

ROAD RUNNERS CLUB OF AMERICA

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., PC
Certified Public Accountants
Falls Church, Virginia

ROAD RUNNERS CLUB OF AMERICA

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Road Runners Club of America**

We have audited the statements of financial position of the Road Runners Club of America (RRCA), a nonprofit organization, as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the RRCA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Runners Club of America at December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Murray, Jonson, White & Associates, Ltd., P.C.

Certified Public Accountants

May 2, 2011

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ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 587,652	\$ 416,473
Accounts receivable	13,657	1,667
Gift card inventory	-	5,750
Prepaid expenses	2,991	8,159
Loans receivable	<u>9,100</u>	<u>11,200</u>
TOTAL CURRENT ASSETS	<u>613,400</u>	<u>443,249</u>
INVESTMENTS - Note 2	882,897	715,492
PROPERTY AND EQUIPMENT - Net - Note 3	54,717	49,600
DEPOSITS	<u>2,450</u>	<u>2,450</u>
TOTAL ASSETS	<u>\$ 1,553,464</u>	<u>\$ 1,210,791</u>

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 30,156	\$ 41,895
Deferred revenue	<u>639,026</u>	<u>447,675</u>
TOTAL LIABILITIES	<u>669,182</u>	<u>489,570</u>
NET ASSETS		
Unrestricted	485,321	353,768
Board designated	206,370	181,370
Temporarily restricted	182,591	176,083
Permanently restricted	<u>10,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>884,282</u>	<u>721,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,553,464</u>	<u>\$ 1,210,791</u>

The accompanying notes to financial statements are an integral part of this statement.

ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

ROAD RUNNERS CLUB OF AMERICA

STATEMENTS OF ACTIVITIES
For the Years Ended December 31,

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Insurance program	\$ 707,146	\$ -	\$ -	\$ 707,146
Membership dues and fees	418,922	-	-	418,922
Coaching certification	171,410	-	-	171,410
Sponsorships	58,813	15,192	-	74,005
Investment income - Unrealized gain (loss)	46,581	-	-	46,581
Contributions	42,748	52,962	-	95,710
Other income	26,683	-	-	26,683
Investment income - Dividends and interest	20,673	151	-	20,824
Other programs	3,500	-	-	3,500
Publications	3,257	-	-	3,257
Advertising	536	-	-	536
Satisfaction of program restrictions	61,797	(61,797)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,562,066	6,508	-	1,568,574
EXPENSES				
Program services				
Championship events and state programs	95,519	-	-	95,519
Coaching certification	150,922	-	-	150,922
General membership	157,794	-	-	157,794
Insurance program	768,853	-	-	768,853
Kids Run the Nation	60,362	-	-	60,362
Roads Scholars	29,511	-	-	29,511
TOTAL PROGRAM SERVICES	1,262,961	-	-	1,262,961
Support services				
General and administrative	55,698	-	-	55,698
Board services	43,998	-	-	43,998
Fundraising	42,856	-	-	42,856
TOTAL SUPPORT SERVICES	142,552	-	-	142,552
TOTAL EXPENSES	1,405,513	-	-	1,405,513
CHANGE IN NET ASSETS	156,553	6,508	-	163,061
Net assets				
Beginning of year	535,138	176,083	10,000	721,221
NET ASSETS - END OF YEAR	\$ 691,691	\$ 182,591	\$ 10,000	\$ 884,282

The accompanying notes to financial statements are an integral part of this statement.

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 678,019	\$ -	\$ -	\$ 678,019
374,916	-	-	374,916
129,820	-	-	129,820
40,533	-	-	40,533
107,615	-	-	107,615
52,415	56,843	-	109,258
14,558	-	-	14,558
23,463	1,948	-	25,411
2,793	-	-	2,793
2,502	-	-	2,502
2,236	-	-	2,236
<u>75,192</u>	<u>(75,192)</u>	<u>-</u>	<u>-</u>
<u>1,504,062</u>	<u>(16,401)</u>	<u>-</u>	<u>1,487,661</u>
111,721	-	-	111,721
112,125	-	-	112,125
151,976	-	-	151,976
729,989	-	-	729,989
43,258	-	-	43,258
<u>41,017</u>	<u>-</u>	<u>-</u>	<u>41,017</u>
<u>1,190,086</u>	<u>-</u>	<u>-</u>	<u>1,190,086</u>
53,285	-	-	53,285
39,620	-	-	39,620
<u>13,178</u>	<u>-</u>	<u>-</u>	<u>13,178</u>
<u>106,083</u>	<u>-</u>	<u>-</u>	<u>106,083</u>
<u>1,296,169</u>	<u>-</u>	<u>-</u>	<u>1,296,169</u>
207,893	(16,401)	-	191,492
<u>327,245</u>	<u>192,484</u>	<u>10,000</u>	<u>529,729</u>
\$ <u>535,138</u>	\$ <u>176,083</u>	\$ <u>10,000</u>	\$ <u>721,221</u>

ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2010 and 2009

ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2010

Program Services

	Champion- ship Events and State Programs	Coaching Certification	General Membership	Insurance	Kids Run the Nation	Roads Scholars	Total
Salaries and Benefits	\$ 18,680	\$ 14,944	\$ 37,360	\$ 56,038	\$ 28,020	\$ 3,736	\$ 158,778
Payroll Taxes	1,508	1,207	2,262	4,525	2,262	1,056	12,820
Insurance	-	-	-	670,808	-	-	670,808
Direct Expenses	28,667	131,088	61,404	-	3,104	-	224,263
Grants	-	-	9,529	-	15,400	-	24,929
Scholarships	-	-	-	-	-	20,000	20,000
Conferences and Meetings	8,950	-	22,498	-	-	-	31,448
Travel	24,843	-	-	-	-	-	24,843
Office Expenses	6,434	685	6,028	7,876	3,938	1,424	26,385
Credit Card Fees	-	-	8,303	9,224	-	-	17,527
Professional Fees	197	158	296	592	296	138	1,677
Information Technology	-	-	-	5,104	-	-	5,104
Occupancy	3,550	2,840	5,325	10,650	5,325	2,485	30,175
Depreciation	2,690	-	2,690	4,036	2,017	672	12,105
Advertising and Marketing	-	-	2,099	-	-	-	2,099
TOTALS	\$ 95,519	\$ 150,922	\$ 157,794	\$ 768,853	\$ 60,362	\$ 29,511	\$ 1,262,961

The accompanying notes to financial statements are an integral part of this statement.

Support Services

General and Admini- strative	Board Services	Fund Raising	Total	Grand Total
\$ 9,340	\$ 3,737	\$ 14,944	\$ 28,021	\$ 186,799
603	302	1,357	2,262	15,082
1,768	-	-	1,768	672,576
-	-	7,430	7,430	231,693
-	-	-	-	24,929
-	-	-	-	20,000
2,420	2,296	-	4,716	36,164
5,403	33,420	1,634	40,457	65,300
4,828	3,225	4,098	12,151	38,536
-	-	1,948	1,948	19,475
14,663	39	3,778	18,480	20,157
12,707	-	1,701	14,408	19,512
2,109	710	3,195	6,014	36,189
403	269	672	1,344	13,449
<u>1,454</u>	<u>-</u>	<u>2,099</u>	<u>3,553</u>	<u>5,652</u>
<u>\$ 55,698</u>	<u>\$ 43,998</u>	<u>\$ 42,856</u>	<u>\$ 142,552</u>	<u>\$ 1,405,513</u>

ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2009

Program Services

	Champion- ship Events and State Programs	Coaching Certification	General Membership	Insurance	Kids Run the Nation	Roads Scholars	Total
Salaries and Benefits	\$ 34,669	\$ -	\$ 34,668	\$ 52,003	\$ 26,002	\$ 8,667	\$ 156,009
Payroll Taxes	2,664	-	2,664	3,996	1,998	666	11,988
Insurance	-	-	-	648,754	-	-	648,754
Direct Expenses	27,487	112,125	48,514	-	-	-	188,126
Grants	-	-	6,350	-	5,450	-	11,800
Scholarships	-	-	-	-	-	25,000	25,000
Conferences and Meetings	9,100	-	33,503	-	-	1,050	43,653
Travel	24,140	-	-	-	-	2,364	26,504
Office Expenses	5,760	-	15,566	7,764	3,882	1,294	34,266
Credit Card Fees	-	-	2,810	5,619	-	-	8,429
Professional Fees	396	-	396	594	297	99	1,782
Information Ttechnology	-	-	-	-	-	-	-
Occupancy	6,975	-	6,975	10,463	5,231	1,744	31,388
Depreciation	530	-	530	796	398	133	2,387
Advertising and Marketing	-	-	-	-	-	-	-
TOTALS	\$ 111,721	\$ 112,125	\$ 151,976	\$ 729,989	\$ 43,258	\$ 41,017	\$ 1,190,086

The accompanying notes to financial statements are an integral part of this statement.

