

ROAD RUNNERS CLUB OF AMERICA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Road Runners Club of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Road Runners Club of America, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Road Runners Club of America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Road Runners Club of America, Inc. as of December 31, 2021 were audited by other auditors whose report dated May 12, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Road Runners Club of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Road Runners Club of America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Road Runners Club of America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
April 4, 2023

ROAD RUNNERS CLUB OF AMERICA, INC.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 1,079,084	\$ 936,108
Investments	1,510,672	1,893,900
Accounts receivable	6,839	-0-
Inventory	12,509	12,581
Prepaid expenses	15,151	39,234
Total Current Assets	<u>2,624,255</u>	<u>2,881,823</u>
Property		
Equipment	12,808	11,878
Furnitures and fixtures	10,457	10,457
Web development	114,282	176,047
Course development	16,150	16,150
Total Cost	<u>153,697</u>	<u>214,532</u>
Less: Accumulated depreciation	95,028	115,021
Net Property	<u>58,669</u>	<u>99,511</u>
Other Assets		
Operating lease right of use asset, net of amortization	87,938	-0-
Investments - Board designated and restricted in perpetuity	585,000	585,000
Deposits	4,738	4,738
	<u>677,676</u>	<u>589,738</u>
Total Assets	<u><u>\$ 3,360,600</u></u>	<u><u>\$ 3,571,072</u></u>

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 65,192	\$ 65,633
Accrued expenses	45,432	44,302
Deferred revenue	1,004,353	796,825
Deferred rent, current portion	-0-	1,248
Operating lease liabilities, current portion	73,056	-0-
Total Current Liabilities	<u>1,188,033</u>	<u>908,008</u>
Non-Current Liabilities		
Deferred rent, net of current portion	-0-	4,212
Operating lease liabilities, net of current portion	18,741	-0-
Total Non-Current Liabilities	<u>18,741</u>	<u>4,212</u>
Total Liabilities	<u>1,206,774</u>	<u>912,220</u>
Commitments (Notes 3, 7, and 8)		
Net Assets		
Without donor restrictions		
Undesignated	1,519,594	2,029,332
Board designateed	575,000	575,000
Total without donor restrictions	<u>2,094,594</u>	<u>2,604,332</u>
With donor restrictions	59,232	54,520
Total Net Assets	<u>2,153,826</u>	<u>2,658,852</u>
Total Liabilities and Net Assets	<u>\$ 3,360,600</u>	<u>\$ 3,571,072</u>

The accompanying notes are an integral part of these financial statements.

ROAD RUNNERS CLUB OF AMERICA, INC.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Insurance program	\$ 1,543,727	\$ -0-	\$ 1,543,727
Coaching certifications	437,419	-0-	437,419
Investment income, net	(383,040)	-0-	(383,040)
Membership dues and fees	497,999	-0-	497,999
Licensing income	193,372	-0-	193,372
Paycheck Protection Program (PPP) loan forgiveness	-0-	-0-	-0-
Contribution revenue	34,619	45,014	79,633
Special programs	41,305	-0-	41,305
Sponsorships	29,000	-0-	29,000
Publications	244	-0-	244
In-kind contributions	2,333	-0-	2,333
Other income	7,259	-0-	7,259
Net assets released from restrictions:			
Satisfaction of program restrictions	40,302	(40,302)	-0-
Total Support and Revenue	<u>2,444,539</u>	<u>4,712</u>	<u>2,449,251</u>
Expenses			
Program services:			
Insurance and music group licensing	1,914,022	-0-	1,914,022
Certification programs	376,984	-0-	376,984
Championship events and state programs	185,908	-0-	185,908
Education programs	202,860	-0-	202,860
RunPro and Roads Scholars	51,883	-0-	51,883
Kids Run the Nation	65,105	-0-	65,105
Total program services	<u>2,796,762</u>	<u>-0-</u>	<u>2,796,762</u>
Support services:			
General and administrative	108,677	-0-	108,677
Fundraising	48,838	-0-	48,838
Total support services	<u>157,515</u>	<u>-0-</u>	<u>157,515</u>
Total expenses	<u>2,954,277</u>	<u>-0-</u>	<u>2,954,277</u>
Change in Net Assets	(509,738)	4,712	(505,026)
Net Assets at Beginning of Year	<u>2,604,332</u>	<u>54,520</u>	<u>2,658,852</u>
Net Assets at End of Year	<u>\$ 2,094,594</u>	<u>\$ 59,232</u>	<u>\$ 2,153,826</u>

