

ROAD RUNNERS CLUB OF AMERICA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

ROAD RUNNERS CLUB OF AMERICA

TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| Independent Auditors' Report | 1-2 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6-10 |
| Supplementary Information – Statement of Functional Expenses | 11 |



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, 2015, 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, 2015, 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 24, 2015, 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, 2014, 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 8, 2016

ROAD RUNNERS CLUB OF AMERICA
STATEMENTS OF FINANCIAL POSITION
December 31, 2015
With Comparative Totals at December 31, 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 941,701 | \$ 1,007,987 |
| Accounts receivable | 7,873 | 16,563 |
| Prepaid expenses | 15,113 | 17,348 |
| Club Running advance - Note 2 | <u>35,592</u> | <u>-</u> |
| TOTAL CURRENT ASSETS | 1,000,279 | 1,041,898 |
| INVESTMENTS - Note 3 | 1,392,353 | 1,384,959 |
| PROPERTY AND EQUIPMENT - Net - Note 4 | 73,301 | 25,487 |
| DEPOSITS | <u>4,738</u> | <u>4,738</u> |
| TOTAL ASSETS | \$ <u>2,470,671</u> | \$ <u>2,457,082</u> |
| LIABILITIES AND NET ASSETS | | |
| | <u>2015</u> | <u>2014</u> |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 44,385 | \$ 43,581 |
| Deferred revenue | 1,049,646 | 1,016,455 |
| Deferred rent - Note 6 | <u>9,599</u> | <u>9,056</u> |
| TOTAL LIABILITIES | <u>1,103,630</u> | <u>1,069,092</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 903,669 | 886,381 |
| Board designated | <u>406,370</u> | <u>406,370</u> |
| TOTAL UNRESTRICTED NET ASSETS | 1,310,039 | 1,292,751 |
| Temporarily restricted | 47,002 | 85,239 |
| Permanently restricted | <u>10,000</u> | <u>10,000</u> |
| TOTAL NET ASSETS | <u>1,367,041</u> | <u>1,387,990</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>2,470,671</u> | \$ <u>2,457,082</u> |

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, 2015

With Summarized Totals for the Year Ended December 31, 2014

| | 2015 | | | | 2014 |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | |
| Insurance program | \$ 1,669,862 | \$ - | \$ - | \$ 1,669,862 | \$ 1,589,789 |
| Membership dues and fees | 615,645 | - | - | 615,645 | 587,476 |
| Coaching certification | 436,808 | - | - | 436,808 | 412,381 |
| Contributions | 107,113 | 87,492 | - | 194,605 | 175,729 |
| Investment income - Realized and unrealized gain (loss) | (21,753) | - | - | (21,753) | 76,723 |
| Investment income - Dividends and interest | 36,421 | 150 | - | 36,571 | 37,387 |
| Sponsorships | 57,308 | - | - | 57,308 | 61,943 |
| Other income | 21,562 | - | - | 21,562 | 17,776 |
| Other programs | 1,750 | - | - | 1,750 | 10,828 |
| Publications | 4,002 | - | - | 4,002 | 5,406 |
| Advertising | - | - | - | - | 550 |
| Satisfaction of program restrictions | <u>125,879</u> | <u>(125,879)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | <u>3,054,597</u> | <u>(38,237)</u> | <u>-</u> | <u>3,016,360</u> | <u>2,975,988</u> |
| EXPENSES | | | | | |
| Program services | | | | | |
| Championship events and state programs | 199,425 | - | - | 199,425 | 158,426 |
| Coaching certification | 371,370 | - | - | 371,370 | 335,981 |
| General programs | 234,144 | - | - | 234,144 | 265,246 |
| Insurance program | 1,779,237 | - | - | 1,779,237 | 1,675,324 |
| Kids Run the Nation | 76,722 | - | - | 76,722 | 67,253 |
| RunPro and Roads Scholars | <u>154,919</u> | <u>-</u> | <u>-</u> | <u>154,919</u> | <u>104,623</u> |
| TOTAL PROGRAM SERVICES | <u>2,815,817</u> | <u>-</u> | <u>-</u> | <u>2,815,817</u> | <u>2,606,853</u> |
| Support services | | | | | |
| General and administrative | 100,922 | - | - | 100,922 | 110,010 |
| Board services | 43,007 | - | - | 43,007 | 44,638 |
| Fundraising | <u>77,563</u> | <u>-</u> | <u>-</u> | <u>77,563</u> | <u>74,889</u> |
| TOTAL SUPPORT SERVICES | <u>221,492</u> | <u>-</u> | <u>-</u> | <u>221,492</u> | <u>229,537</u> |
| TOTAL EXPENSES | <u>3,037,309</u> | <u>-</u> | <u>-</u> | <u>3,037,309</u> | <u>2,836,390</u> |
| CHANGE IN NET ASSETS | 17,288 | (38,237) | - | (20,949) | 139,598 |
| Net assets | | | | | |
| Beginning 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> |
| NET ASSETS - END OF YEAR | \$ <u>1,310,039</u> | \$ <u>47,002</u> | \$ <u>10,000</u> | \$ <u>1,367,041</u> | \$ <u>1,387,990</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, 2015

