



Road Runners Club of America, Inc.

Financial Statements
and
Independent Auditor's Report

December 31, 2021 and 2020



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Table of Contents

Independent Auditor's Report.....1 - 2

Audited Financial Statements

Statements of Financial Position.....3

Statements of Activities.....4 - 5

Statements of Functional Expenses.....6 - 9

Statements of Cash Flows.....10

Notes to the Financial Statements.....11 - 24

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Independent Auditor's Report

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

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, 2021 and 2020, 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, 2021 and 2020, and the results of 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 the 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.

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 audits.
- 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 audits 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.

Sikich LLP

Alexandria, Virginia

May 12, 2022

Road Runners Club of America, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 936,108	\$ 620,039
Investments	1,893,900	1,856,517
Accounts receivable	-	12,635
Inventory	12,581	13,066
Prepaid expenses	39,234	39,106
Total current assets	2,881,823	2,541,363
Investments, non-current	585,000	585,000
Property and equipment, net	99,511	65,626
Deposits	4,738	4,738
Total assets	\$ 3,571,072	\$ 3,196,727
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 65,633	\$ 63,818
Accrued expenses	44,302	104,369
Contract liability: insurance revenue	492,031	328,812
Contract liability: membership dues	230,922	99,203
Contract liability: coaching certifications	-	92,181
Contract liability: sponsorships	11,795	-
Contract liability: licensing income	62,077	30,361
Deferred rent	1,248	-
Total current liabilities	908,008	718,744
Deferred rent, non-current	4,212	4,988
Total liabilities	912,220	723,732
Net assets:		
Without donor restrictions	2,029,332	1,842,732
Without donor restrictions, board designated	575,000	575,000
Total without donor restrictions	2,604,332	2,417,732
With donor restrictions	54,520	55,263
Total net assets	2,658,852	2,472,995
Total liabilities and net assets	\$ 3,571,072	\$ 3,196,727

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Insurance program	\$ 1,323,345	\$ -	\$ 1,323,345
Coaching certifications	460,820	-	460,820
Investment income, net	336,194	1,400	337,594
Membership dues and fees	313,507	-	313,507
Contribution revenue	83,709	35,357	119,066
Licensing income	114,900	-	114,900
Special programs	28,894	-	28,894
Sponsorships	28,500	-	28,500
Other income	21,081	-	21,081
In-kind contributions	1,433	-	1,433
Publications	483	-	483
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>37,500</u>	<u>(37,500)</u>	<u>-</u>
Total revenues	<u>2,750,366</u>	<u>(743)</u>	<u>2,749,623</u>
Expenses:			
Program services:			
Insurance and music group licensing	1,587,897	-	1,587,897
Certification programs	423,755	-	423,755
Championship events and state programs	149,783	-	149,783
Education programs	143,909	-	143,909
RunPro and Roads Scholars	61,428	-	61,428
Kids Run the Nation	<u>44,453</u>	<u>-</u>	<u>44,453</u>
Total program services	<u>2,411,225</u>	<u>-</u>	<u>2,411,225</u>
Support services:			
General and administrative	67,012	-	67,012
Fundraising	48,228	-	48,228
Board services	<u>37,301</u>	<u>-</u>	<u>37,301</u>
Total support services	<u>152,541</u>	<u>-</u>	<u>152,541</u>
Total expenses	<u>2,563,766</u>	<u>-</u>	<u>2,563,766</u>
Change in net assets	186,600	(743)	185,857
Net assets, beginning of year	<u>2,417,732</u>	<u>55,263</u>	<u>2,472,995</u>
Net assets, end of year	<u>\$ 2,604,332</u>	<u>\$ 54,520</u>	<u>\$ 2,658,852</u>

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
Coaching certifications	481,577	-	481,577
Investment income, net	326,302	1,540	327,842
Membership dues and fees	504,408	-	504,408
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 Functional Expenses
For the Year Ended December 31, 2021

