

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**R.H. JOHNSTON ACCOUNTANCY INC.**

A Professional Corporation  
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**INDEPENDENT AUDITOR'S REPORT**

September 28, 2021

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, 2021, 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, 2021, and the changes in its net assets, functional expenses 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, 2021**

**ASSETS:**

Cash and cash equivalents	\$ 285,851
Investments (Note B)	1,347,352
Grants receivable (Note C)	101,750
Inventories (Note A)	140,839
Prepaid expenses	5,341
Property and equipment (Note D)	<u>15,411</u>
	<u>\$ 1,896,544</u>

**LIABILITIES AND NET ASSETS:**

Notes payable (Note E)	\$ 145,984
Scholarships payable (Note F)	<u>51,000</u>
	<u>196,984</u>

**CONTINGENCIES (Note I)**

**NET ASSETS:**

Without donor restrictions	1,530,248
With donor restrictions (Note G)	<u>169,312</u>
	<u>1,699,560</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,896,544

See notes to the financial statements.

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT:</b>			
Grants and contributions (Note A)	\$ 1,397,571	\$ 225,442	\$ 1,623,013
Race fees	38,377	-	38,377
Interest income	22,223	-	22,223
Gains on investments - net	24,193	-	24,193
Other	(654)	-	(654)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>295,073</u>	<u>(295,073)</u>	<u>-</u>
Total revenue and support	<u>1,776,783</u>	<u>(69,631)</u>	<u>1,707,152</u>
<b>FUNCTIONAL EXPENSES:</b>			
Program services	1,267,554	-	1,267,554
Management and general services	64,377	-	64,377
Fundraising	<u>54,204</u>	<u>-</u>	<u>54,204</u>
Total functional expenses	<u>1,386,135</u>	<u>-</u>	<u>1,386,135</u>
<b>CHANGE IN NET ASSETS</b>	390,648	(69,631)	321,017
<b>NET ASSETS - BEGINNING</b>	<u>1,139,600</u>	<u>238,943</u>	<u>1,378,543</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,530,248</u>	<u>\$ 169,312</u>	<u>\$ 1,699,560</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, 2021**

	<u>Program Services</u>	<u>Management and General Services</u>	<u>Fundraising</u>	<u>Total</u>
<b>Personnel:</b>				
Salaries	\$ 316,047	\$ 39,506	\$ 39,506	\$ 395,059
Payroll taxes	25,170	3,146	3,147	31,463
Health insurance	12,378	1,547	1,547	15,472
	<u>353,595</u>	<u>44,199</u>	<u>44,200</u>	<u>441,994</u>
<b>Operations:</b>				
Bank charges	-	2,302	-	2,302
Depreciation	1,238	146	73	1,457
Development	-	-	3,169	3,169
Dues and subscriptions	6,271	738	369	7,378
Equipment rentals	833	98	49	980
Grant expense	10,000	-	-	10,000
Insurance	20,138	2,369	1,185	23,692
Licenses and fingerprinting	798	42	-	840
Meetings and conferences	24,446	4,314	-	28,760
Occupancy	9,600	1,200	1,200	12,000
Office supplies	8,701	1,024	511	10,236
Postage	3,962	466	233	4,661
Printing	10,885	605	604	12,094
Professional services	32,715	6,134	2,045	40,894
Race costs	182,430	-	-	182,430
Race entry fees	76,223	-	-	76,223
Repairs and maintenance	393	46	23	462
Scholarships	42,000	-	-	42,000
Shoes and clothes	477,619	-	-	477,619
Staff travel	2,579	303	152	3,034
Telephone	3,128	391	391	3,910
	<u>913,959</u>	<u>20,178</u>	<u>10,004</u>	<u>944,141</u>
<b>Total functional expenses</b>	<b><u>\$ 1,267,554</u></b>	<b><u>\$ 64,377</u></b>	<b><u>\$ 54,204</u></b>	<b><u>\$ 1,386,135</u></b>
<b>Percentage of total expenses</b>	<b><u>91.5%</u></b>	<b><u>4.6%</u></b>	<b><u>3.9%</u></b>	<b><u>100.0%</u></b>

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, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 321,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	9,081
Depreciation	1,457
Change in assets and liabilities:	
Decrease in grants receivable	27,750
Increase in inventories	(109,053)
Decrease in prepaid expenses	14,391
Decrease in scholarships payable	<u>(500)</u>
Net cash provided by operating activities	<u>264,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Change in investments - Net	(460,856)
Acquisition of property and equipment	<u>(12,590)</u>
Net cash used by investing activities	<u>(473,446)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Increase in notes payable	<u>73,968</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(135,335)
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>421,186</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u>\$ 285,851</u></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, 2021**

**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, 2021**

**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, 2021**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Inventories

Inventories consist of both purchased and donated items, including shoes, clothing, and other running or race related items. These items are distributed to the student runners in the program. Purchased items are valued at the lower or cost or market (first-in, first-out). Donated items are valued at the estimated fair value at which SRLA would be able to purchase such items based on monetary and/or budgetary constraints.

