The First Tee®
Richmond & Chesterfield

Financial Statements

December 31, 2013

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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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Richmond First Tee

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond First Tee, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, 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; 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. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richmond First Tee as of December 31, 2013, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States.

Keiter

June 25, 2014
Glen Allen, Virginia

RICHMOND FIRST TEE

Statement of Financial Position
December 31, 2013

Assets

Current assets:	
Cash and cash equivalents	$ 178,741
Promises to give, net	113,819
Inventory	20,582
Total current assets	313,142
Promises to give - long term, net	626,316
Property and equipment, net	2,292,635
Other assets	1,897
Total assets	$ 3,233,990

Liabilities and Net Assets

Current liabilities:	
Capital lease obligations, current maturities	$ 13,648
Accounts payable and accrued liabilities	23,026
Unearned revenue	7,179
Total current liabilities	43,853
Capital lease obligations, less current maturities	30,717
Total liabilities	74,570
Net assets:	
Unrestricted net assets	2,359,739
Temporarily restricted net assets	799,681
Total net assets	3,159,420
Total liabilities and net assets	$ 3,233,990

See accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Activities
For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General contributions	$ 351,260	$ -	$ 351,260
In-kind contributions	13,000	-	13,000
Grants	-	62,050	62,050
Program revenue:			
Green fees	314,870	-	314,870
Cart rental	109,455	-	109,455
Pro shop	82,129	-	82,129
Golf tournament	136,738	-	136,738
Driving range	179,356	-	179,356
Certification programs	37,470	-	37,470
Lessons	4,320	-	4,320
Miscellaneous income	7,718	-	7,718
Total revenue and support	1,236,316	62,050	1,298,366
Net assets released from restriction	249,059	(249,059)	-
Expenses:			
Program services	1,235,005	-	1,235,005
Management and general	240,556	-	240,556
Fundraising	197,968	-	197,968
Total expenses	1,673,529	-	1,673,529
Change in net assets	(188,154)	(187,009)	(375,163)
Net assets, beginning of year	2,547,893	986,690	3,534,583
Net assets, end of year	$ 2,359,739	$ 799,681	$ 3,159,420

See accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Functional Expenses
For The Year Ended December 31, 2013

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Accounting	$ -	$ 20,315	$ -	$ 20,315
Advertising	-	-	15,430	15,430
Bad pledge expense	-	-	5,875	5,875
Bank service fees	-	15,934	-	15,934
Cart lease	31,627	-	-	31,627
Membership and dues	4,042	-	-	4,042
Entertainment	1,090	-	3,741	4,831
Food & beverage	-	-	8,488	8,488
Golf course maintenance	98,566	1,015	-	99,581
Insurance	21,953	41,004	1,480	64,437
Interest expense	6,184	-	-	6,184
Professional fees	-	35,065	-	35,065
Lodging	-	-	2,996	2,996
Marketing	-	-	16,541	16,541
Miscellaneous	8	13,189	-	13,197
Office equipment leases	6,676	2,542	-	9,218
Office rent	-	19,400	-	19,400
Tournament	-	-	63,079	63,079
Postage	-	106	-	106
Proshop purchases	54,336	-	-	54,336
Salaries, wages and benefits	614,418	42,694	73,759	730,871
Payroll taxes	54,801	3,808	6,579	65,188
Supplies	756	-	-	756
Telephone	3,300	4,118	-	7,418
Training	23,031	3,294	-	26,325
Travel	7,282	792	-	8,074
Utilities	76,372	2,016	-	78,388
Total expenses before depreciation	1,004,442	205,292	197,968	1,407,702
Depreciation of property and equipment	230,563	35,263	-	265,826
Total expenses	$ 1,235,005	$ 240,555	$ 197,968	$ 1,673,528

See accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Cash Flows
For The Year Ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	$ (375,163)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	265,826
Change in assets and liabilities:	
Promises to give, net	135,855
Inventory	(5,965)
Other assets	(300)
Accounts payable and accrued liabilities	2,590
Unearned revenue	6,152
Net cash provided by operating activities	28,995
Cash flows from investing activities:	
Purchases of property and equipment	(47,868)
Cash used in investing activities	(47,868)
Cash flows from financing activities:	
Net payments on line of credit	(96,033)
Net payments on capital lease obligations	(9,869)
Cash used in financing activities	(105,902)
Net decrease in cash	(124,775)
Cash and cash equivalents, beginning of year	303,516
Cash and cash equivalents, end of year	$ 178,741
Supplemental information:	
Cash paid for interest	$ 6,184
Noncash Transactions:	
Issuance of capital lease for property and equipment	$ 54,234

See 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. On January 1, 2013, the Organization assumed responsibility for the maintenance and operations of the Richmond 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’s purpose is to impact the lives of young people by providing educational programs that build character, instill life-enhancing values, and promote healthy choices 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, 2013.

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 $8,375 for 2013.

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, 2013.

Advertising: The Organization charges the cost of advertising to expense as incurred. The Organization incurred $15,430 in advertising expenses in 2013.

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 2010 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 2013, two contributors accounted for 93% of the promises to give receivable to Richmond First Tee, and one contributor accounted for 11% of contributions.

3. Promises to Give:

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

Restricted for future periods	$	821,371
Less discount for present value of 2.0%		(72,861)
Less allowance for uncollectible pledges		(8,375)
Promises to give, net	$	740,135
Amounts due in:		
Less than one year	$	113,819
One to five years		626,316
Promises to give, net	$	740,135

4. Property and Equipment:

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

Land improvements	$	3,709,618
Buildings		1,211,256
Furniture and equipment		883,734
Vehicles		55,785
		5,860,393
Less accumulated depreciation		3,567,758
Property and equipment, net	$	2,292,635

Depreciation expense totaled $265,826 during 2013.

5. Line of Credit:

The Organization had 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% during 2013). In October 2013, the Organization closed this line. Interest expense totaled $3,538 for 2013.

In October 2013, the Organization opened a line of credit with a bank for maximum borrowings of $60,000 with interest due monthly at 5.25%. The balance outstanding on this line was $0 as of December 31, 2013. Interest expense totaled $47 during 2013.

The Organization had an additional line of credit agreement with a bank for 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% during 2013). The line of credit matured in October 2013 and was not renewed.

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. During 2013, the Organization executed a five year extension for the leased property through April 30, 2018. 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.

Rental expense from operating leases was $53,110 for 2013.

Minimum future payments under noncancellable operating leases at December 31, 2013 were as follows:

	Properties	Equipment	Total
2014	$ 20,418	$ 24,850	$ 45,268
2015	19,081	24,850	43,931
2016	800	24,850	25,650
2017	800	-	800
2018	800	-	800
	$ 41,899	$ 74,550	$ 116,449

In 2012, the Organization entered into a capital lease agreement for golf course equipment. This lease expires in 2017 and contains a bargain purchase option for $1 at the end of the lease term.

The approximate minimum commitments for the capital lease are as follows:

Year	Amount
2014	$ 15,556
2015	15,556
2016	15,556
2017	1,257
Total minimum lease payments	47,925
Less: amount representing interest	(3,560)
Present value of net minimum lease payments	$ 44,365

The cost of equipment under capital leases, amounted to $68,694 and accumulated depreciation in the amount of $25,188 at December 31, 2013.

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 contributed $25,880 to the plan for 2013.

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. 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 25, 2014, the date the financial statements were available for issuance, and has determined there are no subsequent events to be reported in the accompanying financial statements.