



RICHMOND FIRST TEE

Financial Statements

December 31, 2008

RICHMOND FIRST TEE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Richmond First Tee
Richmond, Virginia

We have audited the accompanying statement of financial position of Richmond First Tee (the "Organization") as of December 31, 2008 and the related statements of activities, and cash flows. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because we were not engaged as auditors until after December 31, 2007, we were not present to observe the physical inventory taken at that date, and we have not satisfied ourselves by means of other auditing procedures about inventory quantities. Also, in accordance with the terms of our engagement, we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the statement of financial position at December 31, 2007. The amount of inventory at December 31, 2007, and other significant aspects of the statement of financial position at that date, including classifications and amounts, materially affect the determination of the results of operations and cash flows for the year ended December 31, 2008.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statements of activities, and cash flows for the year ended December 31, 2008, or on the consistency of application of accounting principles with the preceding year.

In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of Richmond First Tee as of December 31, 2008, in conformity with accounting principles generally accepted in the United States.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

July 28, 2009

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Statement of Financial Position December 31, 2008

Assets

Current assets:	
Cash	\$ 152,461
Promises to give, net	72,500
Inventory	<u>24,723</u>
Total current assets	249,684
Promises to give - long term, net	183,635
Property and equipment, net	<u>3,376,138</u>
Total assets	<u>\$ 3,809,457</u>

Liabilities and Net Assets

Current liabilities:	
Line of credit	\$ 100,000
Accounts payable and accrued liabilities	20,455
Unearned revenue	<u>3,749</u>
Total current liabilities	<u>124,204</u>
Net assets:	
Unrestricted net assets	3,429,118
Temporarily restricted net assets	<u>256,135</u>
Total net assets	<u>3,685,253</u>
Total liabilities and net assets	<u>\$ 3,809,457</u>

See accompanying notes to financial statements.

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Statement of Activities Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions	\$ 54,429	\$ 100,000	\$ 154,429
Program revenue:			
Green fees	355,826	-	355,826
Cart rental	139,474	-	139,474
Pro shop	86,179	-	86,179
Golf Tournament	55,255	-	55,255
Driving Range	57,127	-	57,127
Certification Programs	29,676	-	29,676
Lessons	1,965	-	1,965
Miscellaneous income	17,315	-	17,315
Interest income	1,517	-	1,517
Net assets released from restriction	460,280	(460,280)	-
Total revenue and support	1,259,043	(360,280)	898,763
Expenditures:			
Program services	805,356	-	805,356
Management and general	621,608	-	621,608
Fundraising	5,596	-	5,596
Total expenditures	1,432,560	-	1,432,560
Change in net assets	(173,517)	(360,280)	(533,797)
Net assets, beginning of year	3,602,635	616,415	4,219,050
Net assets, end of year	\$ 3,429,118	\$ 256,135	\$ 3,685,253

See accompanying notes to financial statements.

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Statement of Cash Flows Year Ended December 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ (533,797)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	263,366
Gain on sale of property	(500)
Change in assets and liabilities:	
Accounts receivable	13,735
Promises to give, net	339,810
Inventory	76,650
Accounts payable	5,659
Accrued liabilities	(5,740)
Unearned revenue	<u>1,330</u>
Net cash provided by operating activities	<u>160,513</u>
Cash flows from investing activities:	
Proceeds from sale of property	500
Purchases of property and equipment	<u>(106,641)</u>
Net cash used in investing activities	<u>(106,141)</u>
Cash flows from financing activities:	
Net payments on line of credit	<u>(200,000)</u>
Net cash used in financing activities	<u>(200,000)</u>
Net decrease in cash	(145,628)
Cash, beginning of year	<u>298,089</u>
Cash, end of year	<u>\$ 152,461</u>
Supplemental information:	
Cash paid for interest	<u>\$ 7,508</u>

RICHMOND FIRST TEE

Notes to Financial Statements

1. **Organization:**

Richmond First Tee, Inc. (the "Organization") is a non-profit, non-stock, tax-exempt corporation formed in Virginia in 1996 that operates in the City of Richmond and Chesterfield County. The Organization's purpose is to impact the lives of young people by providing learning facilities and educational programs that promote character development and life-enhancing values through the game of golf. The First Tee is an initiative of the World Golf Foundation that granted chapter status to Richmond First Tee in 1996.

