

Road Runners Club of America, Inc.

Financial Statements
and
Independent Auditors' Report

December 31, 2018 and 2017



Halt Buzas & Powell, LTD

TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

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Independent Auditors' Report

To the Board of Directors
Road Runners Club of America, Inc.
Arlington, Virginia

We have audited the accompanying financial statements of Road Runners Club of America, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 generally 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 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 from 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 the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

March 8, 2019

Road Runners Club of America, Inc.
Statements of Financial Position
December 31, 2018 and 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 885,905 | \$ 850,855 |
| Accounts receivable | 14,785 | 2,879 |
| Inventory | 12,350 | 6,463 |
| Prepaid expenses | 28,186 | 25,389 |
| Investments | 583,381 | 409,340 |
| Total current assets | 1,524,607 | 1,294,926 |
| Investments, non-current | 1,156,800 | 1,401,152 |
| Property and equipment, net | 13,956 | 45,235 |
| Deposits | 4,738 | 4,738 |
| Total assets | \$ 2,700,101 | \$ 2,746,051 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 13,581 | \$ 20,952 |
| Accrued expenses | 19,476 | 93,737 |
| Deferred insurance revenue | 616,201 | 544,463 |
| Deferred membership dues | 244,039 | 224,715 |
| Deferred coaching certifications | 79,848 | 91,043 |
| Deferred sponsorships | 20,235 | 41,300 |
| Deferred licensing income | 74,977 | 42,075 |
| Deferred rent | 1,073 | 3,512 |
| Total current liabilities | 1,069,430 | 1,061,797 |
| Deferred rent, non-current | - | 1,073 |
| Total liabilities | 1,069,430 | 1,062,870 |
| Net assets: | | |
| Without donor restrictions | 1,025,949 | 1,057,739 |
| Without donor restrictions, board designated | 575,000 | 575,000 |
| Total without donor restrictions | 1,600,949 | 1,632,739 |
| With donor restrictions | 29,722 | 50,442 |
| Total net assets | 1,630,671 | 1,683,181 |
| Total liabilities and net assets | \$ 2,700,101 | \$ 2,746,051 |

See accompanying notes to the financial statements.

3.

Road Runners Club of America, Inc.
Statement of Activities
For the Year Ended December 31, 2018

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------------|
| Revenues: | | | |
| Insurance program | \$ 1,772,036 | \$ - | \$ 1,772,036 |
| Membership dues and fees | 586,968 | - | 586,968 |
| Coaching certifications | 478,769 | - | 478,769 |
| Licensing income | 144,371 | - | 144,371 |
| Special programs | 105,800 | - | 105,800 |
| Contribution revenue | 30,080 | 47,570 | 77,650 |
| Sponsorships | 45,830 | - | 45,830 |
| Investment income, net | 29,528 | 160 | 29,688 |
| Other income | 15,635 | - | 15,635 |
| In-kind contributions | 4,422 | - | 4,422 |
| Publications | 2,619 | - | 2,619 |
| Net assets released from restrictions: | | | |
| Satisfaction of donor restrictions | <u>68,450</u> | <u>(68,450)</u> | <u>-</u> |
| Total revenues | <u>3,284,508</u> | <u>(20,720)</u> | <u>3,263,788</u> |
| Expenses: | | | |
| Program services: | | | |
| Insurance and music group licensing | 2,066,252 | - | 2,066,252 |
| Coaching certification | 448,064 | - | 448,064 |
| General programs | 297,027 | - | 297,027 |
| Championship events and state programs | 194,591 | - | 194,591 |
| RunPro and Roads Scholars | 75,338 | - | 75,338 |
| Kids Run the Nation | <u>71,496</u> | <u>-</u> | <u>71,496</u> |
| Total program services | <u>3,152,768</u> | <u>-</u> | <u>3,152,768</u> |
| Support services: | | | |
| General and administrative | 69,448 | - | 69,448 |
| Fundraising | 61,176 | - | 61,176 |
| Board services | <u>32,906</u> | <u>-</u> | <u>32,906</u> |
| Total support services | <u>163,530</u> | <u>-</u> | <u>163,530</u> |
| Total expenses | <u>3,316,298</u> | <u>-</u> | <u>3,316,298</u> |
| Change in net assets | (31,790) | (20,720) | (52,510) |
| Net assets, beginning of year | <u>1,632,739</u> | <u>50,442</u> | <u>1,683,181</u> |
| Net assets, end of year | <u><u>\$ 1,600,949</u></u> | <u><u>\$ 29,722</u></u> | <u><u>\$ 1,630,671</u></u> |

See accompanying notes to the financial statements.