With Comparative Totals for the Year Ended December 31, 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (20,949) | \$ 139,598 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 16,148 | 15,934 |
| Realized and unrealized (gain) loss on investments | 21,753 | (76,723) |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in accounts receivable | 8,690 | 14,858 |
| (Increase) decrease in prepaid expenses | 2,235 | (584) |
| (Increase) decrease in loans receivable | - | 8,800 |
| (Increase) decrease in Club Running advance | (35,592) | - |
| (Increase) decrease in deposits | - | (2,288) |
| Increase (decrease) in accounts payable and accrued expenses | 804 | (17,787) |
| Increase (decrease) in deferred rent | 543 | 9,056 |
| Increase (decrease) in deferred revenue | <u>33,191</u> | <u>71,205</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>26,823</u> | <u>162,069</u> |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (581,945) | (329,668) |
| Proceeds from the sale of investments | 552,798 | 99,001 |
| Purchase of property and equipment | <u>(63,962)</u> | <u>(11,772)</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(93,109)</u> | <u>(242,439)</u> |
| Net increase (decrease) in cash and cash equivalents | (66,286) | (80,370) |
| Cash and cash equivalents - Beginning of year | <u>1,007,987</u> | <u>1,088,357</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ <u>941,701</u> | \$ <u>1,007,987</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, 2015. 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, 2015 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, 2015.

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 2012.

- (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, 2015 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, 2015 were \$85,549.
- (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 - CLUB RUNNING ADVANCE

The RRCA advanced funds to cover the cost of publishing and distributing *Club Running* magazine in 2015. Through their relationship with co-publisher Fortius Media Group, these funds are expected to be repaid by Fortius Media Group during 2016.

ROAD RUNNERS CLUB OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

NOTE 3 - INVESTMENTS

Investments were recorded at fair value as of December 31, 2015 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. There were no level 2 or level 3 assets at December 31, 2015. 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>2015</u> |
|---------------------------|--|
| | Quoted Prices in Markets for Identical Assets (Level 1) |
| | <hr/> |
| Cash and Cash Equivalents | \$ 294,518 |
| Equities | 557,916 |
| Bond Mutual Funds | 251,481 |
| Equity Mutual Funds | 175,992 |
| Exchange -Traded Products | 112,446 |
| | <hr/> |
| | \$ <u>1,392,353</u> |

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

Investment management fees of \$6,904 were included in office expenses at December 31, 2015.

NOTE 4 - PROPERTY AND EQUIPMENT

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

| | <u>2015</u> |
|---|--------------------|
| Furniture and Equipment | \$ 54,106 |
| Certification Courses | 38,248 |
| Website and Software | <u>58,525</u> |
| | 150,879 |
| Less: Accumulated Depreciation and Amortization | <u>(77,578)</u> |
| TOTAL | \$ <u>73,301</u> |

Depreciation and amortization expense was \$16,148 for the years ended December 31, 2015.

ROAD RUNNERS CLUB OF AMERICA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$9,043 in matching contributions for 2015.