2021

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 1,323,345	\$ -0-	\$ 1,323,345	\$ 220,382
460,820	-0-	460,820	(23,401)
336,194	1,400	337,594	(720,634)
313,507	-0-	313,507	184,492
114,900	-0-	114,900	78,472
65,027	-0-	65,027	(65,027)
18,682	35,357	54,039	25,594
28,894	-0-	28,894	12,411
28,500	-0-	28,500	500
483	-0-	483	(239)
1,433	-0-	1,433	900
21,081	-0-	21,081	(13,822)
37,500	(37,500)	-0-	-0-
<u>2,750,366</u>	<u>(743)</u>	<u>2,749,623</u>	<u>(300,372)</u>
1,587,897	-0-	1,587,897	326,125
423,755	-0-	423,755	(46,771)
149,783	-0-	149,783	36,125
143,909	-0-	143,909	58,951
61,428	-0-	61,428	(9,545)
44,453	-0-	44,453	20,652
<u>2,411,225</u>	<u>-0-</u>	<u>2,411,225</u>	<u>385,537</u>
107,734	-0-	107,734	943
44,807	-0-	44,807	4,031
<u>152,541</u>	<u>-0-</u>	<u>152,541</u>	<u>4,974</u>
<u>2,563,766</u>	<u>-0-</u>	<u>2,563,766</u>	<u>390,511</u>
186,600	(743)	185,857	<u>\$ (690,883)</u>
<u>2,417,732</u>	<u>55,263</u>	<u>2,472,995</u>	
<u>\$ 2,604,332</u>	<u>\$ 54,520</u>	<u>\$ 2,658,852</u>	

The accompanying notes are an integral part of these financial statements.

ROAD RUNNERS CLUB OF AMERICA, INC.
Statement of Functional Expenses
Year Ended December 31, 2022

	2022											
	Program Services											
	Insurance and Music Group Licensing	Certification Programs	Championship Events and State Programs	Education Programs	RunPro and Road Scholars	Kids Run the Nation	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses	
Personnel Costs:												
Salaries	\$ 109,307	\$ 91,089	\$ 72,871	\$ 36,436	\$ 10,931	\$ 18,218	\$ 338,852	\$ 18,218	\$ 7,287	\$ 25,505	\$ 364,357	
Payroll taxes	8,073	6,728	5,382	2,691	807	1,346	25,027	1,346	538	1,884	26,911	
Retirement plan	3,165	2,637	2,110	1,055	316	527	9,810	527	211	738	10,548	
Total personnel costs	120,545	100,454	80,363	40,182	12,054	20,091	373,689	20,091	8,036	28,127	401,816	
Annual convention room and board	-0-	-0-	-0-	105,926	-0-	-0-	105,926	-0-	-0-	-0-	105,926	
Awards	-0-	-0-	-0-	4,565	-0-	-0-	4,565	-0-	-0-	-0-	4,565	
Charitable registration fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,434	9,434	9,434	
Coaching travel, lodging, and stipends	-0-	211,635	-0-	-0-	-0-	-0-	211,635	-0-	-0-	-0-	211,635	
Credit card fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	31,275	20,023	51,298	51,298	
Depreciation and amortization	12,149	10,125	8,100	4,050	1,215	2,025	37,664	2,025	810	2,835	40,499	
Grants	-0-	-0-	-0-	-0-	3,000	30,300	33,300	-0-	-0-	-0-	33,300	
Information technology	12,509	10,424	8,339	4,170	11,489	2,085	49,016	2,021	808	2,829	51,845	
Insurance	1,522,717	8,398	6,719	3,359	1,008	1,680	1,543,881	1,743	697	2,440	1,546,321	
Marketing	9,105	-0-	-0-	7,154	-0-	-0-	16,259	6,886	6,154	13,040	29,299	
Music licensing	193,373	-0-	-0-	-0-	-0-	-0-	193,373	-0-	-0-	-0-	193,373	
Occupancy	25,585	21,321	17,057	8,528	2,559	4,264	79,314	4,264	1,706	5,970	85,284	
Office expenses	2,903	2,014	1,612	806	242	403	7,980	10,388	161	10,549	18,529	
Professional fees	11,360	9,466	9,548	13,809	1,136	1,893	47,212	2,238	757	2,995	50,207	
Race marketing and supplies	-0-	-0-	31,021	9,052	-0-	1,735	41,808	-0-	-0-	-0-	41,808	
Travel	3,776	3,147	23,149	1,259	19,180	629	51,140	27,746	252	27,998	79,138	
Total expenses reported in the Statement of Activities	\$ 1,914,022	\$ 376,984	\$ 185,908	\$ 202,860	\$ 51,883	\$ 65,105	\$ 2,796,762	\$ 108,677	\$ 48,838	\$ 157,515	\$ 2,954,277	

