SIKICH

Road Runners Club of America, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2019 and 2018

Table of Contents

SIKICH®

1199 N. Fairfax Street, 10th Floor
Alexandria, VA 22314
703.836.1350

SIKICH.COM

Independent Auditor's 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 statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses 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 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.

Auditor's 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 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 auditor's 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, 2019, 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.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* as amended by ASU 2015-14, which supersedes or replaces nearly all accounting principles generally accepted in the United States of America revenue recognition guidance. The adoption of this ASU did not result in a change to the accounting for any of the Organization's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2018, were audited by Halt, Buzas & Powell, Ltd., who merged with Sikich LLP as of January 1, 2020, and whose report dated March 8, 2019, expressed an unmodified opinion on those statements.

Sikich LLP

Alexandria, Virginia

May 28, 2020

Road Runners Club of America, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 909,101	$ 885,905
Investments	1,529,391	1,155,181
Accounts receivable	10,141	14,785
Inventory	11,817	12,350
Prepaid expenses	41,180	28,186
Total current assets	2,501,630	2,096,407
Investments, non-current	585,000	585,000
Property and equipment, net	6,760	13,956
Deposits	4,738	4,738
Total assets	$ 3,098,128	$ 2,700,101
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 27,993	$ 13,581
Accrued expenses	15,400	19,476
Contract liability: insurance revenue	618,215	616,201
Contract liability: membership dues	265,897	244,039
Contract liability: coaching certifications	85,659	79,848
Contract liability: sponsorships	16,542	20,235
Contract liability: licensing income	71,391	74,977
Deferred rent	-	1,073
Total current liabilities	1,101,097	1,069,430
Deferred rent, non-current	2,839	-
Total liabilities	1,103,936	1,069,430
Net assets:		
Without donor restrictions	1,373,490	1,025,949
Without donor restrictions, board designated	575,000	575,000
Total without donor restrictions	1,948,490	1,600,949
With donor restrictions	45,702	29,722
Total net assets	1,994,192	1,630,671
Total liabilities and net assets	$ 3,098,128	$ 2,700,101

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Activities

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Insurance program	$ 1,803,766	$ -	$ 1,803,766
Membership dues and fees	576,638	-	576,638
Coaching certifications	454,378	-	454,378
Investment income, net	372,325	2,100	374,425
Licensing income	187,748	-	187,748
Contribution revenue	72,356	76,480	148,836
Special programs	88,636	-	88,636
Sponsorships	30,935	-	30,935
Other income	21,884	-	21,884
In-kind contributions	4,770	-	4,770
Publications	2,962	-	2,962
Net assets released from restrictions:			
Satisfaction of donor restrictions	62,600	(62,600)	-
Total revenues	3,678,998	15,980	3,694,978
Expenses:			
Program services:			
Insurance and music group licensing	2,120,154	-	2,120,154
Certification programs	406,687	-	406,687
Education programs	255,835	-	255,835
Championship events and state programs	173,010	-	173,010
RunPro and Roads Scholars	122,285	-	122,285
Kids Run the Nation	64,154	-	64,154
Total program services	3,142,125	-	3,142,125
Support services:			
General and administrative	85,284	-	85,284
Fundraising	62,356	-	62,356
Board services	41,692	-	41,692
Total support services	189,332	-	189,332
Total expenses	3,331,457	-	3,331,457
Change in net assets	347,541	15,980	363,521
Net assets, beginning of year	1,600,949	29,722	1,630,671
Net assets, end of year	$ 1,948,490	$ 45,702	$ 1,994,192

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Activities

For the Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Insurance program	$ 1,772,036	$ -	$ 1,772,036
Membership dues and fees	586,968	-	586,968
Coaching certifications	478,769	-	478,769
Investment income, net	29,528	160	29,688
Licensing income	144,371	-	144,371
Contribution revenue	30,080	47,570	77,650
Special programs	105,800	-	105,800
Sponsorships	45,830	-	45,830
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	68,450	(68,450)	-
Total revenues	3,284,508	(20,720)	3,263,788
Expenses:			
Program services:			
Insurance and music group licensing	2,066,252	-	2,066,252
Certification programs	448,064	-	448,064
Education 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	71,496	-	71,496
Total program services	3,152,768	-	3,152,768
Support services:			
General and administrative	69,448	-	69,448
Fundraising	61,176	-	61,176
Board services	32,906	-	32,906
Total support services	163,530	-	163,530
Total expenses	3,316,298	-	3,316,298
Change in net assets	(31,790)	(20,720)	(52,510)
Net assets, beginning of year	1,632,739	50,442	1,683,181
Net assets, end of year	$ 1,600,949	$ 29,722	$ 1,630,671