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, 2015 was \$72,028. At December 31, 2015, RRCA was obligated under terms of noncancelable leases for the following minimum lease payments:

| | |
|-------|-------------------|
| 2016 | \$ 67,619 |
| 2017 | 69,028 |
| 2018 | 72,865 |
| 2019 | <u>13,544</u> |
| TOTAL | \$ <u>223,056</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.

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, 2015 RRCA recorded donated services and in-kind contributions valued at \$59,666, 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 2014 financial statements, from which the summarized information was derived.

ROAD RUNNERS CLUB OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

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 8, 2016 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, 2015
With Summarized Totals for the Year Ended December 31, 2014

| | Program Services | | | | | | | Support | | | | 2015 | 2014 |
|------------------------------|---|---------------------------|---------------------|----------------------|---------------------------|-------------------------------|---------------------|---------------------------------------|-------------------|------------------|-------------------|---------------------|---------------------|
| | 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 | \$ 68,142 | \$ 51,107 | \$ 51,107 | \$ 102,213 | \$ 17,036 | \$ 17,036 | \$ 306,641 | \$ 10,221 | \$ 6,815 | \$ 17,036 | \$ 34,072 | \$ 340,713 | \$ 303,476 |
| Payroll Taxes | 5,486 | 4,115 | 4,115 | 8,230 | 1,372 | 1,372 | 24,690 | 823 | 549 | 1,372 | 2,744 | 27,434 | 23,040 |
| Insurance | - | - | - | 1,621,671 | - | - | 1,621,671 | 2,280 | - | - | 2,280 | 1,623,951 | 1,540,193 |
| Direct Expenses | 38,284 | 287,571 | 39,601 | - | 5,091 | 46,054 | 416,601 | - | - | 18,858 | 18,858 | 435,459 | 384,390 |
| Grants | - | - | 35,386 | - | 22,760 | - | 58,146 | - | - | - | - | 58,146 | 40,811 |
| Scholarships | - | - | - | - | - | 67,733 | 67,733 | - | - | - | - | 67,733 | 41,835 |
| Conferences and Meetings | 13,300 | - | 55,945 | - | - | - | 69,245 | 6,677 | 1,278 | - | 7,955 | 77,200 | 81,050 |
| Travel | 21,825 | - | - | - | - | - | 21,825 | 14,742 | 31,031 | 4,072 | 49,845 | 71,670 | 74,694 |
| Office Expenses | 11,234 | 3,982 | 3,160 | 4,255 | 2,137 | 588 | 25,356 | 11,712 | 423 | 7,643 | 19,778 | 45,134 | 52,825 |
| Credit Card Fees | - | - | - | - | - | - | - | 19,806 | - | 13,204 | 33,010 | 33,010 | 33,726 |
| Professional Fees | 7,436 | 5,577 | 5,577 | 11,154 | 1,859 | 1,859 | 33,462 | 21,295 | 743 | 5,819 | 27,857 | 61,319 | 25,345 |
| Information Technology | 2,284 | 4,568 | 4,568 | 6,852 | 1,142 | 1,142 | 20,556 | 685 | 457 | 1,142 | 2,284 | 22,840 | 27,900 |
| Occupancy | 13,884 | 10,413 | 10,413 | 20,825 | 3,471 | 3,471 | 62,477 | 3,667 | 1,388 | 3,471 | 8,526 | 71,003 | 71,318 |
| Depreciation | 1,615 | 4,037 | 4,037 | 4,037 | 484 | 484 | 14,694 | 485 | 323 | 646 | 1,454 | 16,148 | 15,934 |
| Bad Debts | - | - | - | - | - | - | - | - | - | - | - | - | 7,800 |
| Advertising and Marketing | 15,935 | - | 20,235 | - | 21,370 | 15,180 | 72,720 | 8,529 | - | 4,300 | 12,829 | 85,549 | 112,053 |
| TOTALS | \$ 199,425 | \$ 371,370 | \$ 234,144 | \$ 1,779,237 | \$ 76,722 | \$ 154,919 | \$ 2,815,817 | \$ 100,922 | \$ 43,007 | \$ 77,563 | \$ 221,492 | \$ 3,037,309 | \$ 2,836,390 |