Support Services

<u>General and Admini- strative</u>	<u>Board Services</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Grand Total</u>
\$ 5,200	\$ 3,467	\$ 8,667	\$ 17,334	\$ 173,343
400	266	666	1,332	13,320
1,946	-	-	1,946	650,700
-	-	-	-	188,126
-	-	-	-	11,800
-	-	-	-	25,000
-	-	-	-	43,653
6,916	32,975	-	39,891	66,395
11,425	2,121	1,869	15,415	49,681
937	-	-	937	9,366
18,188	40	99	18,327	20,109
2,236	-	-	2,236	2,236
1,646	698	1,744	4,088	35,476
79	53	133	265	2,652
<u>4,312</u>	<u>-</u>	<u>-</u>	<u>4,312</u>	<u>4,312</u>
<u>\$ 53,285</u>	<u>\$ 39,620</u>	<u>\$ 13,178</u>	<u>\$ 106,083</u>	<u>\$ 1,296,169</u>

ROAD RUNNERS CLUB OF AMERICA

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 163,061	\$ 191,492
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	13,449	2,652
(Gain) loss on disposals	248	584
Realized and unrealized (gain) loss on investments	(46,581)	(120,866)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(11,990)	(572)
(Increase) decrease in gift card inventory	5,750	(5,750)
(Increase) decrease in prepaid expenses	5,168	(5,643)
(Increase) decrease in loans receivable	2,100	(11,200)
Increase (decrease) in accounts payable and accrued expenses	(11,739)	26,691
Increase (decrease) in deferred revenue	<u>191,351</u>	<u>(166,536)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>310,817</u>	<u>(89,148)</u>
INVESTING ACTIVITIES		
Purchase of investments	(120,824)	(275,182)
Proceeds from the sale of investments	-	263,024
Purchase of property and equipment	<u>(18,814)</u>	<u>(44,450)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(139,638)</u>	<u>(56,608)</u>
Net increase (decrease) in cash and cash equivalents	171,179	(145,756)
Cash and cash equivalents - Beginning of year	<u>416,473</u>	<u>562,229</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>587,652</u>	\$ <u>416,473</u>

Supplemental disclosure of cash flow information

Cash paid during year for:

Income taxes	\$ <u> -</u>	\$ <u> 2,411</u>
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The accompanying notes to financial statements are an integral part of this statement.

ROAD RUNNERS CLUB OF AMERICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Road Runners Club of America (RRCA) is a non-stock, not-for-profit Virginia corporation whose principal purpose is to promote and encourage long distance running as a competitive sport and as a means of healthy exercise. The Organization also provides information on running through newsletters, booklets, clinics, meetings, handbooks, and educational programs, and acts to promote and conduct races and other running activities through its member clubs.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a). Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- (b). Net Assets - Unrestricted net assets include general operating net assets and board designated funds. The board designated funds consist of funds that can be used as determined by the Board. The board designated fund was \$206,370 and \$181,370 at December 31, 2010 and 2009, respectively. Temporarily restricted net assets consist of contributions with donor-imposed purpose restrictions. Temporarily restricted net assets were released from restriction during the years ended December 31, 2010 and 2009 by meeting purpose restrictions imposed by the donor. Permanently restricted net assets consist of contributions with requirements that the principal be invested in perpetuity and only the income expended for designated purposes.
- (c). Contributions - The Organization accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- (d). Income Tax Status - RRCA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). RRCA is required to pay federal and state taxes on net income generated from unrelated business activities. The Organization's unrelated business activities include advertising, sponsorships, member insurance revenues, and royalties. There was no income tax expense for the years ended December 31, 2010 and 2009.

The Organization files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. With few exceptions, the Organization is no longer subject to examinations by tax authorities for years prior to 2008.