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Insurance and music group licensing	Certification programs	Education programs	Championship events and state programs	RunPro and Roads Scholars	Kids Run the Nation	Total program services
Salaries	$ 102,121	$ 85,101	$ 34,040	$ 68,081	$ 10,212	$ 17,020	$ 316,575
Payroll taxes	7,923	6,602	2,641	5,283	793	1,320	24,562
Annual report	-	-	-	-	-	-	-
Awards	-	-	5,810	-	-	-	5,810
Coaching travel, lodging & stipends	-	282,410	-	-	-	-	282,410
Convention space	-	-	133,040	-	-	-	133,040
Credit card fees	-	-	-	-	-	-	-
Depreciation and amortization	4,221	3,518	1,406	2,814	423	703	13,085
Race expenses	-	-	19,490	33,902	-	98	53,490
Grants	-	-	-	-	-	35,100	35,100
Information technology	6,177	5,147	2,059	4,118	28,119	1,029	46,649
Insurance	1,710,632	5,818	10,727	4,654	698	1,164	1,733,693
Marketing	1,936	-	13,715	-	-	-	15,651
Music Licensing	187,822	-	-	-	-	-	187,822
Occupancy	23,886	8,565	11,742	8,364	5,412	3,981	61,950
Office expenses	62,202	3,123	1,611	6,259	360	1,349	74,904
Professional fees	4,771	3,976	13,031	5,965	477	795	29,015
Retirement expense	2,911	2,427	971	1,941	291	485	9,026
Scholarships	-	-	-	-	75,500	-	75,500
Travel	5,552	-	5,552	31,629	-	1,110	43,843
Total expenses	$ 2,120,154	$ 406,687	$ 255,835	$ 173,010	$ 122,285	$ 64,154	$ 3,142,125

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	General and administrative	Fundraising	Board services	Total support services	Total expenses
Salaries	$ 10,212	$ 6,808	$ 6,808	$ 23,828	$ 340,403
Payroll taxes	792	528	528	1,848	26,410
Annual report	2,003	-	-	2,003	2,003
Awards	-	-	-	-	5,810
Coaching travel, lodging & stipends	-	-	-	-	282,410
Convention space	-	-	-	-	133,040
Credit card fees	19,999	19,796	-	39,795	39,795
Depreciation and amortization	423	281	281	985	14,070
Race expenses	-	-	-	-	53,490
Grants	-	-	-	-	35,100
Information technology	618	412	412	1,442	48,091
Insurance	699	466	466	1,631	1,735,324
Marketing	1,936	13,718	-	15,654	31,305
Music Licensing	-	-	-	-	187,822
Occupancy	9,192	6,884	1,592	17,668	79,618
Office expenses	17,036	3,799	2,174	23,009	97,913
Professional fees	18,043	3,918	318	22,279	51,294
Retirement expense	291	194	194	679	9,705
Scholarships	-	-	-	-	75,500
Travel	4,040	5,552	28,919	38,511	82,354
Total expenses	$ 85,284	$ 62,356	$ 41,692	$ 189,332	$ 3,331,457

See accompanying notes to the financial statements

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Insurance and music group licensing	Certification programs	Education 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
Annual report	729	-	729	-	-	146	1,604
Awards	-	-	2,842	-	-	-	2,842
Coaching travel, lodging & stipends	-	307,956	-	-	-	-	307,956
Convention space	-	-	184,665	-	-	-	184,665
Credit card fees	-	-	-	-	-	-	-
Depreciation and amortization	9,803	8,169	3,268	6,535	980	1,634	30,389
Race 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	-	4,279	-	-	-	9,356
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	$ 2,066,252	$ 448,064	$ 297,027	$ 194,591	$ 75,338	$ 71,496	$ 3,152,768

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
Annual report	5,741	729	-	6,470	8,074
Awards	-	-	-	-	2,842
Coaching travel, lodging & stipends	-	-	-	-	307,956
Convention space	-	-	-	-	184,665
Credit card fees	20,583	19,826	-	40,409	40,409
Depreciation and amortization	978	654	654	2,286	32,675
Race 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	19,846
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	$ 69,448	$ 61,176	$ 32,906	$ 163,530	$ 3,316,298

