ROU assets are adjusted for lease incentives, if any.

ROU assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term as of the commencement date. Because the Foundation lease provides no explicit or implicit rate of return, the Foundation used the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments on an individual lease basis. The Foundation's incremental borrowing rate for a lease is the rate of interest the Foundation would have to pay on a collateralized basis to borrow an amount equal to the lease payments for the asset under similar terms.

The Foundation lease does not contain any residual value guarantees or material restrictive covenants. Leases with a lease term of 12 months or less are not recorded on the balance sheet and lease expense for those short-term leases are recognized on a straight-line basis over the lease term.

The Foundation monitors events or changes in circumstances that change the timing or amount of future lease payments which results in the remeasurement of a lease liability, with a corresponding adjustment to the ROU asset. ROU assets for operating are periodically reviewed for impairment losses under ASC 360-10, Property, Plant and Equipment, to determine whether or not an ROU asset is impaired.

Not-for-Profit Entities
In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. When adopted, ASU 2020-07 will provide for a framework for presentation and disclosure of contributed nonfinancial assets. The amendments in ASU 2020-07 improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for Not-for-Profit entities, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The Foundation adopted ASU 2020-07 January 1, 2022.

2. Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, and at December 31, 2022 are comprised of the following:

Cash	$3,615,943
Undeposited cash	217,838
Short term investments	2,609,217
Total	$6,442,998

Continued

3. Fair Value of Financial Instruments:

FASB Accounting Standards Codification 825, "Financial Instruments" ("FASC 825") requires disclosure about fair value for all financial instruments whether or not recognized, for financial statement purposes. Disclosure about fair value of financial instruments is based on pertinent information available to management at December 31, 2022. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amount which could be realized on disposition of the financial instruments. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. Management believes that the fair value of cash and cash equivalents, accounts receivable and payable and short term investments approximates carrying value based upon the high liquidity of the instruments.

FASC 825 provides the Foundation with an option to report selected financial assets and liabilities at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management believes that FASC 825 does not have a material effect on the Foundation's financial condition or results of operations. The Foundation did not elect the fair value option as allowed by FASC 825 for its financial assets and liabilities that were not previously carried at fair value. Therefore, material financial assets and liabilities that are not carried at fair value, such as short-term and long-term debt obligations (if any) and trade accounts receivable and payable are still reported at their historical carrying values.

FASB Accounting Standards Codification 820, "Fair Value Measurements and Disclosures" ("FASC 820") defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

The Foundation adopted the methods of measuring fair value described in FASC 820. As defined in FASC 820, fair value is base on the prices 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. In order to increase consistency and comparability in fair value measurements, FASC 820 establishes a three-tier fair value hierarchy that prioritizes the inputs used to measure fair value. These tiers include:

Level 1 – defined as observable inputs such as quoted market prices in active markets
Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable
Level 3 – defined as unobservable inputs for which little or no market data exists, thereby requiring an entity to develop its own assumptions.

At December 31, 2022 and 2021, the Foundation has certain assets that are required to be measured at fair value on a recurring basis. For certain broadcast company and internet media website investments management has determined that those assets should be carried on the books of the Foundation at the cost basis (unless estimated fair value is less than cost) determined as discussed in the following footnotes. All other stock investments (included in Level 1) are recorded at fair value. Management has chosen to disclose the estimated fair value of all investments. The assets and the respective estimated fair values are classified in the table below in one of the three categories of the fair value hierarchy described above.

