

ROAD RUNNERS CLUB OF AMERICA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1-2
Statements of Financial Position	3-4
Statements of Activities	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-21

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 statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, 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.

Basis for Opinion

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

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, intentional omissions, 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 24, 2025

ROAD RUNNERS CLUB OF AMERICA, INC.
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 1,017,618	\$ 1,124,665
Investments	2,126,818	1,885,181
Accounts receivable	-0-	16,003
Inventory	20,428	14,594
Prepaid expenses	42,042	60,990
Total Current Assets	<u>3,206,906</u>	<u>3,101,433</u>
Property		
Equipment	12,540	8,565
Web development	114,282	114,282
Furniture and fixtures	1,115	-0-
Total Cost	<u>127,937</u>	<u>122,847</u>
Less: Accumulated depreciation	120,832	98,624
Net Property	<u>7,105</u>	<u>24,223</u>
Other Assets		
Operating lease right-of-use assets	47,694	88,944
Investments - Board designated and restricted in perpetuity	610,000	585,000
Deposits	2,095	6,833
	<u>659,789</u>	<u>680,777</u>
Total Assets	<u><u>\$ 3,873,800</u></u>	<u><u>\$ 3,806,433</u></u>

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 47,909	\$ 96,786
Accrued expenses	37,327	88,444
Agency funds held	11,972	12,334
Deferred revenue	1,168,034	1,140,761
Current maturities of operating lease liabilities	24,441	41,411
Total Current Liabilities	<u>1,289,683</u>	<u>1,379,736</u>
Non-Current Liabilities		
Operating lease liabilities, net of current maturities	<u>24,015</u>	<u>48,456</u>
Total Liabilities	<u>1,313,698</u>	<u>1,428,192</u>
Commitments and Contingencies (Notes 9 and 12)		
Net Assets		
Without donor restrictions		
Undesignated	1,854,381	1,746,845
Board designated	600,000	575,000
Total without donor restrictions	<u>2,454,381</u>	<u>2,321,845</u>
With donor restrictions	105,721	56,396
Total Net Assets	<u>2,560,102</u>	<u>2,378,241</u>
Total Liabilities and Net Assets	<u><u>\$ 3,873,800</u></u>	<u><u>\$ 3,806,433</u></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, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Insurance program	\$ 1,599,183	\$ -0-	\$ 1,599,183
Coaching certifications	330,586	-0-	330,586
Net investment return	265,755	1,100	266,855
Membership dues and fees	556,330	-0-	556,330
Licensing income	234,656	-0-	234,656
Contribution revenue	34,942	92,475	127,417
Special programs	72,356	-0-	72,356
Sponsorships	47,500	-0-	47,500
Publications	53	-0-	53
In-kind contributions	2,930	-0-	2,930
Other income	10,620	-0-	10,620
Net assets released from restrictions:			
Satisfaction of program restrictions	44,250	(44,250)	-0-
Total Support and Revenue	3,199,161	49,325	3,248,486
Expenses			
Program services:			
Insurance and music group licensing	2,011,488	-0-	2,011,488
Certification programs	355,220	-0-	355,220
Championship events and state programs	193,924	-0-	193,924
Education programs	210,245	-0-	210,245
RunPro and Roads Scholars	45,377	-0-	45,377
Kids Run the Nation	61,859	-0-	61,859
Total program services	2,878,113	-0-	2,878,113
Support services:			
General and administrative	135,513	-0-	135,513
Fundraising	52,999	-0-	52,999
Total support services	188,512	-0-	188,512
Total expenses	3,066,625	-0-	3,066,625
Change in Net Assets	132,536	49,325	181,861
Net Assets at Beginning of Year	2,321,845	56,396	2,378,241
Net Assets at End of Year	\$ 2,454,381	\$ 105,721	\$ 2,560,102