The accompanying notes are an integral part of these financial statements.

ROAD RUNNERS CLUB OF AMERICA, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	2021											
	Program Services											
	Insurance and Music Group Licensing	Certification Programs	Championship Events and State Programs	Education Programs	RunPro and Road Scholars	Kids Run the Nation	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses	
Personnel Costs:												
Salaries	\$ 105,488	\$ 87,906	\$ 70,325	\$ 35,162	\$ 10,549	\$ 17,581	\$ 327,011	\$ 17,581	\$ 7,032	\$ 24,613	\$ 351,624	
Payroll taxes	7,799	6,499	5,199	2,600	780	1,300	24,177	1,300	520	1,820	25,997	
Retirement plan	3,030	2,525	2,019	1,010	303	505	9,392	505	202	707	10,099	
Total personnel costs	116,317	96,930	77,543	38,772	11,632	19,386	360,580	19,386	7,754	27,140	387,720	
Annual convention room and board	-0-	-0-	-0-	61,254	-0-	-0-	61,254	-0-	-0-	-0-	61,254	
Annual report printing	-0-	-0-	-0-	-0-	-0-	-0-	-0-	763	-0-	763	763	
Awards	-0-	-0-	-0-	5,209	-0-	-0-	5,209	-0-	-0-	-0-	5,209	
Charitable registration fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,565	13,565	13,565	
Coaching travel, lodging, and stipends	-0-	273,237	-0-	-0-	-0-	-0-	273,237	-0-	-0-	-0-	273,237	
Credit card fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	21,474	13,687	35,161	35,161	
Depreciation and amortization	6,770	5,642	4,514	2,257	677	1,128	20,988	1,129	451	1,580	22,568	
Grants	-0-	-0-	-0-	-0-	-0-	14,500	14,500	-0-	-0-	-0-	14,500	
Information technology	9,259	7,715	6,172	3,086	24,154	1,543	51,929	1,543	617	2,160	54,089	
Insurance	1,303,833	8,427	6,742	3,371	1,011	1,686	1,325,070	1,685	674	2,359	1,327,429	
Marketing	3,360	-0-	-0-	5,678	-0-	-0-	9,038	3,360	5,678	9,038	18,076	
Music licensing	114,899	-0-	-0-	-0-	-0-	-0-	114,899	-0-	-0-	-0-	114,899	
Occupancy	25,193	20,995	16,796	8,398	2,519	4,199	78,100	4,198	1,680	5,878	83,978	
Office expenses	2,329	2,277	4,242	1,543	204	1,204	11,799	2,090	252	2,342	14,141	
Professional fees	3,927	6,857	1,571	4,713	786	472	18,326	26,231	314	26,545	44,871	
Race marketing and supplies	-0-	-0-	18,889	8,830	-0-	-0-	27,719	-0-	-0-	-0-	27,719	
Scholarships	-0-	-0-	-0-	128	-0-	-0-	128	-0-	-0-	-0-	128	
Travel	2,010	1,675	13,314	670	20,445	335	38,449	25,875	135	26,010	64,459	
Total expenses reported in the Statement of Activities	\$ 1,587,897	\$ 423,755	\$ 149,783	\$ 143,909	\$ 61,428	\$ 44,453	\$ 2,411,225	\$ 107,734	\$ 44,807	\$ 152,541	\$ 2,563,766	

The accompanying notes are an integral part of these financial statements.