4.

Road Runners Club of America, Inc.
Statement of Activities
For the Year Ended December 31, 2017

| | Without donor restrictions | With donor restrictions | Total |
|--|-----------------------------------|--------------------------------|-----------------------------------|
| Revenues: | | | |
| Insurance program | \$ 1,691,354 | \$ - | \$ 1,691,354 |
| Membership dues and fees | 582,104 | - | 582,104 |
| Coaching certifications | 434,415 | - | 434,415 |
| Licensing income | 67,333 | - | 67,333 |
| Special programs | 56,731 | - | 56,731 |
| Contribution revenue | 36,638 | 63,218 | 99,856 |
| Sponsorships | 48,479 | - | 48,479 |
| Investment income, net | 252,282 | 1,700 | 253,982 |
| Other income | 16,306 | - | 16,306 |
| In-kind contributions | 43,466 | - | 43,466 |
| Publications | 2,618 | - | 2,618 |
| Net assets released from restrictions: | | | |
| Satisfaction of donor restrictions | <u>72,328</u> | <u>(72,328)</u> | <u>-</u> |
| Total revenues | <u>3,304,054</u> | <u>(7,410)</u> | <u>3,296,644</u> |
| Expenses: | | | |
| Program services: | | | |
| Insurance and music group licensing | 1,881,402 | - | 1,881,402 |
| Coaching certification | 399,655 | - | 399,655 |
| General programs | 254,182 | - | 254,182 |
| Championship events and state programs | 167,895 | - | 167,895 |
| RunPro and Roads Scholars | 64,142 | - | 64,142 |
| Kids Run the Nation | <u>88,929</u> | <u>-</u> | <u>88,929</u> |
| Total program services | <u>2,856,205</u> | <u>-</u> | <u>2,856,205</u> |
| Support services: | | | |
| General and administrative | 69,920 | - | 69,920 |
| Fundraising | 70,639 | - | 70,639 |
| Board services | <u>27,464</u> | <u>-</u> | <u>27,464</u> |
| Total support services | <u>168,023</u> | <u>-</u> | <u>168,023</u> |
| Total expenses | <u>3,024,228</u> | <u>-</u> | <u>3,024,228</u> |
| Change in net assets | 279,826 | (7,410) | 272,416 |
| Net assets, beginning of year | <u>1,352,913</u> | <u>57,852</u> | <u>1,410,765</u> |
| Net assets, end of year | <u><u>\$ 1,632,739</u></u> | <u><u>\$ 50,442</u></u> | <u><u>\$ 1,683,181</u></u> |

See accompanying notes to the financial statements.

5.

