SIKICH

Road Runners Club of America, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2020 and 2019

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SIKICH®

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS
Members of American Institute of Certified Public Accountants

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

SIKICH.COM

Independent Auditor's Report

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

We have audited the accompanying financial statements of Road Runners Club of America, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Emphasis-of-Matter Regarding Revenue Recognition

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers,* as amended by ASU 2015-14, which supersedes or replaces nearly all accounting principles generally accepted in the United States of America revenue recognition guidance. The adoption of this ASU did not result in a change to the accounting for any of the Organization's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

Sikich LLP

Alexandria, Virginia

April 23, 2021

Road Runners Club of America, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 620,039	$ 909,101
Investments	1,856,517	1,529,391
Accounts receivable	12,635	10,141
Inventory	13,066	11,817
Prepaid expenses	39,106	41,180
Total current assets	2,541,363	2,501,630
Investments, non-current	585,000	585,000
Property and equipment, net	65,626	6,760
Deposits	4,738	4,738
Total assets	$ 3,196,727	$ 3,098,128
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 63,818	$ 27,993
Accrued expenses	104,369	15,400
Contract liability: insurance revenue	328,812	618,215
Contract liability: membership dues	99,203	265,897
Contract liability: coaching certifications	92,181	85,659
Contract liability: sponsorships	-	16,542
Contract liability: licensing income	30,361	71,391
Total current liabilities	718,744	1,101,097
Deferred rent, non-current	4,988	2,839
Total liabilities	723,732	1,103,936
Net assets:		
Without donor restrictions	1,842,732	1,373,490
Without donor restrictions, board designated	575,000	575,000
Total without donor restrictions	2,417,732	1,948,490
With donor restrictions	55,263	45,702
Total net assets	2,472,995	1,994,192
Total liabilities and net assets	$ 3,196,727	$ 3,098,128

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Activities

For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Insurance program	$ 1,145,955	$ -	$ 1,145,955
Membership dues and fees	504,408	-	504,408
Coaching certifications	481,577	-	481,577
Investment income, net	326,302	1,540	327,842
Contribution revenue	93,221	40,021	133,242
Licensing income	55,787	-	55,787
Sponsorships	22,870	-	22,870
Other income	18,499	-	18,499
In-kind contributions	1,080	-	1,080
Publications	434	-	434
Net assets released from restrictions:			
Satisfaction of donor restrictions	32,000	(32,000)	-
Total revenues	2,682,133	9,561	2,691,694
Expenses:			
Program services:			
Insurance and music group licensing	1,332,924	-	1,332,924
Certification programs	410,275	-	410,275
Championship events and state programs	130,856	-	130,856
Education programs	86,474	-	86,474
RunPro and Roads Scholars	82,397	-	82,397
Kids Run the Nation	36,982	-	36,982
Total program services	2,079,908	-	2,079,908
Support services:			
General and administrative	61,022	-	61,022
Fundraising	42,493	-	42,493
Board services	29,468	-	29,468
Total support services	132,983	-	132,983
Total expenses	2,212,891	-	2,212,891
Change in net assets	469,242	9,561	478,803
Net assets, beginning of year	1,948,490	45,702	1,994,192
Net assets, end of year	$ 2,417,732	$ 55,263	$ 2,472,995

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Activities

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Insurance program	$ 1,803,766	$ -	$ 1,803,766
Membership dues and fees	576,638	-	576,638
Coaching certifications	454,378	-	454,378
Investment income, net	372,325	2,100	374,425
Contribution revenue	148,836	-	148,836
Licensing income	111,268	76,480	187,748
Special programs	88,636	-	88,636
Sponsorships	30,935	-	30,935
Other income	21,884	-	21,884
In-kind contributions	4,770	-	4,770
Publications	2,962	-	2,962
Net assets released from restrictions:			
Satisfaction of donor restrictions	62,600	(62,600)	-
Total revenues	3,678,998	15,980	3,694,978
Expenses:			
Program services:			
Insurance and music group licensing	2,120,154	-	2,120,154
Certification programs	406,687	-	406,687
Education programs	255,835	-	255,835
Championship events and state programs	173,010	-	173,010
RunPro and Roads Scholars	122,285	-	122,285
Kids Run the Nation	64,154	-	64,154
Total program services	3,142,125	-	3,142,125
Support services:			
General and administrative	85,284	-	85,284
Fundraising	62,356	-	62,356
Board services	41,692	-	41,692
Total support services	189,332	-	189,332
Total expenses	3,331,457	-	3,331,457
Change in net assets	347,541	15,980	363,521
Net assets, beginning of year	1,600,949	29,722	1,630,671
Net assets, end of year	$ 1,948,490	$ 45,702	$ 1,994,192