ROAD RUNNERS CLUB OF AMERICA, INC.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (505,026)	\$ 185,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	559,796	(181,830)
Realized gain on investments	(148,959)	(132,807)
Depreciation and amortization	40,499	22,568
Forgiveness of PPP loan	-0-	(65,027)
Changes in operating assets and liabilities:		
Accounts receivable	(6,839)	12,635
Inventory	72	485
Prepaid expenses	24,083	(128)
Accounts payable	(441)	1,815
Accrued expenses	1,130	(60,067)
Operating lease right of use asset/lease liabilities	(73,409)	-0-
Deferred revenue	207,528	246,268
Deferred rent	71,808	472
Net Cash Provided by Operating Activities	<u>170,242</u>	<u>30,241</u>
Cash Flows from Investing Activities		
Purchase of investments	(240,658)	(2,256,755)
Proceeds from sale of investments	213,050	2,534,009
Purchase of property	342	(56,453)
Net Cash Provided by (Used in) Investing Activities	<u>(27,266)</u>	<u>220,801</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan	-0-	65,027
Net Increase in Cash	<u>142,976</u>	<u>316,069</u>
Cash - Beginning of Year	<u>936,108</u>	<u>620,039</u>
Cash - End of Year	<u>\$ 1,079,084</u>	<u>\$ 936,108</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for operating leases	<u>\$ 71,719</u>	<u>\$ -0-</u>
Non-Cash Operating Activities:		
Right of use assets and lease liabilities acquired under operating leases	<u>\$ 229,146</u>	<u>-0-</u>

The accompanying notes are an integral part of these financial statements.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Road Runners Club of America, Inc. ("RRCA") is a 501(c)(3) organization incorporated in 1976 under the laws of the state of Virginia. Established in 1958, the Road Runners Club of America is the oldest and largest national association of runners and running organizations dedicated to growing the sport of running. The Organization's main mission is to champion the development and success of community-based running organizations that empower people to participate in the sport of running in pursuit of enjoyment, health, well-being and competition.

The accounting and reporting policies of RRCA conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Basis of Accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments: Investments with readily determinable fair value are reported at fair value in the statements of financial position. Fair value is defined as 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. Realized and unrealized gains and losses are included in net investment return on 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.

Accounts Receivable: Accounts receivable are contracts with customers and are due in less than one year. RRCA provides a reserve for doubtful accounts based on periodic reviews by management. Receivables are written off by management when, in their determination, the receivables are delinquent, and all collection efforts have been exhausted. RRCA has not recorded an allowance for doubtful accounts, since in the opinion of management, all outstanding receivables are collectible.

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 net realizable value by the first-in-first-out (FIFO) method.

Property and Depreciation: Property is stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. RRCA's threshold for capitalization is any acquisition that meets the above criteria and is greater than or equal to \$750. Depreciation is computed using the straight-line method over the estimated useful lives of the assets identified below:

Furniture and fixtures	7 - 10 years
Web development	3 years
Course development	3 years

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. As of December 31, 2022, RRCA maintained \$575,000 of board-designated funds. These funds are to be used for the Organization's expenditures and must be approved by the Board. During the years ended December 31, 2022 and 2021, no board-designated funds were used.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions: Contributions received are recorded as without donor restrictions or with assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition: RRCA is funded by various sources, such as corporations, foundations, and individuals. RRCA's policy is to recognize contributions of cash, securities, or other assets when an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give 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 a future year. When a donor restriction expires, either by the passage of time or other events specified by the donor, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 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 contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statement of activities for the years ended December 31, 2022 and 2021:

Insurance Program: The Organization provides insurance for a set annual fee. The performance obligation consists of providing members with access to insurance benefits and is considered fulfilled upon the purchase of the policy. Insurance fees received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Coaching Certification: The Organization provides coaching and other programs, which allows members to receive certifications by completing a one time course and passing an exam. The performance obligations are the completion of the course and the taking of the exam. Revenue is recognized at a point in time, when the course is complete, or the applicant takes the exam. Course or exam fees related to future periods are included in deferred revenue in the accompanying statements of financial position.

Licensing: The Organization provides affordable group music licensing. The performance obligation consists of the obligation to provide members with access to music licensing for their event. The fees are based on the number of participants at an event and revenue is recognized at a point in time, when the event takes place. Fees received related to future periods are included in deferred revenue in the accompanying statements of financial position.