	Insurance and music group licensing	Certification programs	Championship events and state programs	Education programs	RunPro and Roads Scholars	Kids Run the Nation
Salaries	\$ 105,488	\$ 87,906	\$ 70,325	\$ 35,162	\$ 10,549	\$ 17,581
Payroll taxes	7,799	6,499	5,199	2,600	780	1,300
Annual convention room and board	-	-	-	61,254	-	-
Annual report printing	-	-	-	-	-	-
Awards	-	-	-	5,209	-	-
Charitable registration fees	-	-	-	-	-	-
Coaching travel, lodging & stipends	-	273,237	-	-	-	-
Credit card fees	-	-	-	-	-	-
Depreciation and amortization	6,770	5,642	4,514	2,257	677	1,128
Grants	-	-	-	-	-	14,500
Information technology	9,259	7,715	6,172	3,086	24,154	1,543
Insurance	1,303,833	8,427	6,742	3,371	1,011	1,686
Marketing	3,360	-	-	5,678	-	-
Music Licensing	114,899	-	-	-	-	-
Occupancy	25,193	20,995	16,796	8,398	2,519	4,199
Office expenses	2,329	2,277	4,242	1,543	204	1,204
Professional fees	3,927	6,857	1,571	4,713	786	472
Race marketing and supplies	-	-	18,889	8,830	-	-
Retirement expense	3,030	2,525	2,019	1,010	303	505
Scholarships	-	-	-	128	-	-
Travel	<u>2,010</u>	<u>1,675</u>	<u>13,314</u>	<u>670</u>	<u>20,445</u>	<u>335</u>
Total expenses	<u>\$ 1,587,897</u>	<u>\$ 423,755</u>	<u>\$ 149,783</u>	<u>\$ 143,909</u>	<u>\$ 61,428</u>	<u>\$ 44,453</u>

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Total program services	General and administrative	Fundraising	Board services	Total support services	Total expenses
Salaries	\$ 327,011	\$ 10,549	\$ 7,032	\$ 7,032	\$ 24,613	\$ 351,624
Payroll taxes	24,177	780	520	520	1,820	25,997
Annual convention room and board	61,254	-	-	-	-	61,254
Annual report printing	-	763	-	-	763	763
Awards	5,209	-	-	-	-	5,209
Charitable registration fees	-	-	13,565	-	13,565	13,565
Coaching travel, lodging & stipends	273,237	-	-	-	-	273,237
Credit card fees	-	944	-	-	944	944
Depreciation and amortization	20,988	678	451	451	1,580	22,568
Grants	14,500	-	-	-	-	14,500
Information technology	51,929	926	617	617	2,160	54,089
Insurance	1,325,070	1,011	674	674	2,359	1,327,429
Marketing	9,038	3,360	5,678	-	9,038	18,076
Music Licensing	114,899	-	-	-	-	114,899
Occupancy	78,100	2,518	1,680	1,680	5,878	83,978
Office expenses	11,799	1,953	252	137	2,342	14,141
Professional fees	18,326	25,917	314	314	26,545	44,871
Race marketing and supplies	27,719	-	-	-	-	27,719
Retirement expense	9,392	303	202	202	707	10,099
Scholarships	128	-	-	-	-	128
Travel	<u>38,449</u>	<u>17,310</u>	<u>17,243</u>	<u>25,674</u>	<u>60,227</u>	<u>98,676</u>
Total expenses	<u>\$ 2,411,225</u>	<u>\$ 67,012</u>	<u>\$ 48,228</u>	<u>\$ 37,301</u>	<u>\$ 152,541</u>	<u>\$ 2,563,766</u>

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	<u>860</u>	<u>-</u>	<u>2,328</u>	<u>860</u>	<u>-</u>	<u>172</u>
Total expenses	<u>\$ 1,332,924</u>	<u>\$ 410,275</u>	<u>\$ 130,856</u>	<u>\$ 86,474</u>	<u>\$ 82,397</u>	<u>\$ 36,982</u>