Road Runners Club of America, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 363,521	$ (52,510)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,070	32,675
Unrealized (gain) loss on investments	(378,585)	33,260
Realized gain on investments	(3,802)	(14,703)
Bad debt expense	7,460	-
Deferred rent	1,766	(3,512)
Decrease (increase) in assets:		
Accounts receivable	(2,816)	(11,906)
Inventory	533	(5,887)
Prepaid expenses	(12,994)	(2,797)
Increase (decrease) in liabilities:		
Accounts payable	14,412	(7,371)
Accrued expenses	(4,076)	(74,261)
Contract liability: insurance revenue	2,014	71,738
Contract liability: membership dues	21,858	19,324
Contract liability: coaching certifications	5,811	(11,195)
Contract liability: sponsorships	(3,693)	(21,065)
Contract liability: licensing income	(3,586)	32,902
Total adjustments	(341,628)	37,202
Net cash provided by (used in) operating activities	21,893	(15,308)
Cash flows from investing activities:		
Purchases of investments	8,177	(314,268)
Proceeds from sales of investments	-	366,022
Purchases of property and equipment	(6,874)	(1,396)
Net cash provided by investing activities	1,303	50,358
Net increase in cash	23,196	35,050
Cash, beginning of year	885,905	850,855
Cash, end of year	$ 909,101	$ 885,905

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, 2019 and 2018 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, 2019 and 2018, no 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.

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 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of the an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation technique

The following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2019 and 2018.

- Equities: valued at the closing quoted price in an active market.
- Mutual funds: valued at the closing quoted price in an active market.
- Corporate bonds: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.
- Exchange traded funds: valued at the closing quoted price in an active market.

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Organization is not classified as a private foundation.

f. 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 net assets without donor restrictions, unless the income or loss is restricted 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. The investment return is reported net of external and direct internal investment expenses.

g. Accounts receivable

Accounts receivable consist of contracts with customers. 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, 2019 and 2018, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

h. 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.

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.

k. Revenue recognition

The Organization recognizes contributions cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded 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.

The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contacts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2019 and 2018:

Coaching certification and licensing: The Organization provides coaching and other programs, which allows members to receive certifications. The performance obligation is the completion of the course. The Organization also provides affordable group music licensing. The performance obligation consists of a stand-ready obligation to provide members with continuous access to music licensing and is recognized ratably as services are simultaneously received and consumed by the members. Fees received relating to future periods are recorded as contract liabilities in the accompanying statements of financial position.

Sponsorship and special programs: Special program revenue is for registrations for the annual convention. The Organization also receives revenue for convention sponsorships. The performance obligation is the delivery of the convention and the prices are set by the Organization. Revenues from conferences and meetings are recognized at the time of the associated event. Registrations received relating to future periods are recorded as contract liabilities in the accompanying statements of financial position.

P*ublication income*: The Organization receives from banner advertising. The performance obligation is the publishing of the ad and the price for the advertising is set by the Organization. Revenues from publication income are recognized at the time of the publication.

Insurance program: The Organization provides insurance for a set annual fee. The performance obligation consists of a stand-ready obligation to provide members with continuous access to insurance benefits and is recognized ratably as services are simultaneously received and consumed by the members.

Dues: Membership dues, which is a set fee for annual dues and are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the contribution element upon receipt of the dues. The exchange portion has a performance obligation that consists of a stand-ready obligation to provide members with continuous access to information, insurance, programs, and use of the Organization's logo, and is recognized ratably as services are simultaneously received and consumed by the members. These items are considered to be one performance obligation, as the included services are distinct, are substantially the same, and have a similar pattern of transfer. These dues and other assessments are used to cover the costs of operating the Organization. Membership dues received in advance that are applicable to future periods are included in contract liabilities in the accompanying statements of financial position.

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 $4,770 and $4,422 for the years ended December 31, 2019 and 2018, respectively.

The timing of revenue recognition and cash collections results in billed accounts receivable in the statements of financial position. None of the revenue streams described include variable consideration estimated by the Organization.

Significant Judgments

Significant judgments include evaluating whether the membership dues represent a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. There are no significant judgments involved in the recognition of revenue due to the passage of time and delivery of goods and services.

I. 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, race expenses, grants, music licensing, professional fees, scholarships, and travel.

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

Expense	Method of Allocation
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

m. New accounting pronouncements

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition,* and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entities in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Organization refers to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with ASC 605. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in no changes to our accounting policies for revenue recognition, receivables, and contract liabilities.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), regarding its implications on grants and contracts of not-for-profit organizations. The Organization adopted the requirements of the new guidance as of January 1, 2019.

3. Liquidity and availability

The following represents the Organization's financial assets at December 31:

Financial assets at year end:	2019	2018
Cash	$ 909,101	$ 885,905
Accounts receivable	10,141	14,785
Investments	2,114,391	1,740,181
Total financial assets	3,033,633	2,640,871
Less:		
Board-designated investments set a side for reserve	(575,000)	(575,000)
Endowment funds	(10,000)	(10,000)
Financial assets available to meet general expenditures within one year	$ 2,448,633	$ 2,055,871

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.

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2019 and 2018, the Organization had bank deposits in excess of FDIC limits of $774,382 and $561,742, respectively.

5. Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis at December 31, 2019 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	$ 928,867	$ -	$ -	$ 928,867
Mutual funds	561,307	-	-	561,307
Corporate bonds	-	151,402	-	151,402
Exchange traded funds	39,068	-	-	39,068
Total assets at fair value	1,529,242	151,402	-	1,680,644
Money market, reported at cost				433,747
Total investments				$ 2,114,391

Assets measured at fair value on a recurring basis at December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	$ 587,773	$ -	$ -	$ 587,773
Mutual funds	395,457	-	-	395,457
Corporate bonds	-	143,425	-	143,425
Exchange traded funds	30,145	-	-	30,145
Total assets at fair value	1,013,375	143,425	-	1,156,800
Money market, reported at cost				583,381
Total investments				$ 1,740,181

6. 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, 2019 and 2018.

Changes in endowment net assets were as follows for the years ended December 31, 2019 and 2018:

	2019
	Net assets with donor restriction
Balance January 1, 2019	$ 10,000
Investment income, net	2,100
Appropriation of expenditure	(2,100)
Balance, December 31, 2019	$ 10,000

	2018
	Net assets with donor restriction
Balance January 1, 2018	$ 10,000
Investment income, net	160
Appropriation of expenditure	(160)
Balance, December 31, 2018	$ 10,000

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 2016-14). There were no fund deficiencies for the years ended December 31, 2019 and 2018.

7. Property and Equipment, Net

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

	2019	2018
Equipment	$ 9,522	$ 8,132
Furniture & fixtures	10,457	11,801
Web development	60,493	66,331
Course development	12,900	12,900
Property and equipment	93,372	99,164
Accumulated depreciation and amortization	(86,612)	(85,208)
Total property and equipment, net	$ 6,760	$ 13,956

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was $14,070 and $32,675, respectively.

8. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 for the following purposes:

	2019	2018
Kids Run the Nation	$ 35,100	$ 36,050
Roads Scholars	27,500	30,000
Cherry Blossom	-	2,400
Total net assets released from restrictions	$ 62,600	$ 68,450

At December 31, 2019 and 2018,net assets with donor restrictions for purpose were available for the following programs

	2019	2018
Purpose restriction:		
Roads Scholars	$ 15,718	$ 13,851
Kids Run the Nation	19,984	5,871
Subtotal purpose restrictions	35,702	19,722
Held in perpetuity:		
Endowment	10,000	10,000
Total net assets with donor restrictions	$ 45,702	$ 29,722

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 began 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 June 2019, the Organization entered into a five year lease for office equipment. The lease calls for monthly payments of $138.

Rent expense for the years ended December 31, 2019 and 2018 was $79,618 and $77,968, respectively.

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

	Office	Equipment	Total
2020	$ 66,687	$ 1,656	$ 68,343
2021	68,355	1,656	70,011
2022	70,063	1,656	71,719
2023	71,815	1,656	73,471
2024	18,604	828	18,892
Total	$ 295,524	$ 7,452	$ 302,436

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 May 28, 2020, which is the date that the financial statements were available to be issued, the potential cancellation fees were estimated to be $83,005.

10. Revenue From Contracts with Customers

The following table provides information about significant changes to deferred income for the year ended December 31, 2019:

	Insurance revenue	Coaching certifications	Sponsorships	Membership dues	Licensing income
Deferred income, December 31, 2018	$ 616,201	$ 79,848	$ 20,235	$ 244,039	$ 74,977
Revenue recognized	(616,201)	(79,848)	(20,235)	(244,039)	(74,977)
Payments received for future performance obligations	618,215	85,659	16,542	265,897	71,391
Deferred income, December 31, 2019	$ 618,215	$ 85,659	$ 16,542	$ 265,897	$ 71,391

The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the year ended December 31, 2019:

	2019
Revenue from contracts with customers recognized at a point in time:	
Coaching certification	$ 454,378
Licensing income	187,748
Sponsorships	30,935
Special programs	88,636
Total revenue recognized at a point in time	761,697
Revenue from contracts with customers recognized over time:	
Insurance program	1,803,766
Dues recognized over a period of time	576,638
Total revenue recognized over time	2,380,404
Total revenue from contracts with customers	$ 3,142,101

Various economic factors affect the recognition of revenue and cash flows. Insurance program and dues revenues are invoiced annually and the fees due within 30 days of the invoice. Coaching, licensing and special program revenues are invoiced at the time of participant's registrations with fees being collected prior to the event. Sponsorships are invoiced at the time of sponsor agreement with fees due 30 days after the invoice date. No significant events occurred that had a material impact on the Organization's revenue recognition or cash flows for the years ended December 31, 2019.

11. 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 $9,706 and $9,558 in matching contributions for the years ended December 31, 2019 and 2018, respectively.

12. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 28, 2020, which is the date the financial statements were available to be issued. Other than noted below, there were no subsequent events that require recognition of, or disclosure in, these financial statements.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, Organization programs and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.