Dues: Membership dues, which is a set, nonrefundable, fee for annual dues, 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 an obligation to provide members with continuous access to information, insurance, programs, and use of the Organization's logo, and is recognized ratably over the period using the time elapsed method, and input measure, as it best depicts the simultaneous consumption and delivery of these services. These items are considered to be one performance obligation, as the included services are substantially the same and have a similar pattern of transfer. Membership dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

Sponsorship and Special Programs: Special program revenue is for registration for the annual convention. The Organization also receives revenue for convention sponsorships. The performance obligation is access to the convention and the prices are set by the Organization. For sponsors, the performance obligation is recognition at the event and complimentary admission. Revenues from conventions are recognized at the time of the associated event. Registrations received relating to future periods are included in deferred revenue in the accompanying statements of financial position.

Publication Income: The Organization receives income 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.

Refunds are provided in the case of overpayment of membership dues or insurance fees. Generally, no insurance or music license refunds are provided for event cancellations. Refunds for coaching courses are provided for cancellations up to two weeks prior to the course date.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue on the accompanying statements of financial position. Coaching certification, licensing and special program revenues are invoiced at the time of the participant's registration with fees being collected prior to the event. Sponsorships are invoiced at the time of the sponsor agreement with fees due 30 days after the invoice date. Insurance program and membership dues are invoiced annually and the fees due within 30 days of the invoice.

In-Kind Contributions: Donated materials, services, and use of facilities are recorded at their estimated fair value when an unconditional commitment is received and is recognized as in-kind contributions. Contributions of services are recognized when services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are valued at fair market value as of the date of the gift. The value of materials donated to RRCA was \$2,333 and \$1,433 for the years ended December 31, 2022 and 2021, respectively. The corresponding expenses are recorded in the appropriate expense categories in the statements of functional expenses.

Income Taxes: RRCA is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. RRCA had no unrelated business income for either of the years ended December 31, 2022 or 2021. Accordingly, no provision for income taxes is reflected in these financial statements. RRCA's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated, generally based on estimates of the portion of time expended by the staff on the various functions.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, which was effective for fiscal years beginning after December 15, 2021. The distinction between finance leases (previously capital leases) and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance on leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-of-use (ROU) asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including any payments to be made in lease option periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The ROU asset will be amortized over the term of the lease and the lease liability will be reduced by lease payments.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Organization evaluates each contract and determines if an arrangement contains a lease at the inception of a contract. As permitted under the ASU, the Organization has elected not to record short-term leases with initial contract terms of 12 months or less on the balance sheets. Short term lease costs for the year ended December 31, 2022 was \$71,719. The Organization accounts for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the ROU or lease liabilities. These are expensed as incurred. The Organization has elected to use the risk-free rate to discount the lease payments for all classes of ROU. The Organization had adopted the new lease standard effective as of January 1, 2022.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statement of operations and changes in net assets, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, and if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted and implemented this standard.

Reclassifications: Certain amounts previously reported in the financial statements for the year ended December 31, 2021, have been reclassified to conform to the financial statement presentation for the year ended December 31, 2022. These changes had no effect on previously reported net assets or changes to net assets.

Subsequent Events: In preparing these financial statements, RRCA has evaluated events and transactions for potential recognition or disclosure through April 4, 2023, the date the financial statements were available to be issued. During the period from January 1, 2023 through April 4, 2023, RRCA did not have any material recognizable subsequent events.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for the general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of the financial position date comprise the following:

	2022	2021
Cash	\$ 1,079,084	\$ 936,108
Investments	2,095,672	2,478,900
Accounts receivable	6,839	-0-
Total financial assets	3,181,595	3,415,008
Less:		
Board-designated investments, reserves	(575,000)	(575,000)
Endowment funds	(10,000)	(10,000)
Net assets with donor restrictions	(49,232)	(44,520)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,547,363</u>	<u>\$ 2,785,488</u>

RRCA's goal is to maintain financial assets to meet 10 months of operating reserves, approximately \$500,000. The Board examines this amount annually to determine if additional funds should be designated to operating reserves, or if the reserves will be allocated for operational or programmatic purposes. The Organization's policy is that the board designated fund should be no less than six months, or \$250,000, of basic operating reserves. Cash in excess of operating reserves is invested in short-term investments.

