

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

August 1, 2019

Board of Directors
Students Run America (dba Students Run LA)
Tarzana, California

We have audited the accompanying financial statements of Students Run America (dba Students Run LA) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Students Run America (dba Students Run LA) as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

R.H. Johnston Accountancy LLC

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
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STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS:

Cash and cash equivalents	\$ 425,240
Investments (Notes A and B)	859,325
Grants receivable (Note C)	105,500
Prepaid expenses	37,853
Property and equipment (Note D)	<u>3,480</u>
	<u>\$ 1,431,398</u>

LIABILITIES AND NET ASSETS:

Accounts payable and accrued expenses	\$ 8,337
Scholarships payable (Note E)	<u>54,500</u>
	<u>62,837</u>

NET ASSETS:

Without donor restrictions	1,116,608
With donor restrictions (Note F)	<u>251,953</u>
	<u>1,368,561</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,431,398</u>
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See notes to the financial statements.

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Grants and contributions (Note A)	\$ 1,788,371	\$ 627,490	\$ 2,415,861
Gala - Net of expenses of \$166,632	237,833	-	237,833
Race fees	76,331	-	76,331
Interest income	28,690	-	28,690
Realized and unrealized gains on investments	23,714	-	23,714
Other	453	-	453
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>571,530</u>	<u>(571,530)</u>	<u>-</u>
Total revenue and support	<u>2,726,922</u>	<u>55,960</u>	<u>2,782,882</u>
FUNCTIONAL EXPENSES:			
Program services	2,467,939	-	2,467,939
Management and general services	91,687	-	91,687
Fundraising	48,206	-	48,206
Total functional expenses	<u>2,607,832</u>	<u>-</u>	<u>2,607,832</u>
CHANGE IN NET ASSETS	119,090	55,960	175,050
NET ASSETS - BEGINNING	<u>997,518</u>	<u>195,993</u>	<u>1,193,511</u>
NET ASSETS - ENDING	<u>\$ 1,116,608</u>	<u>\$ 251,953</u>	<u>\$ 1,368,561</u>

See notes to the financial statements.

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General Services</u>	<u>Fundraising</u>	<u>Total</u>
Personnel:				
Salaries	\$ 278,490	\$ 34,811	\$ 34,811	\$ 348,112
Payroll taxes	21,753	2,719	2,719	27,191
Health insurance	10,393	1,299	1,299	12,991
Total personnel	<u>310,636</u>	<u>38,829</u>	<u>38,829</u>	<u>388,294</u>
Operations:				
Bank charges	4,001	471	235	4,707
Depreciation	589	69	35	693
Development	-	-	4,613	4,613
Dues and subscriptions	4,294	505	253	5,052
Equipment rentals	1,229	145	72	1,446
Evaluation	3,925	-	-	3,925
Insurance	21,748	2,559	1,279	25,586
Licenses and fingerprinting	1,663	88	-	1,751
Meetings and conferences	24,934	4,400	-	29,334
Occupancy	9,600	1,200	1,200	12,000
Office supplies	2,933	345	173	3,451
Postage	2,359	278	138	2,775
Printing	10,617	590	590	11,797
Professional services	13,125	40,971	-	54,096
Race costs	141,186	-	-	141,186
Race entry fees	924,849	-	-	924,849
Repairs and maintenance	622	73	37	732
Scholarships	51,250	-	-	51,250
Shoes and clothes	717,391	-	-	717,391
Staff travel	7,003	824	412	8,239
Stipends (Note G)	65,000	-	-	65,000
Telephone	2,718	340	340	3,398
Transportation	146,267	-	-	146,267
Total operations	<u>2,157,303</u>	<u>52,858</u>	<u>9,377</u>	<u>2,219,538</u>
Total functional expenses	<u>\$ 2,467,939</u>	<u>\$ 91,687</u>	<u>\$ 48,206</u>	<u>\$ 2,607,832</u>
Percentage of total expenses	<u>94.6%</u>	<u>3.5%</u>	<u>1.9%</u>	<u>100.0%</u>

See notes to the financial statements.

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
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STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 175,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gains on investments	(29,525)
Depreciation	693
Change in assets and liabilities:	
Decrease in grants receivable	59,010
Increase in prepaid expenses	(9,469)
Increase in accounts payable and accrued expenses	8,337
Increase in scholarships payable	500
Net cash provided in operating activities	<u>204,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments - Net	(22,141)
Acquisition of property and equipment	<u>(3,480)</u>
Net cash used in investing activities	<u>(25,621)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	178,975
CASH AND CASH EQUIVALENTS - Beginning of year	<u>246,265</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 425,240</u>

See notes to the financial statements.

**STUDENTS RUN AMERICA (DBA STUDENTS RUN LA)
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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Students Run America (dba Students Run LA) (“SRLA”) is a nonprofit corporation founded in California in 1993. SRLA focuses on helping at-risk youth in the greater Los Angeles area. The primary objective during the course of the 10-month season is to encourage students to stay in school and to experience the benefits of goal setting, character development, adult mentoring and improved health by training for and participating in the annual City of Los Angeles marathon, as well as other local long-distance events.