2. **Summary of Significant Accounting Policies:**

Basis of Accounting: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States which include the accrual basis of accounting.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Net Assets: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements report amounts separately by class of net assets as follows:

Unrestricted net assets are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in equipment.

Temporarily restricted net assets are those which are stipulated by donors for a designated time or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the contribution and activity occur in the same year, the revenue is recorded in unrestricted net assets. Temporarily restricted net assets are for subsequent years' operations.

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. There were no permanently restricted net assets at December 31, 2008.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

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Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition: All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Contributions are recorded once an unconditional promise to give has been received by the Organization. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increase that net asset class. 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 statement of activities as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid investment instruments with a maturity at purchase of three months or less to be cash equivalents.

Allowance for Bad Debt: The Organization's management evaluates each of its accounts receivables individually, and provides a charge to expense when, in the opinion of management, a probable credit loss has occurred. At December 31, 2008, no allowance was considered necessary.

Inventory: Inventory is stated at the lower of cost or market, with cost being determined by the first-in, first-out method. Inventory consists of golf apparel and equipment at the pro-shop.

Property and Equipment: Property and equipment are stated at cost or, as in the case of gifts, at fair market value as of the date of donation. Depreciation is computed on the straight-line method over estimated useful lives. Expenditures for maintenance and repairs are expensed currently, while expenditures for major additions and betterments are capitalized.

Advertising: The Organization charges the cost of advertising to expense as incurred. During 2008, the Organization incurred \$19,948 in advertising expenses.

Income Taxes: The Organization is a qualified non-profit charitable organization as defined by the Internal Revenue Code section 501(c)(3) and the tax statutes of the Commonwealth of Virginia and is thus exempt from federal and state income taxes.

Donated Materials and Services: The Organization receives non-monetary contributions in the course of conducting its programs, including volunteer services. The value of these contributions is not reflected in these financial statements because the criteria for recognition has not been satisfied.

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Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and promises to give. The Organization places its cash and cash equivalents with two financial institutions. At times, these balances are in excess of the FDIC insurance limit.

Promises to give are from individuals, corporations, government organizations and foundations. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors. During 2008, one contributor accounted for 87% of the promises to give receivable to Richmond First Tee.

Pending Accounting Pronouncement: In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), an interpretation of FASB Statement No. 109 ("SFAS 109"). This interpretation clarifies the accounting for uncertainty in income taxes and details how entities should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect or disclose expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. The Organization has elected to defer the adoption of FIN 48 until its fiscal year ending December 31, 2009, pending additional clarification of FIN 48's applicability to not-for-profit entities such as the Organization. In instances where the Organization has taken or expects to take a tax position in its tax returns and the Organization believes that it is more likely than not that such tax position will be upheld by the relevant tax authorities, the Organization has not disclosed such tax position in the financial statements. Management has evaluated the impact of FIN 48 and does not expect it to have a material impact on the Organization's financial condition, change in net assets or income tax disclosure practices.

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Notes to Financial Statements, Continued

3. Promises to Give:

Promises to give are summarized as follows as of December 31:

Restricted for future periods	\$ 272,500
Less discount for present value of 2.5%	<u>16,365</u>
Promises to give, net	<u>\$ 256,135</u>

Amounts due in:	
Less than one year	\$ 72,500
One to five years	<u>183,635</u>
Promises to give, net	<u>\$ 256,135</u>

4. Property and Equipment:

Property and equipment, net of depreciation, as of December 31 is as follows:

Land improvements	\$ 3,709,618
Buildings	1,209,755
Furniture and equipment	694,520
Vehicles	<u>28,135</u>
	5,642,028
Less accumulated depreciation	<u>2,265,890</u>
Property and equipment, net	<u>\$ 3,376,138</u>

Depreciation expense totaled \$263,366 during 2008.