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Insurance and music group licensing | Coaching certification | General programs | Championship events and state programs | RunPro and Roads Scholars | Kids Run the Nation | Total program services |
|--|---|---------------------------|---------------------|--|------------------------------|------------------------|---------------------------|
| Salaries | \$ 100,219 | \$ 83,516 | \$ 33,406 | \$ 66,813 | \$ 10,022 | \$ 16,703 | \$ 310,679 |
| Payroll taxes | 7,483 | 6,236 | 2,494 | 4,988 | 748 | 1,247 | 23,196 |
| Coaching travel, lodging & stipends | - | 307,956 | - | - | - | - | 307,956 |
| Conferences and meetings | 729 | - | 188,340 | - | - | 146 | 189,215 |
| Credit card fees | - | - | - | - | - | - | - |
| Depreciation and amortization | 9,803 | 8,169 | 3,268 | 6,535 | 980 | 1,634 | 30,389 |
| Direct expenses | - | - | 25,232 | 40,696 | - | 5,836 | 71,764 |
| Grants | - | - | - | - | - | 36,050 | 36,050 |
| Information technology | 7,920 | 6,600 | 2,640 | 5,280 | 29,331 | 1,320 | 53,091 |
| Insurance | 1,687,002 | 4,945 | 5,828 | 3,956 | 593 | 989 | 1,703,313 |
| Marketing | 5,077 | - | 4,175 | - | - | - | 9,252 |
| Music Licensing | 144,330 | - | - | - | - | - | 144,330 |
| Occupancy | 23,391 | 19,492 | 7,797 | 15,594 | 2,339 | 3,898 | 72,511 |
| Office expenses | 69,256 | 5,163 | 2,401 | 7,621 | 606 | 1,704 | 86,751 |
| Professional fees | 4,318 | 3,598 | 16,633 | 6,453 | 432 | 720 | 32,154 |
| Retirement expense | 2,867 | 2,389 | 956 | 1,912 | 287 | 478 | 8,889 |
| Scholarships | - | - | - | - | 30,000 | - | 30,000 |
| Travel | 3,857 | - | 3,857 | 34,743 | - | 771 | 43,228 |
| Total expenses | <u>\$ 2,066,252</u> | <u>\$ 448,064</u> | <u>\$ 297,027</u> | <u>\$ 194,591</u> | <u>\$ 75,338</u> | <u>\$ 71,496</u> | <u>\$ 3,152,768</u> |

See accompanying notes to the financial statements

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

| | General and administrative | Fundraising | Board services | Total support services | Total expenses |
|-------------------------------------|-------------------------------|------------------|------------------|---------------------------|---------------------|
| Salaries | \$ 10,022 | \$ 6,681 | \$ 6,681 | \$ 23,384 | \$ 334,063 |
| Payroll taxes | 748 | 499 | 499 | 1,746 | 24,942 |
| Coaching travel, lodging & stipends | - | - | - | - | 307,956 |
| Conferences and meetings | 5,741 | 729 | - | 6,470 | 195,685 |
| Credit card fees | 20,583 | 19,826 | - | 40,409 | 40,409 |
| Depreciation and amortization | 978 | 654 | 654 | 2,286 | 32,675 |
| Direct expenses | 1,444 | 12,319 | 3,860 | 17,623 | 89,387 |
| Grants | - | - | - | - | 36,050 |
| Information technology | 792 | 528 | 528 | 1,848 | 54,939 |
| Insurance | 593 | 396 | 396 | 1,385 | 1,704,698 |
| Marketing | 5,077 | 5,413 | - | 10,490 | 19,742 |
| Music Licensing | - | - | - | - | 144,330 |
| Occupancy | 2,339 | 1,559 | 1,559 | 5,457 | 77,968 |
| Office expenses | 1,168 | 4,636 | 493 | 6,297 | 93,048 |
| Professional fees | 16,590 | 3,888 | 288 | 20,766 | 52,920 |
| Retirement expense | 287 | 191 | 191 | 669 | 9,558 |
| Scholarships | - | - | - | - | 30,000 |
| Travel | 3,086 | 3,857 | 17,757 | 24,700 | 67,928 |
| Total expenses | <u>\$ 69,448</u> | <u>\$ 61,176</u> | <u>\$ 32,906</u> | <u>\$ 163,530</u> | <u>\$ 3,316,298</u> |