Note 3: Investments

A summary of the investment portfolio is as follows at December 31, 2022 and 2021:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 445,004	\$ 445,004	\$ 519,483	\$ 519,483
Equities	1,246,158	710,011	1,638,786	638,283
Corporate bonds	198,676	225,241	170,142	166,262
Exchange traded funds	205,834	256,637	150,489	137,044
Total	<u>\$ 2,095,672</u>	<u>\$ 1,636,893</u>	<u>\$ 2,478,900</u>	<u>\$ 1,461,072</u>

Investments are reflected in the statement of financial position at December 31, 2022 and 2021 as:

	2022	2021
Investments	\$ 1,510,672	\$ 1,893,900
Investments - Board designated and restricted in perpetuity	585,000	585,000
	<u>\$ 2,095,672</u>	<u>\$ 2,478,900</u>

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 3: Investments (Continued)

Net investment return is summarized as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Investment income	\$ 36,312	\$ 31,277
Investment expenses	(8,515)	(8,320)
Net realized gain	148,959	132,807
Unrealized gain (loss)	(559,796)	181,830
Total	\$ (383,040)	\$ 337,594

Note 4: Deferred Revenue

Deferred revenues consist of the following at December 31, 2022 and 2021:

	2022	2021
Deferred revenue		
Insurance revenue	\$ 608,937	\$ 492,031
Membership dues	264,850	230,922
Coaching	35,175	-0-
Sponsorships	19,410	11,795
Licensing income	75,981	62,077
	\$ 1,004,353	\$ 796,825

Note 5: Fair Value Measurement

Generally accepted accounting principles (GAAP) provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 5: Fair Value Measurement (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by RRCA include the following:

Equities: Valued at the last sales price reported in the active market in which the individual fund is traded.

Corporate Bonds: The investment grade corporate bonds held by the Organization generally do not trade in the active markets on the measurement date. Therefore, corporate debt securities are valued using inputs including yields currently available on comparable securities of issues with similar credit rates, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Exchange Traded Funds: Valued at the last sales price reported in the active market in which the individual fund is traded.

In determining the appropriate levels, RRCA performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below presents the balances of investments as of December 31, 2022, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,246,158	\$ 1,246,158	\$ -0-	\$ -0-
Corporate bonds	198,676	-0-	198,676	-0-
Exchange traded funds	205,834	205,834	-0-	-0-
Total assets at fair value	1,650,668	\$ 1,451,992	\$ 198,676	\$ -0-
Money market, reported at cost	445,004			
Total investments	\$ 2,095,672			

The table below presents the balances of investments as of December 31, 2021, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,000,899	\$ 1,000,899	\$ -0-	\$ -0-
Corporate bonds	170,142	-0-	170,142	-0-
Exchange traded funds	788,376	788,376	-0-	-0-
Total assets at fair value	1,959,417	\$ 1,789,275	\$ 170,142	\$ -0-
Money market, reported at cost	519,483			
Total investments	\$ 2,478,900			

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 6: Endowment Funds

The Financial Accounting Standards Board (FASB) has issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Virginia has enacted UPMIFA. The FASB guidance also requires additional disclosures about an organization's funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization's endowment consists of donor restricted funds whose purpose is to provide long-term support for RRCA's programs. Endowment funds are classified as net assets with or without donor restrictions depending on which classification is determined by the donors and, where applicable, the provisions of the laws of the State of Virginia. The portion of 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 the stipulations imposed by the original donor. In accordance with UPMIFA, the Organization considers the following factors in making a determination to the 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 as of December 31, 2022 and 2021 is as follows:

	2022	2021
Balance January 1	\$ 10,000	\$ 10,000
Investment income, net	-0-	1,540
Appropriation of expenditure	-0-	(1,540)
	\$ 10,000	\$ 10,000

Note 7: Net Assets

As of December 31, 2022 and 2021, RRCA's board designated net assets are available for the following purposes:

	2022	2021
Undesignated	\$ 1,519,594	\$ 2,029,332
Board-designated		
Operating reserve fund	500,000	500,000
Kids Run the Nation	25,000	25,000
RunPro Roads Scholars	25,000	25,000
State Reps fund	25,000	25,000
Total board-designated	575,000	575,000
Total net assets without donor restrictions	\$ 2,094,594	\$ 2,604,332