- (e). Cash and Cash Equivalents - For purposes of the statement of cash flows the Organization considers substantially all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Short-term, highly liquid investments purchased for its investment accounts and handled by investment managers are treated as investments rather than cash equivalents.
- (f). Accounts Receivable - Receivables are carried at their estimated collectible amounts and are periodically evaluated for collectibility. All accounts receivable at December 31, 2010 and 2009 are considered collectible.

ROAD RUNNERS CLUB OF AMERICA

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

- (g). Investments - All investments in debt and equity securities are carried at fair value, with gains and losses included in a statement of activities. Gains and losses on investments reflected in the accompanying statement of activities include gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments.
- (h). Property and Equipment - Furniture, fixtures, and equipment purchases of \$500 or more are recorded at cost and are depreciated on the straight-line basis over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the remaining term of the office lease.
- (i). Deferred Revenue - Membership dues and certain program revenue received in advance are deferred and recognized as revenue in the year in which they are earned.
- (j). Membership Dues and Fees - Membership dues and fees include an allocable portion of amounts billed to member clubs as insurance program revenues since such revenues are intended to support the exempt purpose programs of RRCA as well as the insurance program costs.
- (k). Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (l). Functional expenses - The cost of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (m). Concentration of Credit Risk - Financial instruments which potentially subject the Organization to concentrations of credit risk consist of a demand deposit account with a high credit quality financial institution. At times, such deposits may be in excess of Federal Deposit Insurance.
- (n). Prior Year Presentation - Certain amounts have been reclassified in the prior year presentation to conform to the current year presentation.

ROAD RUNNERS CLUB OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 2 - INVESTMENTS

Investments are presented in the financial statements at fair value, which is based on quoted market prices as described below:

December 31, 2010

	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 173,770	\$ -	\$ -	\$ 173,770
Equities	110,822	-	-	110,822
Exchange-traded products	233,193	-	-	233,193
Mutual funds	<u>365,112</u>	<u>-</u>	<u>-</u>	<u>365,112</u>
	<u>\$ 882,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 882,897</u>

December 31, 2009

	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 911	\$ -	\$ -	\$ 911
Equities	104,116	-	-	104,116
Exchange-traded products	218,221	-	-	218,221
Mutual funds	<u>392,244</u>	<u>-</u>	<u>-</u>	<u>392,244</u>
	<u>\$ 715,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,492</u>

Investments were recorded at fair value as of December 31, 2010 and 2009 based on the following level of hierarchy. Level 1 inputs include quoted market prices in active markets for identical assets. Level 2 inputs include quoted market prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and or where price quotations vary substantially either over time or among market makers, or where little information is released publicly. Level 3 inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations where there is little, if any, observable market activity for the asset at the measurement date.

Investment management fees of \$4,826 and \$4,562 were netted with investment income for the years ended December 31, 2010 and 2009, respectively.

ROAD RUNNERS CLUB OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 34,716	\$ 29,339
Website and software	<u>50,293</u>	<u>40,725</u>
	<u>85,009</u>	<u>70,064</u>
Less: Accumulated depreciation and amortization	<u>(30,292)</u>	<u>(20,464)</u>
TOTAL	\$ <u>54,717</u>	\$ <u>49,600</u>

NOTE 4 - RETIREMENT PLAN

RRCA has available a 403(b) defined contribution retirement plan for employees who meet specific age and eligibility requirements. Employees may contribute to the plan through elective deferrals of salary up to the limitation specified by the plan. RRCA makes discretionary matching contributions to the plan based on Board approval. RRCA did not make any contributions to the plan during 2010 or 2009.

NOTE 5 - LEASE COMMITMENTS

RRCA is obligated under various operating leases for office space and equipment expiring in 2012 through 2014. Rent expense for the years ended December 31, 2010 and 2009 was \$35,501 and \$34,876, respectively. At December 31, 2010, RRCA was obligated under terms of noncancelable leases for the following minimum lease payments:

2011		\$ 35,939
2012		19,872
2013		3,324
2014		<u>2,493</u>
TOTAL		\$ <u>61,628</u>

NOTE 6 - CONTRIBUTED SERVICES

RRCA receives substantial benefit from donated services provided by members. The value of these donated services has not been reflected in the accompanying financial statements and is not presently determinable.

ROAD RUNNERS CLUB OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 7 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Organization through May 2, 2011, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.