See accompanying notes to the financial statements

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

| | Insurance and music group licensing | Coaching certification | General programs | Championship events and state programs | RunPro and Roads Scholars | Kids Run the Nation | Total program services |
|--|---|---------------------------|---------------------|--|------------------------------|------------------------|---------------------------|
| Salaries | \$ 103,035 | \$ 85,863 | \$ 34,345 | \$ 68,690 | \$ 10,304 | \$ 17,173 | \$ 319,410 |
| Payroll taxes | 8,061 | 6,718 | 2,687 | 5,374 | 806 | 1,344 | 24,990 |
| Coaching travel, lodging & stipends | - | 262,110 | - | - | - | - | 262,110 |
| Conferences and meetings | 1,363 | - | 138,697 | - | - | 273 | 140,333 |
| Credit card fees | - | - | - | - | - | - | - |
| Depreciation and amortization | 9,352 | 7,794 | 3,117 | 6,235 | 935 | 1,559 | 28,992 |
| Direct expenses | - | - | 15,399 | 33,119 | - | 19,841 | 68,359 |
| Grants | - | - | 1,878 | - | - | 40,000 | 41,878 |
| Information technology | 7,507 | 6,256 | 2,502 | 5,004 | 18,423 | 1,251 | 40,943 |
| Insurance | 1,592,887 | 2,729 | 4,901 | 2,183 | 327 | 546 | 1,603,573 |
| Marketing | 2,405 | - | 27,890 | - | - | - | 30,295 |
| Music Licensing | 67,333 | - | - | - | - | - | 67,333 |
| Occupancy | 22,089 | 18,463 | 7,344 | 14,763 | 2,194 | 3,682 | 68,535 |
| Office expenses | 55,407 | 2,295 | 1,272 | 5,519 | 261 | 1,164 | 65,918 |
| Other | 426 | 355 | 142 | 284 | 43 | 71 | 1,321 |
| Professional fees | 5,560 | 4,633 | 9,982 | 4,705 | 556 | 927 | 26,363 |
| Retirement expense | 2,927 | 2,439 | 976 | 1,952 | 293 | 488 | 9,075 |
| Scholarships | - | - | - | - | 30,000 | - | 30,000 |
| Travel | 3,050 | - | 3,050 | 20,067 | - | 610 | 26,777 |
| Total expenses | <u>\$ 1,881,402</u> | <u>\$ 399,655</u> | <u>\$ 254,182</u> | <u>\$ 167,895</u> | <u>\$ 64,142</u> | <u>\$ 88,929</u> | <u>\$ 2,856,205</u> |

See accompanying notes to the financial statements

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

| | General and administrative | Fundraising | Board services | Total support services | Total expenses |
|-------------------------------------|-------------------------------|------------------|------------------|---------------------------|---------------------|
| Salaries | \$ 10,304 | \$ 6,869 | \$ 6,869 | \$ 24,042 | \$ 343,452 |
| Payroll taxes | 806 | 537 | 537 | 1,880 | 26,870 |
| Coaching travel, lodging & stipends | - | - | - | - | 262,110 |
| Conferences and meetings | 6,103 | 1,363 | - | 7,466 | 147,799 |
| Credit card fees | 29,886 | 14,672 | - | 44,558 | 44,558 |
| Depreciation and amortization | 936 | 623 | 623 | 2,182 | 31,174 |
| Direct expenses | 1,353 | 1,841 | 4,176 | 7,370 | 75,729 |
| Grants | - | - | - | - | 41,878 |
| Information technology | 751 | 500 | 500 | 1,751 | 42,694 |
| Insurance | 327 | 218 | 218 | 763 | 1,604,336 |
| Marketing | 2,405 | 28,890 | - | 31,295 | 61,590 |
| Music Licensing | - | - | - | - | 67,333 |
| Occupancy | 2,175 | 1,447 | 1,473 | 5,095 | 73,630 |
| Office expenses | 447 | 6,435 | 270 | 7,152 | 73,070 |
| Other | 44 | 28 | 28 | 100 | 1,421 |
| Professional fees | 11,894 | 3,971 | 371 | 16,236 | 42,599 |
| Retirement expense | 293 | 195 | 195 | 683 | 9,758 |
| Scholarships | - | - | - | - | 30,000 |
| Travel | 2,196 | 3,050 | 12,204 | 17,450 | 44,227 |
| Total expenses | <u>\$ 69,920</u> | <u>\$ 70,639</u> | <u>\$ 27,464</u> | <u>\$ 168,023</u> | <u>\$ 3,024,228</u> |