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Insurance and music group licensing	Certification programs	Championship events and state programs	Education programs	RunPro and Roads Scholars	Kids Run the Nation
Salaries	$ 105,826	$ 88,188	$ 70,551	$ 35,275	$ 10,583	$ 17,638
Payroll taxes	7,326	6,105	4,884	2,442	733	1,221
Annual convention room and board	-	-	-	9,364	-	-
Annual report printing	-	-	-	-	-	-
Awards	-	-	-	2,046	-	-
Charitable registration fees	-	-	-	-	-	-
Coaching travel, lodging & stipends	-	271,043	-	-	-	-
Credit card fees	-	-	-	-	-	-
Depreciation and amortization	1,752	1,460	1,168	584	175	292
Grants	-	-	-	-	42,006	8,500
Information technology	8,381	6,984	5,587	2,794	24,530	1,397
Insurance	1,120,052	8,858	7,087	5,143	1,063	1,772
Marketing	287	-	-	6,306	-	-
Music Licensing	55,787	-	-	-	-	-
Occupancy	24,400	20,334	16,267	8,134	2,440	4,067
Office expenses	2,188	2,249	4,210	1,131	260	912
Professional fees	4,445	3,704	5,469	2,160	445	741
Race marketing and supplies	-	-	12,225	8,445	-	-
Retirement expense	1,620	1,350	1,080	540	162	270
Scholarships	-	-	-	1,250	-	-
Travel	860	-	2,328	860	-	172
Total expenses	$ 1,332,924	$ 410,275	$ 130,856	$ 86,474	$ 82,397	$ 36,982

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Total program services	General and administrative	Fundraising	Board services	Total support services	Total expenses
Salaries	$ 328,061	$ 10,583	$ 7,055	$ 7,055	$ 24,693	$ 352,754
Payroll taxes	22,711	733	488	488	1,709	24,420
Annual convention room and board	9,364	-	-	-	-	9,364
Annual report printing	-	2,074	-	-	2,074	2,074
Awards	2,046	-	-	-	-	2,046
Charitable registration fees	-	-	4,137	-	4,137	4,137
Coaching travel, lodging & stipends	271,043	-	-	-	-	271,043
Credit card fees	-	881	-	-	881	881
Depreciation and amortization	5,431	175	117	117	409	5,840
Grants	50,506	-	-	-	-	50,506
Information technology	49,673	838	559	559	1,956	51,629
Insurance	1,143,975	1,063	709	709	2,481	1,146,456
Marketing	6,593	287	9,034	-	9,321	15,914
Music Licensing	55,787	-	-	-	-	55,787
Occupancy	75,642	2,440	1,627	1,627	5,694	81,336
Office expenses	10,950	7,170	235	1,220	8,625	19,575
Professional fees	16,964	20,329	3,896	296	24,521	41,485
Race marketing and supplies	20,670	-	-	-	-	20,670
Retirement expense	5,022	162	108	108	378	5,400
Scholarships	1,250	-	-	-	-	1,250
Travel	4,220	14,287	14,528	17,289	46,104	50,324
Total expenses	$ 2,079,908	$ 61,022	$ 42,493	$ 29,468	$ 132,983	$ 2,212,891

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Insurance and music group licensing	Certification programs	Championship events and state programs	Education programs	RunPro and Roads Scholars	Kids Run the Nation
Salaries	$ 102,121	$ 85,101	$ 34,040	$ 68,081	$ 10,212	$ 17,020
Payroll taxes	7,923	6,602	2,641	5,283	793	1,320
Annual convention room and board	-	-	133,040	-	-	-
Annual report printing	-	-	-	-	-	-
Awards	-	-	5,810	-	-	-
Coaching travel, lodging & stipends	-	282,410	-	-	-	-
Credit card fees	-	-	-	-	-	-
Depreciation and amortization	4,221	3,518	1,406	2,814	423	703
Grants	-	-	-	-	-	35,100
Information technology	6,177	5,147	2,059	4,118	28,119	1,029
Insurance	1,769,882	5,818	10,727	4,654	698	1,164
Marketing	1,936	-	13,715	-	-	-
Music Licensing	187,822	-	-	-	-	-
Occupancy	23,886	8,565	11,742	8,364	5,412	3,981
Office expenses	2,952	3,123	1,611	6,259	360	1,349
Professional fees	4,771	3,976	13,031	5,965	477	795
Race marketing and supplies	-	-	19,490	33,902	-	98
Retirement expense	2,911	2,427	971	1,941	291	485
Scholarships	-	-	-	-	75,500	-
Travel	5,552	-	5,552	31,629	-	1,110
Total expenses	$ 2,120,154	$ 406,687	$ 255,835	$ 173,010	$ 122,285	$ 64,154

