

**ROAD RUNNERS CLUB OF AMERICA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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 accompanying financial statements of Road Runners Club of America (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Road Runners Club of America as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Road Runners Club of America's financial statements, and our report dated March 11, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The statement of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**Certified Public Accountants**

March 24, 2015

**ROAD RUNNERS CLUB OF AMERICA**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014**  
**With Comparative Totals at December 31, 2013**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,007,987	\$ 1,088,357
Accounts receivable	16,563	31,421
Prepaid expenses	17,348	16,764
Loans receivable - Note 2	<u>-</u>	<u>8,800</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,041,898</b>	<b>1,145,342</b>
INVESTMENTS - Note 3	1,384,959	1,077,569
PROPERTY AND EQUIPMENT - Net - Note 4	25,487	29,649
DEPOSITS	<u>4,738</u>	<u>2,450</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,457,082</u></b>	<b>\$ <u>2,255,010</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
	<u>2014</u>	<u>2013</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 43,581	\$ 61,368
Deferred revenue	1,016,455	945,250
Deferred rent - Note 6	<u>9,056</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,069,092</u></b>	<b><u>1,006,618</u></b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	886,381	734,329
Board designated	<u>406,370</u>	<u>406,370</u>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>1,292,751</b>	<b>1,140,699</b>
Temporarily restricted	85,239	97,693
Permanently restricted	<u>10,000</u>	<u>10,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,387,990</u></b>	<b><u>1,248,392</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,457,082</u></b>	<b>\$ <u>2,255,010</u></b>

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

## ROAD RUNNERS CLUB OF AMERICA

### STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2014

With Summarized Totals for the Year Ended December 31, 2013

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Insurance program	\$ 1,589,789	\$ -	\$ -	\$ 1,589,789	\$ 1,335,075
Membership dues and fees	587,476	-	-	587,476	555,157
Coaching certification	412,381	-	-	412,381	347,630
Contributions	106,687	69,042	-	175,729	190,210
Investment income - Realized and unrealized gain (loss)	76,723	-	-	76,723	60,516
Investment income - Dividends and interest	37,237	150	-	37,387	40,624
Sponsorships	61,943	-	-	61,943	39,229
Other income	17,776	-	-	17,776	18,125
Other programs	10,828	-	-	10,828	4,450
Publications	5,406	-	-	5,406	2,511
Advertising	550	-	-	550	500
Satisfaction of program restrictions	<u>81,646</u>	<u>(81,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>2,988,442</u>	<u>(12,454)</u>	<u>-</u>	<u>2,975,988</u>	<u>2,594,027</u>
<b>EXPENSES</b>					
Program services					
Championship events and state programs	158,426	-	-	158,426	160,825
Coaching certification	335,981	-	-	335,981	280,164
General programs	265,246	-	-	265,246	236,807
Insurance program	1,675,324	-	-	1,675,324	1,350,574
Kids Run the Nation	67,253	-	-	67,253	70,410
RunPro and Roads Scholars	<u>104,623</u>	<u>-</u>	<u>-</u>	<u>104,623</u>	<u>94,290</u>
TOTAL PROGRAM SERVICES	<u>2,606,853</u>	<u>-</u>	<u>-</u>	<u>2,606,853</u>	<u>2,193,070</u>
Support services					
General and administrative	110,010	-	-	110,010	102,117
Board services	44,638	-	-	44,638	41,531
Fundraising	<u>74,889</u>	<u>-</u>	<u>-</u>	<u>74,889</u>	<u>66,877</u>
TOTAL SUPPORT SERVICES	<u>229,537</u>	<u>-</u>	<u>-</u>	<u>229,537</u>	<u>210,525</u>
TOTAL EXPENSES	<u>2,836,390</u>	<u>-</u>	<u>-</u>	<u>2,836,390</u>	<u>2,403,595</u>
CHANGE IN NET ASSETS	152,052	(12,454)	-	139,598	190,432
Net assets					
Beginning of year	<u>1,140,699</u>	<u>97,693</u>	<u>10,000</u>	<u>1,248,392</u>	<u>1,057,960</u>
NET ASSETS - END OF YEAR	\$ <u>1,292,751</u>	\$ <u>85,239</u>	\$ <u>10,000</u>	\$ <u>1,387,990</u>	\$ <u>1,248,392</u>

