New York Road Runners, Inc.

Financial Statements

March 31, 2017 and 2016

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
New York Road Runners, Inc.

We have audited the accompanying financial statements of New York Road Runners, Inc., which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities 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.

Auditors' 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 auditors' 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 New York Road Runners, Inc. as of March 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 20, 2017

New York Road Runners, Inc.

Statements of Financial Position

	March 31, 2017	March 31, 2016
ASSETS		
Cash and cash equivalents	$ 4,932,920	$ 7,487,843
Restricted cash	877,040	877,040
Accounts receivable, net	7,262,934	6,467,270
Investments	51,269,937	46,462,054
Prepaid expenses	1,394,475	1,387,749
Other assets	503,297	371,501
Property and equipment, net	8,575,812	5,490,238
	$ 74,816,415	$ 68,543,695
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 12,254,518	$ 9,903,837
Deferred membership revenue	1,181,023	1,129,509
Other deferred revenue	28,450,869	26,053,727
Deferred sale proceeds	-	1,003,185
Total Liabilities	41,886,410	38,090,258
Net Assets		
Unrestricted	31,496,074	29,295,794
Temporarily restricted	1,433,931	1,157,643
Total Net Assets	32,930,005	30,453,437
	$ 74,816,415	$ 68,543,695

See notes to financial statements

New York Road Runners, Inc.

Statements of Activities

	Year Ended March 31, 2017			Year Ended March 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Event entry fees	$ 38,813,228	$ -	$ 38,813,228	$ 38,523,382	$ -	$ 38,523,382
Sponsorship and TV	28,365,622		28,365,622	25,835,284	-	25,835,284
Contributions	9,107,450	1,822,770	10,930,220	7,855,360	1,495,035	9,350,395
Auxiliary revenue	3,109,614	-	3,109,614	3,442,176	-	3,442,176
Merchandise revenue	1,265,281	-	1,265,281	1,449,735	-	1,449,735
Membership dues, net of expenses of $96,274 and $88,525	1,876,268	-	1,876,268	1,730,972	-	1,730,972
Publication advertising and sales	754,035	-	754,035	774,134	-	774,134
Classes, clinics and other	536,465	-	536,465	562,160	-	562,160
Net assets released from restrictions	1,546,482	(1,546,482)	-	1,783,491	(1,783,491)	-
Total Operating Revenue and Support	85,374,445	276,288	85,650,733	81,956,694	(288,456)	81,668,238
EXPENSES						
Program Expenses						
Events	65,061,166	-	65,061,166	58,681,198	-	58,681,198
Youth and community services	10,020,948	-	10,020,948	7,284,946	-	7,284,946
Merchandising	322,242	-	322,242	301,095	-	301,095
Publications and classes	614,014	-	614,014	674,198	-	674,198
Total Program Expenses	76,018,370	-	76,018,370	66,941,437	-	66,941,437
General and administrative	10,062,530	-	10,062,530	9,080,522	-	9,080,522
Fundraising	1,083,725	-	1,083,725	961,635	-	961,635
Total Expenses	87,164,625	-	87,164,625	76,983,594	-	76,983,594
(Deficiency) Excess of Operating Revenue Over Expenses	(1,790,180)	276,288	(1,513,892)	4,973,100	(288,456)	4,684,644
NON OPERATING						
Forfeited deposit	1,003,185	-	1,003,185	-	-	-
Costs associated with class action lawsuit, net of insurance proceeds of $850,000	(1,850,187)	-	(1,850,187)	-	-	-
Investment return	4,837,462	-	4,837,462	(1,074,688)	-	(1,074,688)
Change in Net Assets	2,200,280	276,288	2,476,568	3,898,412	(288,456)	3,609,956
NET ASSETS						
Beginning of year	29,295,794	1,157,643	30,453,437	25,397,382	1,446,099	26,843,481
End of year	$ 31,496,074	$ 1,433,931	$ 32,930,005	$ 29,295,794	$ 1,157,643	$ 30,453,437

See notes to financial statements

New York Road Runners, Inc.