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Total program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Board services</u>	<u>Total support services</u>	<u>Total expenses</u>
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	176	117	117	410	5,841
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	2,438	1,627	1,627	5,692	81,334
Office expenses	10,950	7,171	235	1,220	8,626	19,576
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	<u>4,220</u>	<u>14,287</u>	<u>14,528</u>	<u>17,289</u>	<u>46,104</u>	<u>50,324</u>
Total expenses	<u>\$ 2,079,908</u>	<u>\$ 61,022</u>	<u>\$ 42,493</u>	<u>\$ 29,468</u>	<u>\$ 132,983</u>	<u>\$ 2,212,891</u>

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ <u>185,857</u>	\$ <u>478,803</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,568	5,841
Unrealized gain on investments	(181,830)	(251,884)
Realized gain on investments	(132,807)	(83,933)
Deferred rent	472	2,149
Forgiveness of Paycheck Protection Program loan	(65,027)	(65,028)
Decrease (increase) in assets:		
Accounts receivable	12,635	(2,494)
Inventory	485	(1,249)
Prepaid expenses	(128)	2,074
Increase (decrease) in liabilities:		
Accounts payable	1,815	35,825
Accrued expenses	(60,067)	88,969
Contract liability: insurance revenue	163,219	(289,403)
Contract liability: membership dues	131,719	(166,694)
Contract liability: coaching certifications	(92,181)	6,522
Contract liability: sponsorships	11,795	(16,542)
Contract liability: licensing income	<u>31,716</u>	<u>(41,030)</u>
Total adjustments	<u>(155,616)</u>	<u>(776,877)</u>
Net cash provided by (used in) operating activities	<u>30,241</u>	<u>(298,074)</u>
Cash flows from investing activities:		
Purchases of investments	(2,256,755)	(1,149,751)
Proceeds from sales of investments	2,534,009	1,158,442
Purchases of property and equipment	<u>(56,453)</u>	<u>(64,707)</u>
Net cash provided by (used in) investing activities	<u>220,801</u>	<u>(56,016)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>65,027</u>	<u>65,028</u>
Net cash provided by financing activities	<u>65,027</u>	<u>65,028</u>
Net increase (decrease) in cash	316,069	(289,062)
Cash, beginning of year	<u>620,039</u>	<u>909,101</u>
Cash, end of year	<u>\$ <u>936,108</u></u>	<u>\$ <u>620,039</u></u>

See accompanying notes to the financial statements.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020, 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.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

- Equities: 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 and 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, 2021 and 2020, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized. However, actual writeoffs may occur.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

h. Inventory

Inventory consists of books and other materials to be provided in conjunction with the Organization's coaching certification program and is stated at the lower of cost or market 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.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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 valued at \$1,433 and \$1,080 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020:

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.

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.

Licensing: The Organization also provides affordable group music licensing. The performance obligation consists of an 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.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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 over the period using the time elapsed method, an 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 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.

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, but an allowance was made for COVID-19 cancellations in 2021 and 2020. Refunds for coaching courses are provided for cancellations up to two weeks prior to the course date. During COVID-19, an allowance was made to provide refunds closer to the course date. The organization believes that the amount of variable consideration related to refunds is highly susceptible to factors outside of the Company's influence as it depends on the timing of overpayment or cancellation. Accordingly, this variable consideration is not recognized as income until the constraint has been eliminated.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ -	\$ 12,635	\$ 10,141
Contract liability: insurance revenue	\$ 492,031	\$ 328,812	\$ 618,215
Contract liability: membership dues	\$ 230,922	\$ 99,203	\$ 265,897
Contract liability: coaching	\$ -	\$ 92,181	\$ 85,659
Contract liability: sponsorships	\$ 11,795	\$ -	\$ 16,542
Contract liability: licensing income	\$ 62,077	\$ 30,361	\$ 71,391

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:

<u>Expense</u>	<u>Method of Allocation</u>
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

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

m. New pronouncements

In September 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. The Organization is currently assessing the impact of this new standard, but does not anticipate it having a material impact.