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Total program services	General and administrative	Fundraising	Board services	Total support services	Total expenses
Salaries	$ 316,575	$ 10,212	$ 6,808	$ 6,808	$ 23,828	$ 340,403
Payroll taxes	24,562	792	528	528	1,848	26,410
Annual convention room and board	133,040	-	-	-	-	133,040
Annual report printing	-	2,003	-	-	2,003	2,003
Awards	5,810	-	-	-	-	5,810
Coaching travel, lodging & stipends	282,410	-	-	-	-	282,410
Credit card fees	-	19,999	19,796	-	39,795	39,795
Depreciation and amortization	13,085	423	281	281	985	14,070
Grants	35,100	-	-	-	-	35,100
Information technology	46,649	618	412	412	1,442	48,091
Insurance	1,792,943	699	466	466	1,631	1,794,574
Marketing	15,651	1,936	13,718	-	15,654	31,305
Music Licensing	187,822	-	-	-	-	187,822
Occupancy	61,950	9,192	6,884	1,592	17,668	79,618
Office expenses	15,654	17,036	3,799	2,174	23,009	38,663
Professional fees	29,015	18,043	3,918	318	22,279	51,294
Race marketing and supplies	53,490	-	-	-	-	53,490
Retirement expense	9,026	291	194	194	679	9,705
Scholarships	75,500	-	-	-	-	75,500
Travel	43,843	4,040	5,552	28,919	38,511	82,354
Total expenses	$ 3,142,125	$ 85,284	$ 62,356	$ 41,692	$ 189,332	$ 3,331,457

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 478,803	$ 363,521
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,841	14,070
Unrealized gain on investments	(251,884)	(378,585)
Realized gain on investments	(83,933)	(3,802)
Bad debt expense	-	7,460
Deferred rent	2,149	1,766
Decrease (increase) in assets:		
Accounts receivable	(2,494)	(2,816)
Inventory	(1,249)	533
Prepaid expenses	2,074	(12,994)
Increase (decrease) in liabilities:		
Accounts payable	35,825	14,412
Accrued expenses	88,969	(4,076)
Contract liability: insurance revenue	(289,403)	2,014
Contract liability: membership dues	(166,694)	21,858
Contract liability: coaching certifications	6,522	5,811
Contract liability: sponsorships	(16,542)	(3,693)
Contract liability: licensing income	(41,030)	(3,586)
Total adjustments	(711,849)	(341,628)
Net cash (used in) provided by operating activities	(233,046)	21,893
Cash flows from investing activities:		
Purchases of investments	(1,149,751)	8,177
Proceeds from sales of investments	1,158,442	-
Purchases of property and equipment	(64,707)	(6,874)
Net cash (used in) provided by investing activities	(56,016)	1,303
Net (decrease) increase in cash	(289,062)	23,196
Cash, beginning of year	909,101	885,905
Cash, end of year	$ 620,039	$ 909,101

See accompanying notes to the financial statements.

1. Organization

The Road Runners Club of America, Inc. is a non-stock, nonprofit Virginia corporation whose principal purpose is to promote and encourage long distance running as a competitive sport and as a means of healthy exercise. The Organization also provides information on running through newsletters, booklets, clinics, meetings, handbooks, and educational programs, and acts to promote and conduct races and other running activities through its member clubs.

2. Summary of Significant Accounting Policies

a. Basis of presentation

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

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion. Included in net assets without donor restrictions at December 31, 2020 and 2019 are $575,000 of board-designated funds for each year. These funds may be used for implementation of the Organization's strategic plan and any activities approved by the board. During the years ended December 31, 2020 and 2019, no board-designated funds were used.

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with US GAAP.

c. Use of estimates

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

d. Fair value measurements

US GAAP establishes a framework for measuring fair value. The framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. US GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Significant unobservable inputs.