See accompanying notes to the financial statements

Road Runners Club of America, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|--|--------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ <u>(52,510)</u> | \$ <u>272,416</u> |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 32,675 | 31,174 |
| Unrealized loss (gain) on investments | 33,260 | (187,749) |
| Realized gains on investments | (14,703) | (52,018) |
| Loss on disposal of assets | - | 1,421 |
| Deferred rent | (3,512) | (3,652) |
| Decrease (increase) in assets: | | |
| Accounts receivable | (11,906) | (379) |
| Inventory | (5,887) | (6,463) |
| Prepaid expenses | (2,797) | (1,318) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (7,371) | (67,223) |
| Accrued expenses | (74,261) | 88,626 |
| Deferred insurance revenue | 71,738 | (80,971) |
| Deferred membership dues | 19,324 | (40,713) |
| Deferred coaching certifications | (11,195) | 1,714 |
| Deferred sponsorships | (21,065) | 38,020 |
| Deferred licensing income | <u>32,902</u> | <u>12,644</u> |
| Total adjustments | <u>37,202</u> | <u>(266,887)</u> |
| Net cash (used in) provided by operating activities | <u>(15,308)</u> | <u>5,529</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (314,268) | (523,691) |
| Proceeds from sales of investments | 366,022 | 411,901 |
| Purchases of property and equipment | <u>(1,396)</u> | <u>(2,571)</u> |
| Net cash provided by (used in) investing activities | <u>50,358</u> | <u>(114,361)</u> |
| Net increase (decrease) in cash | 35,050 | (108,832) |
| Cash, beginning of year | <u>850,855</u> | <u>959,687</u> |
| Cash, end of year | <u>\$ 885,905</u> | <u>\$ 850,855</u> |

See accompanying notes to the financial statements.

10.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

1. Organization

The Road Runners Club of America, Inc. is a non-stock, nonprofit 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.

2. Summary of Significant Accounting Policies

a. Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion. Included in net assets without donor restrictions at December 31, 2018 and 2017 are \$575,000 of board-designated funds for each year. These funds may be used for implementation of the Organization's strategic plan and any activities approved by the board. During the years ended December 31, 2018 and 2017, none of board-designated funds were used.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

c. Use of estimates

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

d. Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price 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. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Organization at December 31, 2018 and 2017.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended December 31, 2018 and 2017, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of December 31, 2018 and 2017, the Organization had no uncertain tax positions which should be recognized as a liability.

f. Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2018 and 2017, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

g. Inventory

Inventory consists of books and other materials to be provided in conjunction with the Organization's coaching certification program and is stated at the lower of cost or market by the first-in-first-out (FIFO) method.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

h. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Included in the definition of investments are high interest bearing deposit accounts (i.e., money market accounts).

i. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|------------------------|-------------|
| Equipment | 3 - 7 years |
| Furniture and fixtures | 5 - 7 years |
| Web development | 3 years |
| Course development | 4 years |

The Organization's policy is to capitalize major additions and improvements over \$750. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

j. Deferred rent

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

k. Measure of operations

The accompanying statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programmatic services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

l. Revenue recognition

i. Contributions

Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the accompanying statements of activities as net assets released from restrictions.

ii. Membership dues and fees

Membership dues are recognized as revenue ratably over the applicable dues period. Membership dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

iii. Program service fees

Insurance program, coaching certification, licensing, special programs, sponsorship and publication income are recognized as revenue in the period in which services are provided or the event takes place. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position

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iv. In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. The Organization received in-kind contributions of goods and services valued at \$4,422 for the year ended December 31, 2018. The Organization received in-kind contributions of advertising services valued at \$42,266 and materials valued at \$1,200 for the year ended December 31, 2017.

m. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses are charged directly to the programs to which they relate: coaching, travel, lodging & stipends, conferences and meetings, direct expense, grants, music licensing, professional fees, scholarships, and travel.