5. Line of Credit:

During 2007, the Organization extended and amended a previous line of credit agreement with a bank with maximum borrowings of \$700,000 and interest due monthly. The 2007 extension agreement altered the interest rate to equal the LIBOR one month market rate plus 1.5% (2.58% at December 31, 2008). Interest expense totaled \$7,508 during 2008.

In 2008, the bank released one Board member's personal guarantee. In addition, the line was extended to December 31, 2009 with maximum borrowings reduced to \$100,000. The interest rate remained the same.

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Notes to Financial Statements, Continued

6. Leases:

City of Richmond: The Organization leases land from the City of Richmond (the "City") based on an agreement that was signed on March 20, 2002 and commenced on May 1, 2003 for a period for 5 years with three 5 year extensions. The golf course and practice range suffered significant damage during 2004 from a hurricane that was closed until 2008. The lease is conditional upon the Organization maintaining the property as a golf course and practice range. If the lease is not extended for the entire twenty years, through April 30, 2023, then the City is required to compensate the Organization for the cost of original improvements paid for by the Organization on a pro-rata basis. The Organization and the City have agreed to other contractual requirements in the agreement. No other consideration is required under the lease. The value of the leased property does not meet the requirements for recognition under generally accepted accounting principles.

During 2008, the Organization and the City extended the lease commencing on May 1, 2008 for a period of 5 years with two 5 year extensions. The extended agreement does not significantly alter any provisions of the original agreement.

County of Chesterfield: The Organization leases land from the County of Chesterfield (the "County") based on an agreement signed in 1998. The agreement's term is for 20 years with two 10 year optional extensions. Rent is to be paid on April 30 of each year in the amount of \$800. The Organization is restricted to use the land for a public golf facility. Upon expiration or termination of the agreement the land and any improvements shall revert to and become the property of the County. The Organization and the County have agreed to other contractual requirements in the agreement. No other consideration is required under the lease. The value of the leased property does not meet the requirements for recognition under generally accepted accounting principles.

Other: The Organization leased 35 new golf carts for 60 months with payments beginning on February 1, 2008. Future minimum lease payments under the lease are as follows: 2009 - \$24,066; 2010 - \$24,066; 2011 - \$24,066; 2012 - \$24,066; 2013 - \$2,006.

Rental expense from operating leases totaled to \$31,696 during 2008.

7. Commitments:

The Organization had an operating agreement with a service provider to operate the City of Richmond location. Subsequent to year-end the Organization and the service provider extended the agreement until December 31, 2009 with three one-year automatic renewals. The service provider will allow the Organization to use the facilities free of charge. The Organization leases the equipment to the service provider for \$1 annually. The Organization and the service provider have agreed to other contractual requirements in the agreement. No other consideration is required under the lease.

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Notes to Financial Statements, Continued

8. Indemnification:

The Organization has certain obligations to indemnify its current and former officers and trustees for certain events or occurrences while the officer or trustee is, or was serving, at the Organization's request in such capacities. The maximum liability under these obligations is unlimited; however, the Organization's insurance policies serve to limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

The Organization has agreed to indemnify both the City and County and hold them harmless from and against any claims or damages related to the leased property unless the claims or damages result from the City's or County's willful or negligent acts or omissions. The Organization's insurance policies serve to limit its exposures. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

9. Prior Period Adjustments:

During the current year, the Organization learned that \$47,950 of land improvements made in 2008 was recorded in a prior year. In addition, \$20,440 of pledges collected in 2006 were improperly included as receivables in 2007. Accordingly, there were adjustments made to the beginning balances of unrestricted net assets to reflect the changes, as well as an adjustment to the beginning balance of property and equipment. The beginning balances of net assets were affected in the following ways:

	<u>Unrestricted Net Assets</u>
Unadjusted balance, December 31, 2007	\$ 3,652,143
Fixed asset recorded in improper year, net of accumulated depreciation	(29,068)
Reversal of pledges receivable	<u>(20,440)</u>
Adjusted beginning balance, December 31, 2007	<u>\$ 3,602,635</u>