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

**ROAD RUNNERS CLUB OF AMERICA**

**STATEMENTS OF CASH FLOWS**

**For the Year Ended December 31, 2014**

**With Comparative Totals for the Year Ended December 31, 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 139,598	\$ 190,432
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	15,934	16,053
Realized and unrealized (gain) loss on investments	(76,723)	(60,516)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	14,858	(3,746)
(Increase) decrease in prepaid expenses	(584)	(6,449)
(Increase) decrease in loans receivable	8,800	3,900
(Increase) decrease in deposits	(2,288)	-
Increase (decrease) in accounts payable and accrued expenses	(17,787)	25,657
Increase (decrease) in deferred rent	9,056	-
Increase (decrease) in deferred revenue	<u>71,205</u>	<u>293,011</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>162,069</u>	 <u>458,342</u>
 <b>INVESTING ACTIVITIES</b>		
Purchase of investments	(329,668)	(279,869)
Proceeds from the sale of investments	99,001	245,702
Purchase of property and equipment	<u>(11,772)</u>	<u>-</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(242,439)</u>	 <u>(34,167)</u>
 Net increase (decrease) in cash and cash equivalents	 (80,370)	 424,175
Cash and cash equivalents - Beginning of year	<u>1,088,357</u>	<u>664,182</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ <u>1,007,987</u>	 \$ <u>1,088,357</u>

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 \$406,370 at December 31, 2014. Temporarily restricted net assets consist of contributions with donor-imposed purpose restrictions. Temporarily restricted net assets were released from restriction during the year ended December 31, 2014 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 year ended December 31, 2014.

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 2011.

- (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 collectability. All accounts receivable at December 31, 2014 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 the 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). Advertising - Advertising costs are charged to operations when incurred. Advertising costs for the year ended December 31, 2014 were \$112,053.
- (l). Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.
- (m). 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.

#### NOTE 2 - LOANS RECEIVABLE

Prior to 2014, RRCA sponsored a program which provided interest free loans to qualifying nonprofit member clubs to assist with purchasing of equipment. In 2014, RRCA discontinued this program. There are no loans receivable from members clubs as of December 31, 2014.

#### NOTE 3 - INVESTMENTS

Investments were recorded at fair value as of December 31, 2014 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 publically. 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.

ROAD RUNNERS CLUB OF AMERICA

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 3 - INVESTMENTS - Continued

Investments are presented in the financial statements at fair value, which is based on quoted market prices as described below as of December 31,:

	<u>2014</u>
	<b>Quoted Prices in Markets for Identical Assets (Level 1)</b>
Cash and Cash Equivalents	\$ 306,424
Equities - Healthcare/Pharmaceuticals	194,924
Equities - Consumer Defensive	108,975
Equities - Energy	38,668
Equities - Utilities	58,088
Equities - Technology	59,496
Equities - Financial Services	78,647
Equities - REIT	58,474
International Mutual Funds	49,369
Growth Mutual Funds	156,541
Value Mutual Funds	72,948
Global Bonds Funds	33,615
International Stock Index	38,611
Preferred Stock Index	21,293
Treasury Securities Index	108,886
	<hr/>
	\$ <u>1,384,959</u>

Investments are valued at closing prices reported on the active market on which the individual investment is traded.

Investment management fees of \$6,101 were included in office expenses at December 31, 2014.

**ROAD RUNNERS CLUB OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	<u>2014</u>
Furniture and Equipment	\$ 43,513
Certification Courses	34,248
Website and Software	<u>11,275</u>
	89,036
Less: Accumulated Depreciation and Amortization	<u>(63,549)</u>
TOTAL	\$ <u>25,487</u>

**NOTE 5 - 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 contributed \$8,081 in matching contributions for 2014.

**NOTE 6 - LEASE COMMITMENTS**

RRCA is obligated under various operating leases for office space and equipment through 2019. The office leases include a 3% annual escalation. Rent expense for noncancelable leases for the year ended December 31, 2014 was \$73,362. At December 31, 2014, RRCA was obligated under terms of noncancelable leases for the following minimum lease payments:

2015	\$ 65,712
2016	67,619
2017	69,028
2018	72,865
2019	<u>13,544</u>
TOTAL	\$ <u>288,768</u>

Deferred rent is the difference in the amount recorded as rent expense and amount paid. The difference is the result of recognizing rent expense using the straight-line method over the life of the lease. Deferred rent for the year ended December 31, 2014 was \$9,056.