Continued

3. Fair Value of Financial Instruments, continued:

As of December 31, 2022:

Description	Cost	Fair Value	Level 1	Level 2	Level 3
Available for sale securities	$196,552	$593,360	$593,360		
Radio Station KBNP stock	$730,500	$745,000			$745,000
Radio Station KSBN stock	$234,000	$335,000			$335,000
Radio Station KITZ stock and KGTK stock (owned by KITZ)	$424,899	$440,000			$440,000
Keep and Bear Arms Web stock	$137,815	$137,815			$137,815

As of December 31, 2021:

Description	Cost	Fair Value	Level 1	Level 2	Level 3
Available for sale securities	$196,552	$708,707	$708,707		
Radio Station KBNP stock	$730,500	$750,500			$750,500
Radio Station KSBN stock	$234,000	$340,000			$340,000
Radio Station KITZ stock and KGTK stock (owned by KITZ)	$424,899	$460,000			$460,000
Keep and Bear Arms Web stock	$137,815	$137,815			$137,815

Level 1 – Level 1 inputs consist of the number of shares owned by the Foundation multiplied by the publicly traded market price on December 31.

Level 2 – Level 2 inputs consist of an independent appraisal on the broadcast station used by the Board of Directors (See Note 4) that was done in 2015.

Level 3 - The fair values for all other investments in broadcast properties and web-site (Level 3) could not be determined without incurring excessive costs. The investments represent stock ownership of several broadcast properties including radio stations and a web-site (see Note 4). All of the broadcast properties and web-site stock held by the Foundation is in untraded companies that are privately held. The estimated fair values noted in the table are based on management's experience in the field of broadcasting. Management considered such input values as daytime and nighttime broadcast wattage as provided by FCC regulation, audience size and demographics and potential for upgrade of transmitter and broadcast area, broadcast market and location. Based on the inputs, management estimated the fair values of each of the investments at December 31, 2022 and 2021. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amount which could be realized on disposition of the financial instruments. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

3. Fair Value of Financial Instruments, continued:

Management believes that because of market conditions for broadcast assets at December 31, 2022 the fair value for the Foundation's broadcast assets has changed from the estimated fair value at December 31, 2021. Management believes that the availability of competing broadcast assets for sale in similar markets and a general softening in broadcast media market values have caused them to re-evaluate the fair value of the stations at December 31, 2022 and conclude that the fair value at December 31, 2022 and 2021 is lower than it was at December 31, 2020. Since the Foundation carries the investments in broadcast media on the lower of fair value or cost basis, there is no change in the recorded unrealized gain or loss for the year ended December 31, 2022 and 2021 for the level 3 investments of the Foundation.

4. Investment in Broadcast Stations, Internet Media Web Site and Network:

Radio Stations

KBNP Radio – The Foundation and an affiliated organization each own 50% of KBNP Radio, Inc. stock ("KBNP") (which broadcasts in Portland, Oregon). At December 31, 2008 the Foundation and an affiliated organization each owned 33% and a director owned 34% of KBNP Radio Inc. stock. The investment is accounted for under the cost method. During the year ended December 31, 2008, the Board of Directors of the Foundation approved a purchase of 17% of the 34% ownership of the director. The Board of Directors obtained an appraisal to determine the fair market value of the station in December, 2008. Based on that appraisal, the Board approved a purchase of 17% of the directors 34% ownership at a 20% discount from the appraised value. Simultaneously an affiliated group purchased the other 17% of the directors 34% for the same amount. The purchase for the half of the directors 34% in the amount of $544,000 was paid in April, 2009. The Foundation purchased approximately $40,920 and $37,510 of advertising time on KBNP during 2022 and 2021, respectively.

The Foundation has a Multiple Advance Promissory Note receivable from KBNP Radio, Inc. (the "Borrower"). Under the terms of the note, the Foundation is obligated to advance up to $50,000 to KBNP. Any amount outstanding under the note bears interest at 8% per year from the date advanced until paid. The Borrower agrees to pay principal and interest in full on demand. The Foundation had $50,000 advances outstanding as of December 31, 2022 and at December 31, 2021.

KSBN Radio - The Foundation and an affiliate each own 50% of the stock of KSBN Radio, Inc. ("KSBN") (which broadcasts in Spokane, Washington). The investment is carried on the cost method.

Effective January 1, 2008 the Foundation converted the note receivable to a direct equity investment in the station and removed the accrued interest and related reserve account. The Foundation purchased approximately $30,000 of advertising time from KSBN in 2022 and 2021, respectively.

