The First Tee Greater Richmond

Financial Statements

December 31, 2016

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

RICHMOND FIRST TEE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Richmond First Tee:

We have reviewed the accompanying financial statements of Richmond First Tee (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, 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 1, 2017
Glen Allen, Virginia

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

RICHMOND FIRST TEE

Statement of Financial Position
December 31, 2016

Assets	
Current assets:	
Cash and cash equivalents	$ 665,183
Contributions receivable, net	454,859
Grants receivable, net	212,444
Inventory	10,980
Prepaid expenses	3,346
Total current assets	1,346,812
Other asset	4,853
Contributions receivable - long term, net	311,832
Grants receivable - long term, net	416,528
Property and equipment, net	2,098,556
Total assets	$ 4,178,581
Liabilities and Net Assets	
Current liabilities:	
Capital lease obligations, current maturities	$ 8,475
Accounts payable and accrued liabilities	36,058
Unearned revenue	12,741
Total current liabilities	57,274
Capital lease obligations, less current maturities	29,302
Total liabilities	86,576
Net assets:	
Unrestricted net assets	2,256,342
Temporarily restricted net assets	1,835,663
Total net assets	4,092,005
Total liabilities and net assets	$ 4,178,581

See report of independent accountants and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Activities
For The Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
General contributions	$ 763,026	$ 702,745	$ 1,465,771
Grants	-	100,000	100,000
Program revenue:			
Green fees	280,065	-	280,065
Cart rental	113,158	-	113,158
Pro shop	47,619	-	47,619
Golf tournament	149,860	-	149,860
Driving range	156,495	-	156,495
Certification programs	68,850	-	68,850
Lessons	3,178	-	3,178
Miscellaneous income	9,539	-	9,539
Total revenue and support	1,591,790	802,745	2,394,535
Net assets released from restriction	389,553	(389,553)	-
Expenses:			
Program services	1,390,944	-	1,390,944
Management and general	291,436	-	291,436
Fundraising	223,195	-	223,195
Total expenses	1,905,575	-	1,905,575
Change in net assets	75,768	413,192	488,960
Net assets, beginning of year	2,180,574	1,422,471	3,603,045
Net assets, end of year	$ 2,256,342	$ 1,835,663	$ 4,092,005

See report of independent accountants and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Functional Expenses
For The Year Ended December 31, 2016

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Advertising and marketing	$ -	$ -	$ 38,305	$ 38,305
Bank service fees	11,993	-	-	11,993
Cart lease	31,611	-	-	31,611
Educational programming	86,876	-	-	86,876
Golf course maintenance	63,164	-	-	63,164
Insurance	32,589	44,378	-	76,967
Interest expense	1,268	5,405	-	6,673
Professional fees	-	44,513	-	44,513
Miscellaneous	-	111	-	111
Office rent	-	39,444	-	39,444
Tournament	-	-	46,203	46,203
Pro shop purchases	38,677	-	-	38,677
Salaries, wages and benefits	689,903	91,410	127,277	908,590
Payroll taxes	50,732	7,085	9,749	67,566
Retirement plan contributions	24,912	6,643	1,661	33,216
Supplies	6,404	5,109	-	11,513
Travel	10,603	467	-	11,070
Utilities	101,320	5,114	-	106,434
Total expenses before depreciation	1,150,052	249,679	223,195	1,622,926
Depreciation of property and equipment	240,892	41,757	-	282,649
Total expenses	$ 1,390,944	$ 291,436	$ 223,195	$ 1,905,575

See report of independent accountants and accompanying notes to financial statements.

RICHMOND FIRST TEE

Statement of Cash Flows
For The Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	$ 488,960
Adjustments to reconcile to net cash from operating activities:	
Depreciation	282,649
Change in assets and liabilities:	
Contributions receivable, net	(14,627)
Grants receivable, net	41,435
Inventory	4,050
Prepaid expenses	1,779
Other asset	(4,853)
Accounts payable and accrued liabilities	1,959
Unearned revenue	(873)
Net cash provided by operating activities	800,479
Cash flows used in investing activities:	
Purchases of property and equipment	(451,839)
Cash flows used in financing activities:	
Payments on capital lease obligations	(18,062)
Net increase in cash	330,578
Cash and cash equivalents, beginning of year	334,605
Cash and cash equivalents, end of year	$ 665,183
Supplemental information:	
Cash paid for interest	$ 6,673
Property and equipment acquired through capital lease	$ 39,517

See report of independent accountants and accompanying notes to financial statements.

1. Organization:

Richmond First Tee (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 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 The First Tee – Richmond & Chesterfield 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 and the Richmond clubhouse renovation scheduled to occur in 2017.

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, 2016.

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 restriction.

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 Uncollectible Pledges: 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. No allowance for uncollectible pledges was deemed necessary by management at December 31, 2016.

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-shops.