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 7: Net Assets (Continued)

As of December 31, 2022 and 2021, RRCA's net assets with donor restrictions are available for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Kid Run the Nation	\$ 34,630	\$ 39,292
Roads Scholars	-0-	5,228
Road Runners Club Fund	14,602	-0-
Total	<u>49,232</u>	<u>44,520</u>
Held in perpetuity:		
Endowment	<u>10,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 59,232</u>	<u>\$ 54,520</u>

Note 8: Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2022 and 2021, respectively, by incurring expenses satisfying the restricted purposes or by occurrence of other events by donors are as follows:

	2022	2021
Kids Run the Nation	\$ 30,330	\$ 14,500
Roads Scholars	9,972	23,000
	<u>\$ 40,302</u>	<u>\$ 37,500</u>

Note 9: Retirement Plan

RRCA has a SEP-IRA retirement plan available for all 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 a quarterly basis. The Organization contributed \$10,548 and \$10,099 in matching contributions for the years ended December 31, 2022 and 2021, respectively.

Note 10: Leases

The Organization leases a piece of equipment and its office space under non-cancellable operating lease agreements that expire in 2024. All leases require monthly payments. As of January 1, 2022, the Organization has recorded a right-of-use asset for \$157,427, which is being amortized over the lives of the leases and an off-setting lease liability of \$157,427.

The Organization's total lease expense for the year ended December 31, 2022 was \$85,284. Rent expense for 2021 prior to the adoption of ASC 842 leases was \$83,978.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 10: Leases (Continued)

As of December 31, 2022, the right-of-use assets and operating lease liabilities related to operating leases were as follows:

Operating lease right-of-use assets, net	<u>\$ 87,938</u>
Operating lease liabilities:	
Current portion of operating lease liabilities	\$ 73,056
Operating lease liabilities, net of current portion	<u>18,741</u>
	<u>\$ 91,797</u>

Other lease details are as follows:

Weighted average remaining lease term in years	1.25
Weighted average discount rate	0.79%

As of December 31, 2022, future minimum lease payments under operating leases are as follows:

Year Ending December 31:	
2023	\$ 73,471
2024	<u>18,754</u>
	92,225
Less: Amount representing interest	<u>428</u>
Present value of future minimum lease payments	<u>\$ 91,797</u>

Note 11: Revenue from Contracts with Customers

The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers recognized at a point in time:		
Insurance program	\$ 1,543,727	\$ 1,323,345
Coaching certification	437,419	460,820
Licensing income	193,372	114,900
Special programs	41,305	28,894
Sponsorships	29,000	28,500
Publications	244	483
Total revenue recognized at a point in time	<u>2,245,067</u>	<u>1,956,942</u>
Revenue from contracts with customers recognized over time:		
Membership dues	<u>497,999</u>	<u>313,507</u>
Total revenue from contracts with customers	<u>\$ 2,743,066</u>	<u>\$ 2,270,449</u>

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2022 and 2021

Note 11: Revenue from Contracts with Customers (Continued)

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to run programs, hold events, and retain and attract members. No significant events occurred that had a material impact on the Organization's revenue recognition or cash flows for the years ended December 31, 2022 and 2021.

Note 12: Note Payable, PPP Loan

RRCA applied for and received funds in the amount of \$65,028 under the Paycheck Protection Program (PPP), which was created as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during the periods of 8-weeks to 24-weeks, commencing on the date of the loan agreement (April 3, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The organization applied for and received full forgiveness on December 28, 2020. The SBA granted the organization a second PPP loan on February 18, 2021, in the amount of \$65,027. RRCA applied for and received full forgiveness of the second PPP loan in September 2021, and recognized as income on the statement of activities for the year ended December 31, 2021.

Note 13: Other Matters

Uninsured Deposits: The Organization maintains its cash balances at one financial institution. Periodically during the year, the Organization's cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Financial Risk: The Organization's investment portfolio is a professionally managed portfolio that contains, mutual funds and exchange-traded funds. Such investments are exposed to various investment risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the country. The pandemic continues, and at this time the impact on the operation and financial status of the RRCA cannot be determined.