All other expenses are allocated based on the methods listed below:

| <u>Expense</u> | <u>Method of Allocation</u> |
|--|---|
| Salaries and payroll taxes, depreciation and amortization, insurance, occupancy, office expenses and retirement | Estimated time spent |
| Credit card fees | Estimated member renewals |
| Information technology | Estimated time spent with Runpro.com expenses charged directly |
| Marketing | Split evenly amongst the programs or support services to which the expenses relate |

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n. Reclassification

For comparative purposes, certain 2017 amounts have been reclassified to conform to the 2018 presentation. However, none of these reclassifications affected the 2017 change in net assets.

o. Adoption of New Accounting Standard

The Organization has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of these financial statements with no effect on beginning net assets or the change in net assets.

3. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2018 and 2017, the Organization had bank deposits in excess of FDIC limits of \$561,742 and \$587,207, respectively.

4. Investments and Fair Value Measurements

Investments are comprised of the following at December 31:

| | <u>2018</u> Cost | <u>2018</u> Fair Value | <u>2017</u> Cost | <u>2017</u> Fair Value |
|-----------------------|---------------------|---------------------------|---------------------|---------------------------|
| Money market accounts | \$ 583,381 | \$ 583,381 | \$ 409,340 | \$ 409,340 |
| Equities | 303,963 | 587,773 | 467,078 | 735,270 |
| Mutual funds | 551,412 | 538,882 | 600,009 | 635,097 |
| Exchange traded funds | <u>18,545</u> | <u>30,145</u> | <u>17,925</u> | <u>30,785</u> |
| Total investments | <u>\$ 1,457,301</u> | <u>\$ 1,740,181</u> | <u>\$ 1,494,352</u> | <u>\$ 1,810,492</u> |

Investment income is comprised of the following for the years ended December 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|------------------|-------------------|
| Interest and dividends | \$ 55,509 | \$ 21,349 |
| Realized gains on investments | 14,703 | 52,018 |
| Unrealized gain (loss) on investments | (33,260) | 187,749 |
| Investment fees | <u>(7,264)</u> | <u>(7,134)</u> |
| Total investment income | <u>\$ 29,688</u> | <u>\$ 253,982</u> |

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All of the Organization's assets measured at fair value at December 31, 2018 and 2017 are considered Level 1 assets on the fair value hierarchy.

5. Endowment fund

Donor restricted funds whose purpose is to provide long-term support for the programs of the Organization are endowment funds. Net assets of endowment funds are classified as net assets with or without donor restrictions depending on which classification is determined by the directions of the donors and, where applicable, the provisions of the laws of the State of Virginia.

Management has interpreted Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment by the original donor.

The portion of the donor-restricted endowment funds that can be spent are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and with the stipulations imposed by the original donor.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) other resources of the Organization; and (5) investment policies of the Organization.

Endowment net asset composition by type of fund was comprised of donor-imposed endowment funds of \$10,000 for each of the years ended December 31, 2018 and 2017.

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Changes in endowment net assets were as follows for the years ended December 31, 2018 and 2017:

| | 2018 |
|------------------------------|--|
| | <u>Net assets with donor restriction</u> |
| Balance January 1, 2018 | \$ 10,000 |
| Investment income, net | 160 |
| Appropriation of expenditure | <u>(160)</u> |
| Balance, December 31, 2018 | <u>\$ 10,000</u> |
| | |
| | 2017 |
| | <u>Net assets with donor restriction</u> |
| Balance January 1, 2017 | \$ 10,000 |
| Investment income, net | 1,700 |
| Appropriation of expenditure | <u>(1,700)</u> |
| Balance, December 31, 2017 | <u>\$ 10,000</u> |

The Organization follows a conservative, donor-imposed investment policy for endowment assets that attempts to fully preserve the original corpus and optimize returns. As such, the assets will be managed in a investment account and invested in medium and long-term assets. Under this policy, the endowment assets would be invested in a manner that is intended to produce favorable results while taking a prudent approach to risk.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Organization in net assets with donor restrictions (they are restricted under ASU 2016-4). There were no fund deficiencies for the years ended December 31, 2018 and 2017.