Financial Statement Presentation

SRLA implemented Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor 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 the general operations and not subject to donor restrictions.

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. 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.

Fair Value Measurements

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. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value for financial statements. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair Value Measurements (Continued)

Level 1 Fair Value Measurements

The fair values of common stock, most corporate bonds and debentures, and U.S. Government securities are based on quoted market value.

Level 2 Fair Value Measurements

The fair value of certain corporate bonds and debentures for which quoted market price are not available are valued based on observable inputs other than the quoted prices included in Level 1; for example, quoted market-based prices of similar assets.

Level 3 Fair Value Measurements

The fair value of certain investments which have no quoted market price or similar assets with quoted market-based prices are considered to have no observable inputs. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

Cash and Cash Equivalents

For purposes of the statement of cash flows, SRLA considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Accounting for Grants and Pledges

Grants received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions. Additionally, promises to contribute in future periods are recognized as with donor restrictions. When restrictions are satisfied, either by the passage of time or by accomplishing their purpose they are reclassified to without donor restrictions and reported in the activity statement as net assets released from restriction. When restrictions are satisfied in the same accounting period as the receipt of the contribution, SRLA reports both the revenue and the related expense, if any, in the net assets without donor restrictions class.

Unconditional promises to contribute in future periods are measured at their present value of estimated cash flows at the time of the promise is made. The present value discount is amortized to contribution revenue over the term of the pledge.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equipment and Computer Software

Equipment and computer software are stated at cost, or in the case of donated items, at fair market value. Internal computer software development costs are capitalized as incurred. SRLA capitalizes expenditures for equipment items in excess of \$1,000, lesser amounts are expensed. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets of five years.

In-Kind Contributions

SRLA receives in-kind contributions of services, materials and facility rent. Under accounting standards, the fair value of the donated services are recognized in the financial statements if the services either (a) create or enhanced a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated. Services that do not meet either of these of these criteria should not be recognized.

SRLA receives various donated items which are recorded at their estimated or donor-designated fair values. Significant items include donated inventory items of running shoes and clothes, entry fees to various races, transportation to various races and use of facilities from the Los Angeles Unified School District rent free. Additionally, in the year ended June 30, 2019, SRLA received an automobile to be used as a raffle item at their 30th year anniversary Gala.

During the year ended June 30, 2019, SRLA received in-kind contributions of approximately \$1,438,000, which are included in grants and contributions on the Statement of Activity.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses are associated with more than one program or supporting service have been allocated among the programs and supporting services benefitted based on management's estimates of time spent on various programs and services.

Income Taxes

SRLA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. SRLA is classified by the Internal Revenue Service as other than a private foundation.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Items which potentially expose SRLA to concentrations of credit risk consist primarily of cash and certificates of deposit and sources of revenue and support.

Cash is placed in high-credit quality financial institutions. At times the amounts on deposit at a bank may be in excess of the FDIC insurance limits. SRLA has not incurred losses related to the cash.

SRLA routinely assesses the financial strengths of its contributors and, as a consequence, believes that the receivable credit risk exposure is limited. During the year ended June 30, 2019, SRLA received 67% of its grants and contributions from eight donors of which 53% were in-kind donations from three donors.

Date of Management's Review

Subsequent events were evaluated through August 1, 2019, which is the date the financial statements were available to be issued.

B. FAIR VALUE MEASUREMENT

Fair value measurement at June 30, 2019 is as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 859,325	\$ 859,325	\$ -	\$ -

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

C. GRANTS RECEIVABLE

At June 30, 2019 grants receivable are due to be received within one year.

D. EQUIPMENT, COMPUTER SOFTWARE AND DEPRECIATION

At June 30, 2019, equipment, computer software and depreciations were as follows:

Website	\$	13,000
Equipment		14,766
Computer software		<u>8,981</u>
		36,747
Less: Accumulated depreciation and amortization		<u>33,267</u>
		<u>\$ 3,480</u>

Depreciation expense for the year ended June 30, 2019 was \$693.

E. SCHOLARSHIPS PAYABLE

SRLA offers college scholarships of \$500 each to students who are graduating seniors and have participated in the training program and marathon. The scholarships are awarded to students who have submitted applications, met certain criteria and have been selected by a group of outside readers.

F. NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions are available for basic support and training in SRLA's running program and scholarships.

G. RELATED PARTY TRANSACTIONS

SRLA entered into an agreement totaling \$25,000 with a member of the Board of Directors to provide coordination, training and assisting the teacher-leader volunteers in their preparation of the students running in the Los Angeles Marathon and other local long-distance events.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

H. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use, within one year of the statement of financial position are comprised as follows:

Cash and cash equivalents	\$ 425,240
Investments	859,325
Grants and contributions receivable	105,500
Prepaid expenses	<u>37,853</u>
	<u>\$ 1,427,918</u>

As part of the liquidity management plan, SRLA invests cash in excess of working requirements in money market funds which were approximately \$185,000 at June 30, 2019.