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:	2021	2020
Cash	\$ 936,108	\$ 620,039
Investments	2,478,900	2,441,517
Accounts receivable	-	12,635
Total financial assets	3,415,008	3,074,191
Less:		
Board-designated investments set a side for reserve	(575,000)	(575,000)
Endowment funds	(10,000)	(10,000)
Net assets with donor restriction	(44,520)	(45,263)
Financial assets available to meet general expenditures within one year	\$ 2,785,488	\$ 2,443,928

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020, the Organization had bank deposits in excess of FDIC limits of \$580,746 and \$428,643, 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, 2021 are as follows:

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equities	\$ 1,349,541	\$ -	\$ -	\$ 1,349,541
Corporate bonds	-	155,687	-	155,687
Exchange traded funds	<u>183,047</u>	<u>-</u>	<u>-</u>	<u>183,047</u>
Total assets at fair value	<u>\$ 1,532,588</u>	<u>\$ 155,687</u>	<u>\$ -</u>	1,688,275
Money market, reported at cost				<u>753,242</u>
Total investments				<u>\$ 2,441,517</u>

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

Changes in endowment net assets were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
	<u>Net assets with donor restriction</u>	<u>Net assets with donor restriction</u>
Balance January 1	\$ 10,000	\$ 10,000
Investment income, net	1,400	1,540
Appropriation of expenditure	<u>(1,400)</u>	<u>(1,540)</u>
Balance, December 31	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

7. Property and Equipment, Net

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 11,878	\$ 12,159
Furniture & fixtures	10,457	10,457
Web development	176,047	119,313
Course development	<u>16,150</u>	<u>16,150</u>
Property and equipment	214,532	158,079
Accumulated depreciation and amortization	<u>(115,021)</u>	<u>(92,453)</u>
Total property and equipment, net	<u>\$ 99,511</u>	<u>\$ 65,626</u>

8. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2021 and 2020 for the following purposes:

	<u>2021</u>	<u>2020</u>
Kids Run the Nation	\$ 14,500	\$ 8,500
Roads Scholars	<u>23,000</u>	<u>23,500</u>
Total net assets released from restrictions	<u>\$ 37,500</u>	<u>\$ 32,000</u>

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

At December 31, 2021 and 2020, net assets with donor restrictions for purpose were available for the following programs:

	2021	2020
Purpose restriction:		
Kids Run the Nation	39,292	32,725
Roads Scholars	\$ <u>5,228</u>	\$ <u>12,538</u>
Subtotal purpose restrictions	44,520	45,263
Held in perpetuity:		
Endowment	<u>10,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 54,520</u>	<u>\$ 55,263</u>

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. On February 18, 2021, the Organization was granted a second PPP loan in the amount of \$65,027, which was forgiven by the SBA on September 8, 2021. The Organization recognized the forgiveness of the loans as contribution revenue in the accompanying statements of activities for the years ended December 31, 2021 and 2020.

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, 2021 and 2020 was \$83,978 and \$81,334, respectively.

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

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

	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 70,063	\$ 1,656	\$ 71,719
2023	71,815	1,656	73,471
2024	<u>18,604</u>	<u>828</u>	<u>18,892</u>
Total	<u>\$ 160,482</u>	<u>\$ 4,140</u>	<u>\$ 164,082</u>

Hotel commitments

The Organization has contractual commitments with hotels for future conferences. The Organization contracts for conference facilities, food and beverages. In the event of the cancellation of these agreements, the Organization may incur cancellation penalties which increase as the actual date for the conference approaches. As of May 12, 2022, which is the date that the financial statements were available to be issued, the potential cancellation fees were estimated to be \$88,861.

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:

	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers recognized at a point in time:		
Insurance program	\$ 1,323,345	\$ 1,145,945
Coaching certification	460,820	481,577
Licensing income	114,900	55,787
Special programs	28,894	-
Sponsorships	28,500	22,870
Publications	<u>483</u>	<u>434</u>
Total revenue recognized at a point in time	1,956,942	1,706,613
Revenue from contracts with customers recognized over time:		
Membership dues	<u>274,107</u>	<u>454,747</u>
Total revenue from contracts with customers	<u>\$ 2,231,049</u>	<u>\$ 2,161,360</u>

Road Runners Club of America, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to run programs and 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 year ended December 31, 2021. 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.

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 \$10,099 and \$9,897 in matching contributions for the years ended December 31, 2021 and 2020, respectively.

13. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2022, 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.