The First Tee®
Richmond & Chesterfield

Financial Statements

December 31, 2012 and 2011

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

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RICHMOND FIRST TEE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Richmond First Tee
Richmond, Virginia

We have reviewed the accompanying statements of financial position of Richmond First Tee (the "Organization") as of December 31, 2012, and 2011, and the related statements of activities, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

Keiter

June 12, 2013
Glen Allen, Virginia

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RICHMOND FIRST TEE

Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 303,516	$ 201,324
Accounts receivable	-	3,229
Promises to give, net	129,775	348,150
Inventory	14,617	9,012
Total current assets	447,908	561,715
Promises to give - long term, net	746,215	46,740
Property and equipment, net	2,456,359	2,650,618
Other assets	1,597	-
Total assets	$ 3,652,079	$ 3,259,073
Liabilities and Net Assets		
Current liabilities:		
Line of credit	$ 96,033	$ 99,851
Accounts payable and accrued liabilities	20,436	31,719
Unearned revenue	1,027	1,722
Total current liabilities	117,496	133,292
Net assets:		
Unrestricted net assets	2,547,893	2,730,891
Temporarily restricted net assets	986,690	394,890
Total net assets	3,534,583	3,125,781
Total liabilities and net assets	$ 3,652,079	$ 3,259,073

See accountants' review report and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statements of Activities
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support:				
General contributions	$ 105,615	$ 866,096	$ 971,711	$ 134,758
In-kind contributions	8,900	-	8,900	-
Grants	25,000	110,700	135,700	10,000
Program revenue:				
Green fees	326,400	-	326,400	312,635
Cart rental	130,163	-	130,163	114,803
Pro shop	54,303	-	54,303	40,267
Golf tournament	46,122	-	46,122	60,213
Driving range	50,157	-	50,157	50,780
Certification programs	44,065	-	44,065	31,897
Lessons	3,049	-	3,049	5,721
Miscellaneous income	6,582	-	6,582	7,724
Total revenue and support	800,356	976,796	1,777,152	768,798
Net assets released from restriction	384,996	(384,996)	-	-
Expenses:				
Program services	1,050,431	-	1,050,431	970,630
Management and general	216,209	-	216,209	197,110
Fundraising	101,710	-	101,710	92,184
Total expenses	1,368,350	-	1,368,350	1,259,924
Change in net assets	(182,998)	591,800	408,802	(491,126)
Net assets, beginning of year	2,730,891	394,890	3,125,781	3,616,907
Net assets, end of year	$ 2,547,893	$ 986,690	$ 3,534,583	$ 3,125,781

See accountants' review report and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statements of Activities
Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General contributions	$ 132,758	$ 2,000	$ 134,758
Grants	10,000	-	10,000
Program revenue:			
Green fees	312,635	-	312,635
Cart rental	114,803	-	114,803
Pro shop	40,267	-	40,267
Golf tournament	60,213	-	60,213
Driving range	50,780	-	50,780
Certification programs	31,897	-	31,897
Lessons	5,721	-	5,721
Miscellaneous income	7,724	-	7,724
Total revenue and support	766,798	2,000	768,798
Net assets released from restriction	319,742	(319,742)	-
Expenses:			
Program services	970,630	-	970,630
Management and general	197,110	-	197,110
Fundraising	92,184	-	92,184
Total expenses	1,259,924	-	1,259,924
Change in net assets	(173,384)	(317,742)	(491,126)
Net assets, beginning of year	2,904,275	712,632	3,616,907
Net assets, end of year	$ 2,730,891	$ 394,890	$ 3,125,781

See accountants' review report and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 408,802	$ (491,126)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	264,218	250,374
Change in assets and liabilities:		
Accounts receivable	3,229	(3,229)
Promises to give, net	(481,100)	317,742
Inventory	(5,605)	2,029
Other assets	(1,597)	-
Accounts payable and accrued liabilities	(11,283)	13,821
Unearned revenue	(695)	(6,707)
Net cash provided by operating activities	175,969	82,904
Cash flows from investing activities:		
Purchases of property and equipment	(69,959)	(19,895)
Cash used in investing activities	(69,959)	(19,895)
Cash flows from financing activities:		
Net payments on line of credit	(3,818)	-
Cash used in financing activities	(3,818)	-
Net increase in cash	102,192	63,009
Cash and cash equivalents, beginning of year	201,324	138,315
Cash and cash equivalents, end of year	$ 303,516	$ 201,324
Supplemental information:		
Cash paid for interest	$ 5,256	$ 5,632

See accountants' review report and accompanying 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 1998 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 1998.

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, 2012 or 2011.

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 an original maturity at purchase of three months or less to be cash equivalents.