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

Valuation techniques
The following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2020 and 2019.

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

e. Income taxes

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

f. Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements. The investment return is reported net of external and direct internal investment expenses.

g. Accounts receivable

Accounts receivable consist of contracts with customers. Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2020 and 2019, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

h. Inventory

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

i. Property and equipment, net

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

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

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

j. Deferred rent

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

k. Revenue recognition

The Organization recognizes contributions of cash, securities or other assets when an unconditional promise to give or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the accompanying statements of activities as net assets released from restrictions.

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. The Organization received in-kind contributions of goods and services valued at $1,080 and $4,770 for the years ended December 31, 2020 and 2019, respectively.

The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities for the years ended December 31, 2020 and 2019:

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 a policy. Insurance fees received in advance that are applicable to future periods are included in contract liabilities in the accompanying statements of financial position.

C*oaching 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.

Licensing: The Organization also provides affordable group music licensing. The performance obligation consists of and 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 relating to future periods are recorded as contract liabilities in the accompanying statements of financial position.

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

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

P*ublication income*: The Organization receives 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.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and deferred revenue (contract liabilities) on the accompanying statements of financial position. Coaching certification, licensing and special program revenues are invoiced at the time of participant's registrations with fees being collected prior to the event. Sponsorships are invoiced at the time of sponsor agreement with fees due 30 days after the invoice date. Insurance program and membership dues revenues are invoiced annually and the fees due within 30 days of the invoice. None of the revenue streams described include variable consideration estimated by the Organization.

The beginning and ending contract balances were as follows at December 31:

	2020	2019	2018
Accounts receivable	$ 12,635	$ 10,141	$ 14,785
Contract liability: insurance revenue	$ 328,812	$ 618,215	$ 616,201
Contract liability: membership dues	$ 99,203	$ 265,897	$ 244,039
Contract liability: coaching	$ 92,181	$ 85,659	$ 79,848
Contract liability: sponsorships	$ -	$ 16,542	$ 20,235
Contract liability: licensing income	$ 30,361	$ 71,391	$ 74,977

I. Functional allocation of expenses

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

The following expenses are charged directly to the programs to which they relate: annual convention room and board, awards, coaching travel, lodging & stipends, grants, insurance, marketing music licensing, professional fees, race marketing and supplies, scholarships, and travel.

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

Expense	Method of Allocation
Salaries and payroll taxes, depreciation and amortization, occupancy, office expenses and retirement	Estimated time spent
Charitable registration fees	Charged 100% to fundraising
Credit card fees and annual report printing	Charged 100% to general and administrative expenses
Information technology	Estimated time spent with Runpro.com expenses charged directly

m. Adoption of new accounting standard

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition,* and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Organization refers to the new Topic 606 and Subtopic 340-40 as the "new guidance." The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in no changes to our accounting policies for revenue recognition, receivables, and contract liabilities.

n. New pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU 2016-02, as amended by 2020-05, is effective for not-for-profit entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impacts of this new standard, including the transition methods.

3. Liquidity and availability

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

Financial assets at year end:	2020	2019
Cash	$ 620,039	$ 909,101
Investments	2,441,517	2,114,391
Accounts receivable	12,635	10,141
Total financial assets	3,074,191	3,033,633
Less:		
Board-designated investments set a side for reserve	(575,000)	(575,000)
Endowment funds	(10,000)	(10,000)
Net assets with donor restriction	(45,263)	(35,702)
Financial assets available to meet general expenditures within one year	$ 2,443,928	$ 2,412,931

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

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2020 and 2019, the Organization had bank deposits in excess of FDIC limits of $428,643 and $774,382, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

5. Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis at December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	$ 1,351,962	$ -	$ -	$ 1,351,962
Corporate bonds	-	153,266	-	153,266
Exchange traded funds	183,047	-	-	183,047
Total assets at fair value	$ 1,535,009	$ 153,266	$ -	1,688,275
Money market, reported at cost				753,242
Total investments				$ 2,441,517

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

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

6. Endowment fund

Donor restricted funds whose purpose is to provide long-term support for the programs of the Organization are endowment funds. Net assets of endowment funds are classified as net assets with or without donor restrictions depending on which classification is determined by the directions of the donors and, where applicable, the provisions of the laws of the State of Virginia. Management has interpreted Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment by the original donor.

The portion of the donor-restricted endowment funds that can be spent are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and with the stipulations imposed by the original donor. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) other resources of the Organization; and (5) investment policies of the Organization.