2023			
Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 1,590,309	\$ -0-	\$ 1,590,309	\$ 8,874
335,132	-0-	335,132	(4,546)
372,939	1,800	374,739	(107,884)
540,917	-0-	540,917	15,413
222,441	-0-	222,441	12,215
36,933	47,445	84,378	43,039
76,320	-0-	76,320	(3,964)
45,655	-0-	45,655	1,845
154	-0-	154	(101)
6,294	-0-	6,294	(3,364)
7,854	-0-	7,854	2,766
52,081	(52,081)	-0-	-0-
3,287,029	(2,836)	3,284,193	(35,707)
1,970,520	-0-	1,970,520	40,968
369,408	-0-	369,408	(14,188)
202,421	-0-	202,421	(8,497)
239,549	-0-	239,549	(29,304)
52,853	-0-	52,853	(7,476)
53,938	-0-	53,938	7,921
2,888,689	-0-	2,888,689	(10,576)
115,051	-0-	115,051	20,462
56,038	-0-	56,038	(3,039)
171,089	-0-	171,089	17,423
3,059,778	-0-	3,059,778	6,847
227,251	(2,836)	224,415	<u>\$ (42,554)</u>
2,094,594	59,232	2,153,826	
<u>\$ 2,321,845</u>	<u>\$ 56,396</u>	<u>\$ 2,378,241</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, 2024

	Program Services										
	Insurance and Music Group Licensing	Certification Programs	Championship Events and State Programs	Education Programs	RunPro and Roads Scholars	Kids Run the Nation	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Personnel Costs:											
Salaries	\$ 112,438	\$ 93,698	\$ 74,959	\$ 37,479	\$ 11,244	\$ 18,740	\$ 348,558	\$ 18,740	\$ 7,496	\$ 26,236	\$ 374,794
Payroll taxes	8,182	6,818	5,455	2,727	818	1,364	25,364	1,364	545	1,909	27,273
Retirement plan	3,236	2,697	2,157	1,079	324	539	10,032	539	216	755	10,787
Total personnel costs	123,856	103,213	82,571	41,285	12,386	20,643	383,954	20,643	8,257	28,900	412,854
Annual convention room and board	-0-	-0-	-0-	131,401	-0-	-0-	131,401	-0-	-0-	-0-	131,401
Awards	-0-	-0-	-0-	4,966	-0-	-0-	4,966	-0-	-0-	-0-	4,966
Charitable registration fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,612	7,612	7,612
Coaching travel, lodging and stipends	-0-	188,135	-0-	-0-	-0-	-0-	188,135	-0-	-0-	-0-	188,135
Credit card fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	44,134	28,154	72,288	72,288
Depreciation and amortization	6,662	5,552	4,442	2,221	666	1,110	20,653	1,110	444	1,554	22,207
Grants	-0-	-0-	-0-	-0-	9,000	30,000	39,000	-0-	-0-	-0-	39,000
Information technology	8,101	6,751	5,401	2,700	1,074	1,350	25,377	1,350	540	1,890	27,267
Insurance	1,578,079	9,227	7,382	3,691	1,107	1,845	1,601,331	1,845	738	2,583	1,603,914
Marketing	14,519	-0-	-0-	4,596	-0-	-0-	19,115	13,672	4,489	18,161	37,276
Music licensing	236,653	-0-	-0-	-0-	-0-	-0-	236,653	-0-	-0-	-0-	236,653
Lease expenses	14,801	12,334	9,867	4,934	1,480	2,467	45,883	2,467	987	3,454	49,337
Office expenses	8,182	5,027	4,022	2,011	603	1,005	20,850	5,929	402	6,331	27,181
Professional fees	13,493	11,244	10,386	5,623	1,349	2,249	44,344	2,854	900	3,754	48,098
Race marketing and supplies	-0-	7,785	38,651	4,436	-0-	-0-	50,872	-0-	-0-	-0-	50,872
Travel	7,142	5,952	31,202	2,381	17,712	1,190	65,579	41,509	476	41,985	107,564
Total expenses reported in the Statement of Activities	\$ 2,011,488	\$ 355,220	\$ 193,924	\$ 210,245	\$ 45,377	\$ 61,859	\$ 2,878,113	\$ 135,513	\$ 52,999	\$ 188,512	\$ 3,066,625