Statements of Cash Flows

	Year Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,476,568	$ 3,609,956
Adjustments to reconcile change in net assets		
to net cash from operating activities		
Depreciation and amortization	2,505,889	2,117,469
Unrealized and realized (gain) loss on investments	(4,164,486)	1,638,030
Changes in operating assets and liabilities		
Accounts receivable	(795,664)	(1,501,006)
Prepaid expenses	(6,726)	(130,970)
Other assets	(131,796)	(244,910)
Accounts payable and accrued expenses	2,350,681	(344,945)
Deferred membership revenue	51,514	106,309
Other deferred revenue	2,397,142	1,177,290
Net Cash from Operating Activities	4,683,122	6,427,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,591,461)	(2,079,208)
Purchase of investments	(14,479,452)	(27,194,805)
Proceeds from sale of investments	13,836,053	12,595,969
Forfeiture of deferred sales proceeds	(1,003,185)	1,003,185
Net Cash from Investing Activities	(7,238,045)	(15,674,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	-	(18,260)
Deposits to restricted cash	-	(405,000)
Net Cash from Financing Activities	-	(423,260)
Net Change in Cash and Cash Equivalents	(2,554,923)	(9,670,896)
CASH AND CASH EQUIVALENTS		
Beginning of year	7,487,843	17,158,739
End of year	$ 4,932,920	$ 7,487,843
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 2,328

See notes to financial statements

1. Description of Organization

New York Road Runners, Inc. ("NYRR"), is a not-for-profit organization dedicated to enhancing the health and well-being of adults and kids of all abilities through year-round events and free youth and community programs and initiatives serving over 400,000 individuals in New York City, the nation and around the world. NYRR was founded in 1958 with an initial membership of forty-two members and has since grown into the world's largest running related organization.

The NYRR Youth and Community Services ("YCS") division provides free running programs, events and initiatives to 200,000 students fostering physical fitness, character development, and personal achievement. Featuring the NYRR Mighty Milers, Young Runners, and Run for the Future program, NYRR's youth running efforts serves more than 200,000 children in hundreds of underserved schools and community centers throughout New York City and the nation. NYRR community services also provide critical health and wellness programs to seniors in all five boroughs of New York City.

The primary sources of revenues for NYRR are corporate sponsorship, contributions and race entry fees. NYRR organizes many races throughout the year including the New York City Marathon. Contributions to NYRR are tax-deductible to contributors as provided by law.

NYRR is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which 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 revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NYRR and changes therein are classified as temporarily restricted or unrestricted. Unrestricted amounts are those currently available for use in NYRR's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

2. Summary of Significant Accounting Policies *(continued)*

Operating Measure

NYRR has elected to present an operating measure in its statements of activities. Accordingly, items affecting operations are segregated from those not affecting operations. All investment gains and losses, losses associated with the class action lawsuit and the forfeited deposit are treated as non-operating.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at the time of purchase.

Restricted Cash

Restricted cash consists of cash set aside as collateral under the terms of the letter of credit agreement related to a lease agreement.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management estimated the allowance for doubtful account accounts as of March 31, 2017 and 2016 to be $156,846 and $160,413.

Fair Value Measurements

NYRR follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments, where the fair value is measured using NAV, are not categorized within the fair value hierarchy.

Investments Valuation and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

NYRR follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of $10,000. Property and equipment are carried at cost and depreciated using the straight-line method over their estimated useful lives, which are approximately 20 years for buildings, 3 to 5 years for automobiles, software, furniture and fixtures, and hardware and equipment. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset generally ranging from three to twenty years. Gain or loss from disposition is reflected in the statements of activities in the period of disposition. The cost of maintenance and repairs is charged to expense as incurred, whereas significant renewals and betterments are capitalized.

Inventory

Inventory is valued at the lower of average cost or market. The inventory consists of incentives for the Youth and Community Services participants that have been purchased but not yet distributed to the program participants as of the year end. Inventory is being stored in a third party warehouse.

Environmental Remediation Costs

NYRR accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rental expenses.

Deferred Sale Proceeds

During fiscal year 2016, NYRR entered into a contract for the sale of its 89th street running center which is fully depreciated. In accordance with the amendments to this contract, the buyer submitted a nonrefundable security deposit in the sum of $1,000,000 to NYRR. The extension allowed the buyer to extend the closing date to June 30, 2016. The sale was not finalized prior to the extended date and no additional extensions were granted to the buyer by NYRR. The buyer forfeited the nonrefundable deposit and it is reflected on the statement of activities as a non-operating transaction.

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

Race entry fees are recognized in the period in which the race occurs. Race entry fees and other fees paid in advance are classified as other deferred revenue. Revenues derived from sponsors are recognized upon completion of the related event. Sponsor revenues billed in advance are classified as other deferred revenue. Sales of merchandise are recognized when the product is shipped. Auxiliary revenue is recorded when the related service or sale takes place. Membership dues are recognized on a straight line basis as revenue during the applicable membership period.