Endowment net asset composition by type of fund was comprised of donor-imposed endowment funds of $10,000 for each of the years ended December 31, 2020 and 2019.

Changes in endowment net assets were as follows for the years ended December 31, 2020 and 2019:

	2020	2019
	Net assets with donor restriction	Net assets with donor restriction
Balance January 1	$ 10,000	$ 10,000
Investment income, net	1,540	2,100
Appropriation of expenditure	(1,540)	(2,100)
Balance, December 31	$ 10,000	$ 10,000

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Organization in net assets with donor restrictions (they are restricted under ASU 2016-14). There were no fund deficiencies for the years ended December 31, 2020 and 2019.

7. Property and Equipment, Net

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

	2020	2019
Equipment	$ 12,159	$ 9,522
Furniture & fixtures	10,457	10,457
Web development	119,313	60,493
Course development	16,150	12,900
Property and equipment	158,079	93,372
Accumulated depreciation and amortization	(92,453)	(86,612)
Total property and equipment, net	$ 65,626	$ 6,760

8. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2020 and 2019 for the following purposes:

	2020	2019
Kids Run the Nation	$ 8,500	$ 35,100
Roads Scholars	23,500	27,500
Total net assets released from restrictions	$ 32,000	$ 62,600

At December 31, 2020 and 2019,net assets with donor restrictions for purpose were available for the following programs:

	2020	2019
Purpose restriction:		
Kids Run the Nation	32,725	19,984
Roads Scholars	$ 12,538	$ 15,718
Subtotal purpose restrictions	45,263	35,702
Held in perpetuity:		
Endowment	10,000	10,000
Total net assets with donor restrictions	$ 55,263	$ 45,702

9. Paycheck Protection Program Loan

On April 3, 2020, the Organization was granted a loan through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of $65,028. The loan was forgiven by the SBA on December 28, 2020 and the Organization has recognized the forgiveness of the loan as a contribution in the statement of activities.

10. Commitments and Contingency

Operating leases

On March 31, 2019, the Organization entered into a five year lease for office space. The lease calls for base monthly payments of $5,455 with an annual rent escalation of 2.5%. The lease terminates March 31, 2024. In June 2019, the Organization entered into a five year lease for office equipment. The lease calls for monthly payments of $138.

Rent expense for the years ended December 31, 2020 and 2019 was $81,334 and $79,618, respectively.

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

	Office	Equipment	Total
2021	$ 68,355	$ 1,656	$ 70,011
2022	70,063	1,656	71,719
2023	71,815	1,656	73,471
2024	18,604	828	18,892
Total	$ 228,837	$ 5,796	$ 234,093

Hotel commitments

The Organization has contractual commitments with hotels for future conferences. The Organization contracts for conference facilities, food and beverages. In the event of the cancellation of these agreements, the Organization may incur cancellation penalties which increase as the actual date for the conference approaches. As of April 23, 2021, which is the date that the financial statements were available to be issued, the potential cancellation fees were estimated to be $168,914.

Contingency

Beginning around March 2020, the COVID-19 virus was declared a global pandemic and it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range industries and countries could continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. The related financial impact and duration cannot be reasonably estimated at this time. As such, no adjustments have been made to these financial statements as a result of this uncertainty.

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, 2020 and 2019:

	2020	2019
Revenue from contracts with customers recognized at a point in time:		
Insurance program	$ 1,145,945	$ 1,803,766
Coaching certification	481,577	454,378
Licensing income	55,787	187,748
Special programs	-	88,636
Sponsorships	22,870	30,935
Publications	434	2,962
Total revenue recognized at a point in time	1,706,613	2,568,425
Revenue from contracts with customers recognized over time:		
Membership dues	504,408	576,638
Total revenue from contracts with customers	$ 2,211,021	$ 3,145,063

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to run programs and hold events. During the year ended December 31, 2020, due to COVID-19 many events were cancelled or postponed and this has had an impact on the Organization's revenue streams. No significant events occurred that had a material impact on the Organization's revenue recognition or cash flows for the year ended December 31, 2019.

12. Retirement

The Organization has a SEP-IRA retirement plan available for all employees employees. Employees may contribute to the plan through elective deferrals of salary up to the limitation specified by the IRS. The Organization makes automatic 3% contributions on an annual basis. The Organization contributed $9,897 and $9,706 in matching contributions for the years ended December 31, 2020 and 2019, respectively.

13. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2021, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.