**ROAD RUNNERS CLUB OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**NOTE 7 - 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.

During the year ended December 31, 2014 RRCA recorded donated services and in-kind contributions valued at \$79,192, to promote and attend RRCA events and to provide prizes for championship events.

**NOTE 8 - COMPARATIVE FINANCIAL INFORMATION**

The statement of activities is presented with prior year financial information in total, which does not include net asset class detail. In addition, the statement of functional expenses is presented with prior year financial information in total, which does not include functional expense detail. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Road Runners Club of America's 2013 financial statements, from which the summarized information was derived.

**NOTE 9 - 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 RRCA through March 24, 2015 the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

**ROAD RUNNERS CLUB OF AMERICA**

**SUPPLEMENTARY INFORMATION -  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2014**

**With Summarized Totals for the Year Ended December 31, 2013**

	Program Services							Support				2014	2013
	Champion- ship Events and State Programs	Coaching Certification	General Programs	Insurance Program	Kids Run the Nation	RunPro & Roads Scholars	Total	General and Admini- strative	Board Services	Fund Raising	Total	Grand Total	Grand Total
Salaries and Benefits	\$ 45,521	\$ 45,521	\$ 60,695	\$ 91,043	\$ 15,174	\$ 15,174	\$ 273,128	\$ 9,104	\$ 6,070	\$ 15,174	\$ 30,348	\$ 303,476	\$ 237,514
Payroll Taxes	3,456	3,456	4,608	6,912	1,152	1,152	20,736	691	461	1,152	2,304	23,040	20,025
Insurance	-	-	-	1,538,079	-	-	1,538,079	2,114	-	-	2,114	1,540,193	1,243,647
Direct Expenses	31,598	262,744	46,851	-	6,716	24,580	372,489	-	-	11,901	11,901	384,390	348,428
Grants	-	-	19,811	-	21,000	-	40,811	-	-	-	-	40,811	39,261
Scholarships	-	-	-	-	-	41,835	41,835	-	-	-	-	41,835	35,000
Conferences and Meetings	14,250	-	59,618	-	-	-	73,868	4,325	2,857	-	7,182	81,050	90,357
Travel	24,078	-	-	-	-	-	24,078	14,220	32,329	4,067	50,616	74,694	69,583
Office Expenses	9,113	3,850	4,992	5,243	2,543	1,214	26,955	19,893	598	5,379	25,870	52,825	58,895
Credit Card Fees	-	-	-	-	-	-	-	20,236	-	13,490	33,726	33,726	52,112
Professional Fees	369	369	493	739	123	123	2,216	19,162	49	3,918	23,129	25,345	24,653
Information Technology	2,790	5,580	5,580	8,370	1,395	1,395	25,110	837	558	1,395	2,790	27,900	31,289
Occupancy	10,477	10,477	13,970	20,954	3,492	3,492	62,862	3,567	1,397	3,492	8,456	71,318	39,882
Depreciation	1,594	3,984	3,984	3,984	478	478	14,502	476	319	637	1,432	15,934	16,053
Bad Debts	-	-	-	-	-	-	-	7,800	-	-	7,800	7,800	-
Advertising and Marketing	15,180	-	44,644	-	15,180	15,180	90,184	7,585	-	14,284	21,869	112,053	96,896
<b>TOTALS</b>	<b>\$ 158,426</b>	<b>\$ 335,981</b>	<b>\$ 265,246</b>	<b>\$ 1,675,324</b>	<b>\$ 67,253</b>	<b>\$ 104,623</b>	<b>\$ 2,606,853</b>	<b>\$ 110,010</b>	<b>\$ 44,638</b>	<b>\$ 74,889</b>	<b>\$ 229,537</b>	<b>\$ 2,836,390</b>	<b>\$ 2,403,595</b>