Contributions of Goods and Services

Substantial goods and services are contributed to NYRR and YCS. Those contributions that are susceptible to objective measurement or valuation are included in the accompanying financial statements, at fair value on the date of receipt. NYRR has recorded contributions of goods and services which approximated $6,491,000 and $5,201,000 including contributions of goods and services from the YCS division which approximated $190,000 and $36,000 for the years ended March 31, 2017 and 2016. Contributions of goods and services from various entities which cannot be valued and are distributed at events throughout the year are not recorded in the financial statements.

Volunteers

NYRR's volunteers support from time to time the programs and functions of NYRR. These contributions do not meet the criteria for recognition of contributed services, and therefore, their value is not reflected in these financial statements.

Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

Management recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that NYRR had no uncertain tax positions that would require financial statement recognition or disclosure. NYRR is no longer subject to examinations by the applicable jurisdictions for periods prior to March 31, 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 20, 2017.

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. Net assets and change in net assets are unchanged due to these reclassifications.

3. Concentration of Credit Risk

NYRR maintains cash in bank accounts which at times may exceed federally insured limits. This potentially subjects NYRR to a concentration of credit risk. NYRR has not experienced any losses in such accounts. Concentrations of credit risk with respect to receivables are generally diversified. NYRR invests its assets in a variety of public and private securities such as common stocks, fixed income securities, and hedge funds. The investible assets are broadly diversified both globally and within underlying sectors and strategies. NYRR routinely assesses the diversification and financial strength of its cash and investment portfolio with the assistance of an independent investment consultant.

4. Investments

The following are the classes and major categories of investments at March 31 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	2017			
	Level 1	Level 2	Investments Valued Using NAV (*)	Total
Equities				
Large cap	$ 12,686,992	$ -	$ -	$ 12,686,992
Small cap	600,498	-	-	600,498
International	3,722,494	-	-	3,722,494
EAFE equity	3,137,672	-	-	3,137,672
Emgerging markets	2,218,255	-	-	2,218,255
Mid cap	4,986,956	-	-	4,986,956
Short term	1,639,589	-	-	1,639,589
Real estate	1,772,341	-	-	1,772,341
Corporate bonds	-	13,410,298	-	13,410,298
Hedge funds	-	-	5,201,617	5,201,617
Total Investments at Fair Value	$ 30,764,797	$ 13,410,298	$ 5,201,617	49,376,712
Cash and cash equivalents				1,893,225
Total Investments				$ 51,269,937

4. Investments *(continued)*

	2016			
	Level 1	Level 2	Investments Valued Using NAV (*)	Total
Equities				
Large cap	$ 10,475,703	$ -	$ -	$ 10,475,703
Small cap	432,701	-	-	432,701
International	3,985,568	-	-	3,985,568
EAFE equity	2,252,655	-	-	2,252,655
Emgerging markets	1,430,385	-	-	1,430,385
Mid cap	4,247,717	-	-	4,247,717
Short term	2,950,270	-	-	2,950,270
Real estate	1,596,645	-	-	1,596,645
Corporate bonds	-	11,048,037	-	11,048,037
Hedge funds	-	-	6,366,464	6,366,464
Total Investments at Fair Value	$ 27,371,644	$ 11,048,037	$ 6,366,464	44,786,145
Cash and cash equivalents				1,675,909
Total Investments				$ 46,462,054

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding alternative investments measured at fair value using the practical expedient at March 31, 2017 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds (see "a" below)	$ 5,201,617	$ -	Quarterly	45 days

a. This category includes investments in hedge funds that seeks to preserve the purchasing power of invested capital to generate consistent, long-term returns across market cycles. In order to produce these returns, the hedge fund lowers the standard deviation of returns through a diversified portfolio management approach.

The composition of investment return as reported in the statements of activities for the years ended March 31, is as follows:

	2017	2016
Interest and dividends	$ 840,026	$ 701,177
Realized gain (loss)	247,238	(301,827)
Unrealized gain (loss)	3,917,248	(1,336,203)
Investment fees	(167,050)	(137,835)
Total Return on Investments	$ 4,837,462	$ (1,074,688)

5. Line of Credit

During fiscal year 2016, NYRR entered into an agreement with J.P. Morgan for a secured uncommitted line of credit in the aggregate amount of $5 million. The borrowings under this line are intended to be used to meet NYRR's normal short term working capital needs and will bear interest at such rates as shall be mutually agreed upon by both NYRR and J.P. Morgan from time to time.