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

ROAD RUNNERS CLUB OF AMERICA, INC.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services										
	Insurance and Music Group Licensing	Certification Programs	Championship Events and State Programs	Education Programs	RunPro and Roads Scholars	Kids Run the Nation	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total Expenses
Personnel Costs:											
Salaries	\$ 112,143	\$ 93,453	\$ 74,762	\$ 37,381	\$ 11,214	\$ 18,691	\$ 347,644	\$ 18,691	\$ 7,476	\$ 26,167	\$ 373,811
Payroll taxes	8,215	6,846	5,476	2,738	821	1,369	25,465	1,369	548	1,917	27,382
Retirement plan	3,216	2,680	2,144	1,072	322	536	9,970	536	214	750	10,720
Total personnel costs	123,574	102,979	82,382	41,191	12,357	20,596	383,079	20,596	8,238	28,834	411,913
Annual convention room and board	-0-	-0-	-0-	140,634	-0-	-0-	140,634	-0-	-0-	-0-	140,634
Awards	-0-	-0-	-0-	5,640	-0-	-0-	5,640	-0-	-0-	-0-	5,640
Charitable registration fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,993	11,993	11,993
Coaching travel, lodging and stipends	-0-	194,938	-0-	-0-	-0-	-0-	194,938	-0-	-0-	-0-	194,938
Credit card fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	39,342	24,834	64,176	64,176
Depreciation and amortization	12,134	10,112	8,089	4,044	1,213	2,022	37,614	2,022	809	2,831	40,445
Grants	-0-	-0-	-0-	-0-	3,000	19,500	22,500	-0-	-0-	-0-	22,500
Information technology	10,073	8,394	6,715	3,358	7,322	1,679	37,541	1,679	672	2,351	39,892
Insurance	1,543,932	8,586	6,869	3,434	1,030	1,717	1,565,568	1,717	687	2,404	1,567,972
Marketing	7,369	-0-	-0-	5,436	-0-	-0-	12,805	6,764	5,436	12,200	25,005
Music licensing	222,441	-0-	-0-	-0-	-0-	-0-	222,441	-0-	-0-	-0-	222,441
Lease expenses	26,469	22,058	17,646	8,823	2,647	4,412	82,055	4,412	1,765	6,177	88,232
Office expenses	4,267	3,177	2,541	1,271	381	635	12,272	4,301	254	4,555	16,827
Professional fees	13,520	11,267	11,384	9,507	1,352	2,253	49,283	4,869	901	5,770	55,053
Race marketing and supplies	-0-	2,279	34,214	13,964	-0-	-0-	50,457	-0-	-0-	-0-	50,457
Travel	6,741	5,618	32,581	2,247	23,551	1,124	71,862	29,349	449	29,798	101,660
Total expenses reported in the Statement of Activities	\$ 1,970,520	\$ 369,408	\$ 202,421	\$ 239,549	\$ 52,853	\$ 53,938	\$ 2,888,689	\$ 115,051	\$ 56,038	\$ 171,089	\$ 3,059,778

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

ROAD RUNNERS CLUB OF AMERICA, INC.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 181,861	\$ 224,415
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(59,582)	(353,232)
Realized loss (gain) on investments	(162,651)	21,233
Depreciation and amortization	22,207	40,445
Changes in operating assets and liabilities:		
Accounts receivable	16,003	(9,164)
Inventory	(5,834)	(2,085)
Prepaid expenses	18,948	(45,839)
Operating lease right-of-use assets	41,250	(1,006)
Deposits	4,738	(2,095)
Accounts payable	(48,877)	31,594
Accrued expenses	(51,117)	43,012
Agency funds held	(362)	12,334
Deferred revenue	27,273	136,408
Operating lease liabilities	(41,411)	(1,930)
Net Cash Provided by (Used in) in Operating Activities	<u>(57,554)</u>	<u>94,090</u>
Cash Flows from Investing Activities		
Purchase of investments	(438,419)	(153,051)
Proceeds from sale of investments	394,015	110,541
Purchase of property	(5,089)	(5,999)
Net Cash Used in Investing Activities	<u>(49,493)</u>	<u>(48,509)</u>
Net Increase (Decrease) in Cash	(107,047)	45,581
Cash - Beginning of Year	<u>1,124,665</u>	<u>1,079,084</u>
Cash - End of Year	<u>\$ 1,017,618</u>	<u>\$ 1,124,665</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for operating leases	<u>\$ 43,956</u>	<u>\$ 75,566</u>
Non-Cash Operating Activities:		
Right-of-use assets and lease liabilities acquired under operating leases	<u>\$ -0-</u>	<u>72,967</u>

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

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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 Commonwealth 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.

Cash and Cash Equivalents: The Organization classifies all investments not held by investment custodians which are readily convertible to cash, and which have an original maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents held by investment custodians are not included in cash and cash equivalents but are reported as investments.

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 investment income, net 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. Provision is made for credit losses based on management's analysis of expected collection losses. Expected collection losses are determined from a review of outstanding accounts receivable, historical collection experience, existing economic conditions and reasonable supportable forecasts of future events. Collateral or other security is not required to support accounts receivable. Accounts receivables are written-off by management when, in their determination, all collection efforts have been exhausted. The Company did not record an allowance for credit losses at December 31, 2024 and 2023 based on management's expected collection loss analysis.