KITZ Radio - During 1999, the Foundation purchased $40,000 of advertising time on KITZ, a radio station serving the Seattle, Washington market. In exchange for purchasing the advertising, the Foundation also received a 20% ownership interest in the radio station. The advertising time was expensed over the two year term of the contract. The stock acquired in exchange for the advertising is being carried on the books of the Foundation with no cost basis.

4. Investment in Broadcast Stations, Internet Media Web Site and Network, continued:

In December 2000 the Foundation and an affiliate organization purchased all of the outstanding shares (15,000 shares each) of KITZ radio station. The Foundation's portion of the purchase was $238,750. Management of the Foundation believes that the purchase price reflected the distressed nature of KITZ and the existing ownership position of the Foundation at the time of purchase, and is not representative of the fair market value of the station at the date of purchase. An initial payment of $75,000 was made at closing and a non-interest bearing note with a $350,000 face value ($175,000 attributable to the Foundation) was issued for the remainder of the purchase price. In accordance with Generally Accepted Accounting Principles the note was discounted using the Foundation's effective borrowing rate, estimated by management of the Foundation as 8%. The discounted value of the note was $163,750. The investment is carried on the cost basis.

Effective January 1, 2008 the Foundation converted the note receivable from KITZ to a direct equity investment in the station and removed the accrued interest and related reserve account.

In November, 2003 KITZ entered into a purchase agreement to buy the assets of a radio station in Olympia, Washington for $300,000. The purchase was completed in April, 2004 after the approval of the Federal Communication Commission. The call letters of the station were changed to KGTK. The stock was acquired with an initial payment of $100,000 ($50,000 attributable to the Foundation ownership) at closing, and a non-interest bearing note with a $200,000 face value ($100,000 attributable to the Foundation's ownership in KITZ) was issued for the remainder of the purchase price. The note was collateralized by all of the assets, equipment, material and deposits of KGTK and personally guaranteed by the Chairman of the Board of the Foundation. Because the note payable was between KITZ and KGTK, the Foundation did not record a discounted liability on their books. The $100,000 commitment attributable to the Foundation's ownership of KITZ was recorded as a purchase commitment in the full amount at December 31, 2004.The purchase commitment was paid in full in March, 2008.

During 2022 and 2021 the Foundation purchased approximately $60,000 and $72,000 of advertising time in KITZ and KGTK, respectively.

Internet Media Web Site

In September, 2004 the Foundation acquired 50% of the stock of KeepAndBearArms.com ("KABA.com") (a profit corporation). The remaining 50% was purchased by an affiliate of the Foundation. The Foundation's portion of the stock purchase was $150,000. The purchase agreement required an initial down payment of $30,000 and a non interest bearing note with payments of $5,000 a month, for twenty four months. In accordance with Generally Accepted Accounting Principles the note was discounted using the Foundation's effective borrowing rate, estimated by management of the Foundation as 6%. The original discounted value of the note was $112,815. The portion of the stock acquired through the purchase is carried on the cost basis.

Under the terms of the purchase agreement, the Foundation received a $5,000 discount on the purchase price for accelerating the purchase note payments. The $5,000 discount was recorded in the year ended December 31, 2006 as a reduction in the historical cost of the investment. The Foundation did not purchase any advertising time from KABA.com for each of the years ended December 31, 2022 and 2021.

Continued

5. Related-Party Transactions:

Certain members of management of the Foundation are either principal owners or officers of various affiliated organizations that have transactions with the Foundation, and the Foundation is a member of the Service Bureau Association, Inc. (a non-profit co-op). These organizations and the Foundation conduct their operations in adjacent facilities. These organizations and the cost of services provided or goods received in 2022 and 2021 are as follows:

	2022	2021
Data processing, accounting and telemarketing:		
Service Bureau Association, Inc. (a non-profit co-op providing services at cost)	$324,006	$385,443
Coordination of bid process for printing and mailing; list rental:		
Merril Associates (includes pass through payments to other vendors)	$462,338	$491,205

During the years ended December 31, 2022 two family members of an officer were paid a total of approximately $96,700.