Allowance for Bad Debt: The Organization's management evaluates each of its promises to give and accounts receivables individually, and provides a charge to expense when, in the opinion of management, a probable credit loss has occurred. The allowance for doubtful accounts was $6,400 for 2012 and $0 for 2011.

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 three to 39 years. Expenses for maintenance and repairs are expensed currently, while expenses for major additions and betterments are capitalized.

Valuation of Long-Lived Assets: Under Financial Accounting Standards Board ("FASB") guidance on accounting for the impairment or disposal of long-lived assets, the valuation of long-lived assets is required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived an asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. There was no impairment required to be recognized at December 31, 2012 or 2011.

Advertising: The Organization charges the cost of advertising to expense as incurred. The Organization incurred $11,822 in advertising expenses in 2012, and $8,238 in 2011.

2. Summary of Significant Accounting Policies, Continued:

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.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization’s income tax returns for years since 2009 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

In-Kind Contributions: 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 one financial institution. At times, this balance is 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 2012, two contributors accounted for 85% of the promises to give receivable to Richmond First Tee, and two contributors accounted for 82% of contributions. During 2011, three contributors accounted for 50% of the promises to give receivable to Richmond First Tee, and one contributor accounted for 10% of contributions. The Organization has increased its individual donor base over the last three years (125 in 2010, 285 in 2011, and 390 in 2012).

3. Promises to Give:

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

	2012	2011
Restricted for future periods	$ 937,771	$ 401,150
Less discount for present value of 1.2% and 1.4%, respectively	55,381	6,260
Less allowance for uncollectible pledges	6,400	-
Promises to give, net	$ 875,990	$ 394,890
Amounts due in:		
Less than one year	$ 129,775	$ 348,150
One to five years	746,215	46,740
Promises to give, net	$ 875,990	$ 394,890

4. Property and Equipment:

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

	2012	2011
Land improvements	$ 3,709,618	$ 3,709,618
Buildings	1,211,256	1,211,256
Furniture and equipment	809,283	739,324
Vehicles	28,135	28,135
	5,758,292	5,688,333
Less accumulated depreciation	3,301,933	3,037,715
Property and equipment, net	$ 2,456,359	$ 2,650,618

Depreciation expense totaled $264,218 during 2012 and $250,374 during 2011.

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 greater of prime rate plus 1.75%, or 5% (5% at December 31, 2012 and 2011). During 2012, the Organization extended the line through December 31, 2013. The line is guaranteed by a Director. The balance outstanding on this line was $96,033 as of December 31, 2012 and $99,851 as of December 31, 2011. Interest expense totaled $5,256 during 2012 and $5,632 in 2011.

The Organization has an additional line of credit agreement with a bank for a maximum borrowings of $50,000 and interest due monthly at a rate equal to the higher of the Wall Street Journal Prime rate or 5.50% (5.50% at December 31, 2012 and 2011). The line of credit is annually renewable and expires in October 2013. As of December 31, 2012 and 2011, no borrowings have been made on the second line of credit.

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.

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.

6. Leases, Continued:

Other: The Organization leases office space for management. In September 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, which is accounted for as general contributions. In July 2012, the Organization discontinued this lease and entered into a new lease for office space for 39 months with monthly payments beginning in September 2012.

Rental expense from operating leases totaled to $51,013 during 2012 and $53,254 during 2011.

Minimum future payments under noncancellable operating leases at December 31, 2012 were as follows:

	Properties	Equipment	Total
2013	$ 20,062	$ 25,768	$ 45,830
2014	20,418	24,850	45,268
2015	19,081	24,850	43,931
2016	800	23,800	24,600
2017	800	-	800
Thereafter	800	-	800
	$ 61,961	$ 99,268	$ 161,229

7. Retirement Plan Contributions:

The Organization established a defined contribution retirement plan effective January 1, 2011 which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Company may make discretionary contributions. The Company's contributions to the plan amounted to $25,880 for 2012 and $23,011 for 2011.

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 limited under the code of Virginia. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

8. Indemnification, Continued:

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. Subsequent Event:

Management has evaluated subsequent events through June 12, 2013, the date the financial statements were available for issuance. Through December 31, 2012 the Organization had an operating agreement with a service provider to operate the City of Richmond location. On January 1, 2013, the Organization purchased fixtures, equipment, and inventory at the City of Richmond golf facility for $22,419. The Organization assumed responsibility for the maintenance and operations of the facility, which consists of a driving range, a three hole par three course, a three hole tots course, a clubhouse and a storage facility. The Organization made a $50,000 payment on its $100,000 line of credit with the intent of paying the remaining balance by the end of 2013.