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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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

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:

	<u>Useful Lives</u>
Equipment	3 - 5 years
Furniture and fixtures	7 - 10 years
Web development	3 years

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, 2024 and 2023, RRCA maintained \$600,000 and \$575,000, respectively, 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, 2024 and 2023, 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 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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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

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, 2024 and 2023:

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.

Coaching Certification: The Organization provides coaching and other programs, which allow 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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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

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.

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.

Leases: RRCA determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with a term of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. RRCA accounts for lease and non-lease components as a single lease. 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 right-of-use asset or lease liabilities. These are expensed as incurred. RRCA uses the risk-free discount rate when the rate implicit in the lease is not available.

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 \$2,930 and \$6,294 for the years ended December 31, 2024 and 2023, 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 taxable income for either of the years ended December 31, 2024 and 2023. 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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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

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.

Subsequent Events: In preparing these financial statements, RRCA has evaluated events and transactions for potential recognition or disclosure through April 24, 2025, the date the financial statements were available to be issued. During the period from January 1, 2025 through April 24, 2025, RRCA did not have any material recognizable subsequent events.

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:

	2024	2023
Cash	\$ 1,017,618	\$ 1,124,665
Investments	2,736,818	2,470,181
Accounts receivable	-0-	16,003
Total financial assets	3,754,436	3,610,849
Less:		
Board-designated investments, reserves	(600,000)	(575,000)
Endowment funds	(10,000)	(10,000)
Net assets with donor restrictions	(95,721)	(46,396)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,048,715</u>	<u>\$ 2,979,453</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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

Note 3: Investments

A summary of the investment portfolio is as follows at December 31, 2024 and 2023:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 336,007	\$ 336,007	\$ 354,866	\$ 354,866
Equities	1,726,401	874,361	1,506,796	692,846
Corporate bonds	387,405	400,752	299,398	300,346
Exchange traded funds	287,005	255,101	309,121	303,023
Total	<u>\$ 2,736,818</u>	<u>\$ 1,866,221</u>	<u>\$ 2,470,181</u>	<u>\$ 1,651,081</u>

Investments are reflected in the statement of financial position at December 31, 2024 and 2023 as:

	2024	2023
Investments	\$ 2,126,818	\$ 1,885,181
Investments - Board designated and restricted in perpetuity	610,000	585,000
	<u>\$ 2,736,818</u>	<u>\$ 2,470,181</u>

Net investment return is summarized as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Investment income	\$ 53,825	\$ 51,231
Net realized gain (loss)	162,651	(21,233)
Unrealized gain	59,582	353,232
Investment expenses	(9,203)	(8,491)
Net investment return	<u>\$ 266,855</u>	<u>\$ 374,739</u>

Note 4: Deferred Revenue

Deferred revenues consist of the following at December 31, 2024, 2023 and 2022:

	2024	2023	2022
Deferred revenue			
Insurance revenue	\$ 716,182	\$ 700,804	\$ 608,937
Membership dues	323,485	301,037	264,850
Licensing income	76,944	102,109	75,981
Coaching	40,384	25,459	35,175
Sponsorships	11,039	11,352	19,410
	<u>\$ 1,168,034</u>	<u>\$ 1,140,761</u>	<u>\$ 1,004,353</u>

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.

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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

Note 5: Fair Value Measurement (Continued)

The table below presents the balances of investments as of December 31, 2024, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,726,401	\$ 1,726,401	\$ -0-	\$ -0-
Corporate bonds	387,405	-0-	387,405	-0-
Exchange traded funds	287,005	287,005	-0-	-0-
Total assets at fair value	2,400,811	\$ 2,013,406	\$ 387,405	\$ -0-
Cash and cash equivalents, reported at cost	336,007			
Total investments	\$ 2,736,818			

The table below presents the balances of investments as of December 31, 2023, measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,506,796	\$ 1,506,796	\$ -0-	\$ -0-
Corporate bonds	299,398	-0-	299,398	-0-
Exchange traded funds	309,121	309,121	-0-	-0-
Total assets at fair value	2,115,315	\$ 1,815,917	\$ 299,398	\$ -0-
Cash and cash equivalents, reported at cost	354,866			
Total investments	\$ 2,470,181			

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 Commonwealth 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 Commonwealth 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.