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 as incurred, 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, 2016.

Advertising: The Organization charges the cost of advertising to expense as incurred. The Organization incurred $38,305 in advertising expenses in 2016.

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 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 and Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions and grants. The Organization places its cash and cash equivalents with one financial institution. At times, this balance is in excess of the FDIC insurance limit.

Contributions and grants are from individuals, corporations, government organizations and foundations. The Organization believes its credit risk related to these contributions and grants is limited due to the nature of its donors. At December 31, 2016, three contributors accounted for 92% of grants receivable and three contributors accounted for 96% of contributions receivable. Five contributors accounted for 75% of general contributions and grants during 2016.

3. Contributions Receivable and Grants Receivable:

Contributions receivable are summarized as follows as of December 31, 2016:

Restricted for future periods	$	786,972
Less discount for present value of 1.8%		(20,281)
Contributions receivable, net	$	766,691
Amounts due in:		
Less than one year	$	454,859
One to five years		311,832
Contributions receivable, net	$	766,691

Grants receivable are summarized as follows as of December 31, 2016:

Restricted for future periods	$	662,664
Less discount for present value of 1.8%		(33,692)
Grants receivable, net	$	628,972
Amounts due in:		
Less than one year	$	212,444
One to five years		416,528
Grants receivable, net	$	628,972

4. Property and Equipment:

Property and equipment, net of depreciation, as of December 31, 2016 is as follows:

Land improvements	$ 4,173,316
Buildings	1,254,183
Furniture and equipment	1,001,159
Vehicles	55,785
	6,484,443
Less accumulated depreciation	4,385,887
Property and equipment, net	$ 2,098,556

Depreciation expense totaled $282,649 during 2016.

5. Line of Credit:

The Organization has a line of credit with a bank for maximum borrowings of $60,000 with interest due monthly at 5.25% until its maturity in March 2018. As of December 31, 2016, there was no outstanding balance.

6. Leases:

City of Richmond: The Organization leases land from the City of Richmond (the "City"). During 2016, the Organization executed a five year extension for the leased property through April 30, 2023 with the option to extend for two additional five year periods. The lease is conditional upon the Organization maintaining the property as a golf course and practice range. If the lease is not extended through April 30, 2033, then the City is required to compensate the Organization for the cost of certain 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 and various equipment. Rental expense from operating leases was $71,055 for 2016.

Minimum future payments under noncancellable operating leases at December 31, 2016 were as follows:

	Properties	Equipment	Total
2017	$ 37,353	$ 25,074	$ 62,427
2018	38,449	25,074	63,523
2019	38,779	25,074	63,853
2020	39,942	25,074	65,016
2021	-	8,358	8,358
Thereafter	-	-	-
	$ 154,523	$ 108,654	$ 263,177

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. In 2016, the Organization entered into a capital lease agreement for golf course equipment. This lease expires in 2021 and contains a bargain purchase option for $1 at the end of the lease term.

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

Year	Amount
2017	$ 10,143
2018	8,949
2019	8,949
2020	8,949
2021	5,220
Total minimum lease payments	42,210
Less: amount representing interest	(4,433)
Present value of net minimum lease payments	$ 37,777

The cost of equipment under capital leases, amounted to $108,211 and accumulated depreciation in the amount of $70,356 at December 31, 2016.

7. Retirement Plan Contributions:

The Organization has a defined contribution retirement plan which covers all employees who meet eligibility requirements. The plan enables participants to make contributions, and the Organization may make discretionary contributions. The Organization contributed $33,216 to the plan for 2016.

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 Events:

On January 26, 2017, Richmond First Tee entered into a contract for work related to a capital project. On March 30, 2017, the Organization entered into a contract for a continuation of an additional capital project. The contract sums are $559,667 and $151,887, respectively, and are subject to additions and deductions and are due upon completion of various stages of the project. As of June 1, 2017, the date the financial statements were available to date, no billings have been received related to work on either contract. Management has evaluated subsequent events through June 1, 2017, and has determined there are no additional subsequent events to be reported in the accompanying financial statements.

10. Accounting Standards Updates:

Revenue Recognition: In May 2014, the FASB issued new guidance over revenue recognition which eliminates all transaction and industry-specific accounting principles and replaces them with a unified, five step approach. The new standard will be effective for periods beginning after December 15, 2018, and will permit the use of either the retrospective reporting for previous periods or the cumulative effect transition method. Richmond First Tee is currently evaluating the reporting and economic implications of the new standard.

10. Accounting Standards Updates, Continued:

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. The new standard will be effective for periods beginning after December 15, 2019, and will require entities to use a modified retrospective approach to the earliest period presented. Richmond First Tee is currently evaluating the reporting and economic implications of the new standard.

Financial Reporting: In August 2016, the FASB issued new accounting guidance, which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds

- Requires all not-for-profits to provide expenses by nature and function

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.