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.

During the year ended June 30, 2021, SRLA received in-kind contributions of approximately \$688,000, 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

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.

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, 2021, SRLA received 56% of its grants and contributions from ten donors of which 38% were in-kind donations from four donors.

Date of Management's Review

Subsequent events were evaluated through September 28, 2021, which is the date the financial statements were available to be issued.

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**B. FAIR VALUE MEASUREMENT**

Fair value measurement at June 30, 2021 is as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets or Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Mutual bond funds	<u>\$ 1,347,352</u>	<u>\$ 1,347,352</u>	<u>\$ -</u>	<u>\$ -</u>

**C. GRANTS RECEIVABLE**

At June 30, 2021 grants receivable are due to be received as follows:

Within one year	\$	89,750
Within one to five years		<u>12,000</u>
		<u>\$ 101,750</u>

**D. PROPERTY AND EQUIPMENT**

At June 30, 2021, property and equipment consisted of the following:

Website	\$	13,000
Equipment		29,096
Computer software		<u>8,981</u>
		51,077
Less: Accumulated depreciation and amortization		<u>35,666</u>
		<u>\$ 15,411</u>

Depreciation expense for the year ended June 30, 2021 was \$1,457.

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**E. NOTES PAYABLE**

At June 30, 2021, notes payable consist of the following:

SBA Paycheck Protection Program and Coronavirus Aid, Relief, and Economic Security Act enacted March 27, 2020. The term of the loan is 24 months and matures May 2022. Interest is at 1% per annum with no payment of interest for the first 6 months but interest does accrue. Prior to the end of 6 months following the date of the note, the lender shall determine if the note, in full or in part, shall be forgiven in accordance with the provisions of the Paycheck Protection Program and the rules and guidelines of the SBA. SRLA must submit any financial, tax or business records as requested to assist the lender in making the debt forgiveness determination. Lender will notify SRLA of the debt forgiveness and the remaining balance, if any, shall continue to be due. Any remaining balance plus accrued interest shall be paid over the remaining 18 months. SRLA may prepay 20% or less of the outstanding principal anytime without notice but must obtain written notice to prepay more than 20%.

\$ 72,016

SBA Paycheck Protection Program and Coronavirus Aid, Relief, and Economic Security Act enacted March 27, 2020. The term of the loan is 60 months and matures February 2026. Interest is at 1% per annum. If SRLA applies for forgiveness of all or part of the loan within 10 months of the end of the Covered Period (from the date of the note and ending 24 weeks after), the payment commencement date shall be the date that is 30 calendar days after the SBA had made its final determination that any part of the loan will not be forgiven. If SRLA does not apply for forgiveness of all or part of the loan within 10 months of the end of the Covered Period, the payment commencement date shall be the date that is 30 calendar days after the end of the Covered Period. SRLA may prepay 20% or less of the outstanding principal anytime without notice but must obtain written notice to prepay more than 20%.

73,968

\$ 145,984

SRLA has applied for full forgiveness of the first SBA loan and intends to apply for full forgiveness of the second SBA loan. The proceeds from the loans will remain recorded as liabilities until either (1) each loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) each note is paid in full.

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**F. 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.

**G. NET ASSETS WITH RESTRICTIONS**

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

**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	\$ 285,851
Investments	1,347,352
Grants and contributions receivable	101,750
Prepaid expenses	<u>5,341</u>
	<u><u>\$ 1,740,294</u></u>

As part of the liquidity management plan, SRLA invests cash in excess of working requirements in a savings account which was approximately \$186,000 at June 30, 2021.

**I. CONTINGENCIES**

Coronavirus Pandemic

On March 1, 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the operations of the Organization. The ultimate disruption which may be caused by the outbreak is uncertain, however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but not limited to, disruptions to the Organization's donors and contributors, curtailment of running events and a decline in the value of the underlying securities in the investments.

SRLA has coordinated running events in a virtual environment.