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

Note 6: Endowment Funds (Continued)

Endowment net asset as of December 31, 2024 and 2023 is as follows:

	2024	2023
Balance January 1	\$ 10,000	\$ 10,000
Investment income, net	1,100	1,800
Appropriation of expenditure	(1,100)	(1,800)
Balance, December 31	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Note 7: Net Assets

As of December 31, 2024 and 2023, RRCA's board designated net assets are available for the following purposes:

	2024	2023
Undesignated	<u>\$ 1,854,381</u>	<u>\$ 1,746,845</u>
Board-designated		
Operating reserve fund	600,000	500,000
Kids Run the Nation	-0-	25,000
RunPro Roads Scholars	-0-	25,000
State Reps fund	-0-	25,000
Total board-designated	<u>600,000</u>	<u>575,000</u>
Total net assets without donor restrictions	<u>\$ 2,454,381</u>	<u>\$ 2,321,845</u>

As of December 31, 2024 and 2023, RRCA's net assets with donor restrictions are available for the following purposes:

	2024	2023
Subject to expenditure for specified purpose:		
Kids Run the Nation	\$ 67,432	\$ 46,396
Technology	16,650	-0-
Coaches Scholarship	10,687	-0-
RunPro Fund	952	-0-
Total	<u>95,721</u>	<u>46,396</u>
Held in perpetuity:		
Endowment	<u>10,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 105,721</u>	<u>\$ 56,396</u>

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

Note 8: Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2024 and 2023, respectively, by incurring expenses satisfying the restricted purposes or by occurrence of other events by donors are as follows:

	2024	2023
Kids Run the Nation	\$ 30,000	\$ 19,500
RunPro Fund	6,000	3,682
Coaches Scholarship	4,900	14,297
Technology	3,350	-0-
Road Runners Club Fund	-0-	14,602
	<u>\$ 44,250</u>	<u>\$ 52,081</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 \$10,787 and \$10,720 in matching contributions for the years ended December 31, 2024 and 2023, respectively.

Note 10: Leases

The Organization leases office space under a non-cancellable operating lease agreement that expires November 2026. The Organization had leased an additional office space and a piece of equipment under non-cancellable operating lease agreements that expired in March 2024 and May 2024, respectively. All leases require monthly payments.

The Organization's total lease expense for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Fixed office leases	\$ 43,105	\$ 70,975
Fixed equipment leases	690	1,656
Variable office leases	3,996	11,758
Variable equipment leases	747	1,805
Short term leases	799	2,038
Total lease expense	<u>\$ 49,337</u>	<u>\$ 88,232</u>

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

Note 10: Leases (Continued)

As of December 31, 2024 and 2023, the right-of-use assets and operating lease liabilities related to operating leases were as follows:

	2024	2023
Operating lease right-of-use assets	<u>\$ 47,694</u>	<u>\$ 88,944</u>
Operating lease liabilities:		
Current maturities of operating lease liabilities	\$ 24,441	\$ 41,411
Operating lease liabilities, net of current maturities	<u>24,015</u>	<u>48,456</u>
	<u>\$ 48,456</u>	<u>\$ 89,867</u>

Other lease details as of December 31, 2024 and 2023 are as follows:

	2024	2023
Weighted average remaining lease term in years	1.91	2.36
Weighted average discount rate	4.31%	3.61%

As of December 31, 2024, future minimum lease payments under operating leases are as follows:

Year Ending December 31:	
2025	\$ 25,959
2026	<u>24,447</u>
	50,406
Less: Amount representing interest	<u>1,950</u>
Present value of future minimum lease payments	<u>\$ 48,456</u>

ROAD RUNNERS CLUB OF AMERICA, INC.
Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023:

	2024	2023
Revenue from contracts with customers recognized at a point in time:		
Insurance program	\$ 1,599,183	\$ 1,590,309
Coaching certifications	330,586	335,132
Licensing income	234,656	222,441
Special programs	72,356	76,320
Sponsorships	47,500	45,655
Publications	53	154
Total revenue recognized at a point in time	2,284,334	2,270,011
Revenue from contracts with customers recognized over time:		
Membership dues	556,330	540,917
Total revenue from contracts with customers	<u>\$ 2,840,664</u>	<u>\$ 2,810,928</u>

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, 2024 and 2023.

Note 12: Risks and Uncertainties

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, equities, exchange-traded funds and corporate bonds. 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.