During fiscal year 2017, the $5 million line expired, was renewed and subsequently increased to an $8 million limit. The line of credit will expire, unless earlier terminated or extended, on September 30, 2017. All loans under this line of credit are subject to the requirement that for 30 consecutive days prior to the expiration there shall be no loans outstanding. This line of credit is secured by NYRR's investments which includes but is not limited to their security accounts, security entitlements, securities and financial assets.

There were no amounts outstanding under either line of credit at March 31, 2017 and 2016.

6. Related Party Transactions

NYRR, along with five other organizations, the owners/organizers of the Berlin, Boston, Chicago, London and Tokyo Marathons are the members of World Marathon Majors, LLC ("WMM"). WMM was formed for the purpose of promoting activities related to WMM and its member organizations. For the years ended March 31, 2017 and 2016 NYRR's annual contribution to WMM was approximately $100,000.

7. Property and Equipment

Property and equipment at March 31 consisted of the following:

	2017	2016
Automobiles	$ 681,616	$ 681,616
Leasehold improvements	3,492,768	893,397
Furniture and fixtures	725,028	641,279
Land and buildings	1,624,748	1,624,748
Hardware and equipment	5,827,637	5,690,242
Software	9,004,604	6,967,742
Work in progress	1,592,586	926,600
	22,948,987	17,425,624
Less accumulated depreciation and amortization	(14,373,175)	(11,935,386)
	$ 8,575,812	$ 5,490,238

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are for NYRR (time restricted) and YCS. The activity for the years ended March 31, are as follows:

	2017		
	NYRR	YCS	Total
Opening balance	$ -	$ 1,157,643	$ 1,157,643
Contributions	-	1,822,770	1,822,770
Released	-	(1,546,482)	(1,546,482)
Ending balance	$ -	$ 1,433,931	$ 1,433,931

	2016		
	NYRR	YCS	Total
Opening balance	$ 100,000	$ 1,346,099	$ 1,446,099
Contributions	-	1,495,035	1,495,035
Released	(100,000)	(1,683,491)	(1,783,491)
Ending balance	$ -	$ 1,157,643	$ 1,157,643

9. Retirement Plan

NYRR maintains a defined contribution retirement plan for all eligible employees. Employer contributions in fiscal year 2017 to the plan were approved by the Board at 6% of employee's base salary. In fiscal years 2017 and 2016, NYRR's contribution amounted to approximately $679,000 and $637,000.

10. Class Action Law Suit

During fiscal year 2017, the lottery class action suit that was filed against NYRR in the United States District Court for the Southern District of New York regarding the method of selecting entrants for the Marathon and Half Marathon was settled and approved by the Court on February 10, 2017. NYRR did not acknowledge any wrongdoing nor did the Court find that NYRR engaged in any wrongdoing. The settlement did not have a materially adverse effect on NYRR's financial position. Certain liabilities associated with the settlement have been estimated by management and are included on the statement of financial position in accounts payable and accrued expenses.

11. Contingencies

From time to time NYRR is involved in legal actions. NYRR believes that the liabilities, if any, that may result from such actions will not have a materially adverse effect on NYRR's financial position.

12. Operating Lease Commitments

NYRR leases its warehouses and its corporate offices under various operating leases expires in December 30, 2018 and February 2019. An irrevocable stand-by letter of credit in the amount of $472,040 was delivered to the landlord in lieu of cash security for the New York City Office.

Beginning August 1, 2015, NYRR also signed a 10 year lease for 320 West 57th Street building to be known as the "Running Center". This Running Center will offer group training programs and private coaching services for all runners of all levels, as well as classes and clinics throughout the year. An irrevocable stand-by letter of credit in the amount of $405,000 was delivered to the landlord in lieu of cash security for the Running Center.

Under U.S. GAAP all rental payments, including fixed rent increases less any rental abatements, are to be recognized on a straight-line basis over the term of the lease. The difference between rent expense and the actual lease payments in the amount of $473,827 and $412,131 is presented with accounts payable and accrued expenses in the accompanying March 31, 2017 and 2016 statements of financial position. Rent expense for the years ended March 31, 2017 and 2016 approximated $2,636,000 and $2,243,000. The future annual minimum lease payments are payable as follows for the years ending March 31:

2018	$ 2,097,182
2019	1,837,725
2020	592,499
2021	608,792
2022	625,534
Thereafter	2,737,978
	$ 8,499,710

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