KEITER STEPHENS

Business Assurance
& Advisory Services

RICHMOND FIRST TEE

Financial Statements

December 31, 2009 and 2008

RICHMOND FIRST TEE

Table of Contents

KEITER STEPHENS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Richmond First Tee
Richmond, Virginia

We have audited the accompanying statements of financial position of Richmond First Tee (the "Organization") as of December 31, 2009 and 2008, and the related statements of activities, and cash flows for the years then ended. 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audits 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 audits provide 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.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the 2008 financial statements and the statements of activities and cash flows for the year ended December 31, 2008 had we been able to observe the physical inventory taken as of December 31, 2007 and perform opening statement of financial position procedures, the financial statements referred to above present fairly, in all material respects, the financial position of Richmond First Tee as of December 31, 2009 and 2008, 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.

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

July 7, 2010
Glen Allen, Virginia

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RICHMOND FIRST TEE

Statements of Financial Position
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash	$ 72,576	$ 152,461
Accounts receivable	756	-
Promises to give, net	63,500	72,500
Inventory	21,751	24,723
Total current assets	158,583	249,684
Promises to give - long term, net	153,970	183,635
Property and equipment, net	3,130,702	3,376,138
Total assets	$ 3,443,255	$ 3,809,457
Liabilities and Net Assets		
Current liabilities:		
Line of credit	$ 100,000	$ 100,000
Accounts payable and accrued liabilities	17,912	20,455
Unearned revenue	9,552	3,749
Total current liabilities	127,464	124,204
Net assets:		
Unrestricted net assets	3,098,321	3,429,118
Temporarily restricted net assets	217,470	256,135
Total net assets	3,315,791	3,685,253
Total liabilities and net assets	$ 3,443,255	$ 3,809,457

See accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Activities
Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General contributions	$ 220,520	$ 12,000	$ 232,520
In-kind contributions	58,292	-	58,292
Grants	-	57,800	57,800
Program revenue:			
Green fees	329,663	-	329,663
Cart rental	135,849	-	135,849
Pro shop	46,953	-	46,953
Golf Tournament	59,671	-	59,671
Driving Range	50,952	-	50,952
Certification Programs	25,827	-	25,827
Lessons	461	-	461
Interest income	5	-	5
Net assets released from restriction	108,465	(108,465)	-
Total revenue and support	1,036,658	(38,665)	997,993
Expenditures:			
Program services	847,337	-	847,337
Management and general	426,174	-	426,174
Fundraising	93,944	-	93,944
Total expenditures	1,367,455	-	1,367,455
Change in net assets	(330,797)	(38,665)	(369,462)
Net assets, beginning of year	3,429,118	256,135	3,685,253
Net assets, end of year	$ 3,098,321	$ 217,470	$ 3,315,791

See accompanying notes to financial statements.

RICHMOND FIRST TEE

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	609,669	-	609,669
Fundraising	17,535	-	17,535
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.

RICHMOND FIRST TEE

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	$ (369,462)	$ (533,797)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	268,183	263,366
Gain on sale of property	-	(500)
Change in assets and liabilities:		
Accounts receivable	(756)	13,735
Promises to give, net	38,665	339,810
Inventory	2,972	76,650
Accounts payable and accrued liabilities	(2,543)	(81)
Unearned revenue	5,803	1,330
Net cash provided (used) by operating activities	(57,138)	160,513
Cash flows from investing activities:		
Proceeds from sale of property	-	500
Purchases of property and equipment	(22,747)	(106,641)
Net cash used in investing activities	(22,747)	(106,141)
Cash flows from financing activities:		
Net payments on line of credit	-	(200,000)
Net cash used in financing activities	-	(200,000)
Net decrease in cash	(79,885)	(145,628)
Cash, beginning of year	152,461	298,089
Cash, end of year	$ 72,576	$ 152,461
Supplemental information:		
Cash paid for interest	$ 2,083	$ 7,508

See accompanying notes to financial statements.

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, 2009 or 2008.

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:

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, 2009 and 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 which range from five to 39 years. 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. The Organization incurred $79,393 in advertising expenses in 2009, and $19,948 in 2008.

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.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: During 2009, the Organization adopted the Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Organization's financial statements.

In accordance with the guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Organization's position, and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the interpretation. The tax returns for years since 2006 remain open for examination by tax authorities.

Donated Materials and Services: The Organization receives non-monetary contributions in the course of conducting its programs, including volunteer services. The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically have been purchased if not contributed, has been recognized in the financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs.

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 2009, one contributor accounted for 88% of the promises to give receivable to Richmond First Tee, and one contributor accounted for 39% of contributions. During 2008, one contributor accounted for 87% of the promises to give receivable to Richmond First Tee.

Subsequent Events: Management has evaluated subsequent events July 7, 2010, the date the financial statements were available for issuance, and has determined that no additional disclosures are necessary.

3. Promises to Give:

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

	2009	2008
Restricted for future periods	$ 227,000	$ 272,500
Less discount for present value of 3.2% and 2.5%, respectively	9,530	16,365
Promises to give, net	$ 217,470	$ 256,135
Amounts due in:		
Less than one year	$ 63,500	$ 72,500
One to five years	153,970	183,635
Promises to give, net	$ 217,470	$ 256,135

4. Property and Equipment:

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

	2009	2008
Land improvements	$ 3,709,618	$ 3,709,618
Buildings	1,209,755	1,209,755
Furniture and equipment	717,267	694,520
Vehicles	28,135	28,135
	5,664,775	5,642,028
Less accumulated depreciation	2,534,073	2,265,890
Property and equipment, net	$ 3,130,702	$ 3,376,138

Depreciation expense totaled $268,183 during 2009 and $263,366 during 2008.

5. Line of Credit:

The Organization has a line of credit agreement with a bank for maximum borrowings of $100,000 and interest due monthly at a rate equal to the LIBOR one month market rate plus 1.5%. During 2009, the Organization extended the line through December 31, 2010 and amended the interest rate equal to the greater of LIBOR one month market rate plus 4.25%, or 5% (5% at December 31, 2009). Interest expense totaled $1,143 during 2009 and $7,508 in 2008).

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 five years with three five year extensions. The golf course and practice range suffered significant damage during 2004 from a hurricane, and 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 five years with two five 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 ten 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 leases office space for management. In December 2009, the Organization entered into a lease for office space for 37 months with payments beginning on December 1, 2009. According to the lease agreement, the lessor will then make contributions to the Organization for half of the monthly expense. The above is accounted for as in-kind contributions.

The Organization leased 35 new golf carts as well as office equipment for 60 months with payments beginning on February 1, 2008.

Rental expense from operating leases totaled to $45,318 during 2009 and $31,696 during 2008.

6. Leases, Continued:

Minimum future payments under noncancellable operating leases at December 31, 2009 were as follows:

	Properties	Equipment	Total
2010	$ 18,754	$ 29,574	$ 48,328
2011	18,754	29,574	48,328
2012	17,258	29,574	46,832
2013	800	2,924	3,724
2014	800	-	800
Thereafter	3,200	-	3,200
	$ 59,566	$ 91,646	$ 151,212

7. Commitments:

The Organization has an operating agreement with a service provider to operate the City of Richmond location with three one-year automatic renewals ending December 31, 2012. 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.

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.