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6. Property and Equipment, Net

The following is a summary of property and equipment held at December 31:

| | 2018 | 2017 |
|---|-----------|-----------|
| Equipment | \$ 8,132 | \$ 7,136 |
| Furniture & fixtures | 11,801 | 11,801 |
| Web development | 66,331 | 66,331 |
| Course development | 12,900 | 12,500 |
| Property and equipment | 99,164 | 97,768 |
| Accumulated depreciation and amortization | (85,208) | (52,533) |
| Total property and equipment, net | \$ 13,956 | \$ 45,235 |

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$32,675 and \$31,174, respectively.

7. Liquidity and availability

The following represents the Organization's financial assets at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|------------|------------|
| Financial assets at year end: | | |
| Cash | \$ 885,905 | \$ 850,855 |
| Accounts receivable | 14,785 | 2,879 |
| Investments | 583,381 | 409,340 |
| Total financial assets | 1,484,071 | 1,263,074 |
| Less: | | |
| Board designated funds | (575,000) | (575,000) |
| Financial assets available to meet general expenditures within one year | \$ 909,071 | \$ 688,074 |

The Organization's goal is generally to maintain financial assets to meet 10 months of operating reserves (approximately \$500,000). The value of the board designated fund should be no less than six months of basic operating reserves (approximately \$250,000). As part of its liquidity plan, excess cash is invested in short-term investments.

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8. Net Assets

Net assets were released from donor restrictions during the years ended December 31, 2018 and 2017 for the following purposes:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Kids Run the Nation | \$ 36,050 | \$ 40,000 |
| Roads Scholars | 30,000 | 30,000 |
| Cherry Blossom | 2,400 | - |
| Leadership Grant | <u>-</u> | <u>2,328</u> |
| Total net assets released from restrictions | <u>\$ 68,450</u> | <u>\$ 72,328</u> |

At December 31, 2018 and 2017, net assets with donor restrictions were available for the following programs

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Roads Scholars | \$ 13,851 | \$ 20,186 |
| Kids Run the Nation | 5,871 | 17,856 |
| Cherry Blossom | - | 2,400 |
| Endowment | <u>10,000</u> | <u>10,000</u> |
| Total net assets with donor restrictions | <u>\$ 29,722</u> | <u>\$ 50,442</u> |

9. Commitments and Contingency

Operating leases

In May 2007, the Organization entered into a lease for office space. In February 2014, the Organization amended the lease agreement to rent additional office space and the lease was extended through March 2019. The lease calls for base monthly payments of \$5,756 with an annual rent escalation of 3%. On March 31, 2019, the Organization will begin a new five year office lease. The new lease calls for base monthly payments of \$5,455 with an annual rent escalation of 2.5%.

In August 2014, the Organization entered into a five year lease for office equipment. The lease calls for monthly payments of \$177.

Rent expense for the years ended December 31, 2018 and 2017 was \$77,968 and \$73,630, respectively.

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Aggregate future minimum lease payments are as follows for the years ending December 31:

| | <u>Office</u> | <u>Equipment</u> | <u>Total</u> |
|---------------------|-------------------|------------------|-------------------|
| 2019 | \$ 66,361 | \$ 1,239 | \$ 67,600 |
| 2020 | 66,687 | - | 66,687 |
| 2021 | 68,355 | - | 68,355 |
| 2022 | 70,063 | - | 70,063 |
| 2023 | 71,815 | - | 71,815 |
| 2024 and thereafter | <u>18,064</u> | <u>-</u> | <u>18,064</u> |
| Total | <u>\$ 361,345</u> | <u>\$ 1,239</u> | <u>\$ 362,584</u> |

Hotel commitments

The Organization has contractual commitments with hotels for future conferences. The Organization contracts for conference facilities, food and beverages. In the event of the cancellation of these agreements, the Organization may incur cancellation penalties which increase as the actual date for the conference approaches. As of March 8, 2019, which is the date that the financial statements were available to be issued, the potential cancellation fees were estimated to be \$99,535.

10. Retirement

The Organization has a SEP-IRA retirement plan available for all employees employees. Employees may contribute to the plan through elective deferrals of salary up to the limitation specified by the IRS. The Organization makes automatic 3% contributions on an annual basis. The Organization contributed \$9,558 and \$9,758 in matching contributions for the years ended December 31, 2018 and 2017, respectively.

11. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 8, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.