6. Commitments:

Leases

The Foundation has an operating lease for equipment. Supplemental information related to the operating lease for the year ended December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flow for operating lease	$1,985
Supplemental non-cash information:	
Right-of-use assets obtained in exchange for new operating lease liabilities	$38,432
Weighted-average remaining lease term of operating lease	4.6 years
Weighted-average discount rate of operating lease	2.0%

Future minimum rent payments under non-cancellable operating lease, due each of the next five years as of December 31, 2022 are as follows:

2023	$ 7,941
2024	7,941
2025	7,941
2026	7,941
2027	6,618
	38,382
Less deferred interest	(1,750)
	$36,633

An affiliate of the Foundation receives benefit from the equipment under lease by the Foundation and has committed to fund a portion of the lease payment for the duration of the lease.

Continued

6. Commitments, continued:

The Foundation entered into an agreement to lease a portion of an office building located in Bellevue, Washington, for its normal business operations from a Trustee. The Foundation along with another nonprofit organization has the right to acquire the land and related buildings at a fair market price should the property be offered for sale in the future. The lease agreement was extended to October, 2008 and the monthly rental at December 31, 2008 was $4,700. After October, 2008 the rent was due on a month-to-month basis at the same rental rate of $4,700 a month, thus making the lease a short-term lease. Effective May 1, 2015 the rent was increased to $4,950 to cover the increase in property taxes on the facility. Effective April 1, 2018 the rent was increased to $5,050 per month. Effective January 1, 2022 the rent was increased to $5,250. Management of the Foundation may negotiate with the Trustee and director for an extension to the lease. The Foundation is responsible for operating costs associated with the property. Rental expense paid by the Foundation was $63,000 and $60,600 in 2022 and 2021, respectively.

The Foundation has a month-to-month agreement for off-site storage and, effective October 1, 2022, a copier rental agreement for approximately $90 a month. Rent expense for the storage facility and copier was approximately $11,980 and $10,600 for 2022 and 2021, respectively.

The Service Bureau Association, Inc (a non-profit co-op), of which the Foundation is a member, has an operating lease for equipment that expired in 2022, and was renewed January 1, 2023 to December 31, 2027. The equipment is used for the benefit of the Foundation and an affiliate, consequently the Foundation has been allocated $122 of the monthly payment obligation. Lease expense for the periods ended December 31, 2022 and 2021 were approximately $1,560 and $1,660, respectively. Future minimum payments for the renewed agreement to be billed by the Service Bureau Association, Inc are estimated to be approximately $1,465 each year, until December 31, 2027. At December 31, 2020 the Foundation had an amount receivable from the affiliate of approximately $18,000 for prior years payments of the total equipment lease, that amount was paid in 2021.

Total rental expense under these non-capitalized operating lease agreements for the years ended December 31, 2022 and 2021 were approximately $76,560 and $72,870, respectively.

7. Subsequent Events:

In May, 2022 the Attorney General of the State of Washington made a formal request for documentation of Second Amendment Foundation, affiliates and related parties and certain providers in connection with assessing Foundation compliance with Washington State Charitable Solicitation rules and regulations. Management hired legal representation to aid with compliance to the request for documentation. The Foundation has incurred approximately $138,000, to date, in legal fees on this investigation and management anticipates it may cost tens or hundreds of thousands of dollars more to comply with this investigation.

The Foundation has hired legal counsel to file a lawsuit against the Washington State Attorney General for abuse of process and violation of the Foundation's civil and constitutional rights. The Foundation hopes to recover both legal fees and damages for this lawsuit. Management believes that the results of the investigation and the Foundation's lawsuit against the Attorney General of the State of Washington will not have a material impact to the Foundation, it's mission, net assets or results of operations.

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 13, 2023, the date that the financial statements were issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements, other than as discussed below.

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