



Financial Statements

December 31, 2020 and 2019



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# RICHMOND FIRST TEE

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of Richmond First Tee  
Richmond, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Richmond First Tee (the “Organization”), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 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 express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 judgement, 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.

## 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

June 9, 2021  
Glen Allen, Virginia

**RICHMOND FIRST TEE**

Statements of Financial Position  
December 31, 2020 and 2019

	<u>Assets</u>	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,285,334	\$ 810,749
Pledges receivable	323,002	308,944
Inventory	34,883	15,574
Total current assets	1,643,219	1,135,267
Pledges receivable - long term, net	549,145	243,179
Property and equipment, net	7,687,525	2,485,050
Total assets	\$ 9,879,889	\$ 3,863,496
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Capital lease obligations, current maturities	\$ 60,769	\$ 62,872
Accounts payable and accrued expenses	349,103	34,240
Payroll liabilities	58,571	68,664
Unearned revenue	5,028	12,355
Total current liabilities	473,471	178,131
Capital lease obligations, less current maturities	128,600	188,358
Total liabilities	602,071	366,489
Net assets:		
Net assets without donor restrictions	2,859,829	2,461,626
Net assets with donor restrictions	6,417,989	1,035,381
Total net assets	9,277,818	3,497,007
Total liabilities and net assets	\$ 9,879,889	\$ 3,863,496

See accompanying notes to financial statements.

## RICHMOND FIRST TEE

### Statement of Activities Year Ended December 31, 2020 with Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
	Revenue and support:			
General contributions	\$ 617,114	\$ 6,104,400	\$ 6,721,514	\$ 1,100,325
Grants	20,000	100,000	120,000	87,500
Paycheck Protection Program grant (see Note 7)	197,400	-	197,400	-
Program revenue:				
Green fees	381,488	-	381,488	326,264
Golf tournaments	229,319	-	229,319	240,751
Driving range	261,256	-	261,256	225,419
Pro shop	119,244	-	119,244	107,596
Cart rental	91,829	-	91,829	90,292
Certification programs	65,495	-	65,495	83,123
Miscellaneous income	17,146	-	17,146	29,850
Total revenue and support	<u>2,000,291</u>	<u>6,204,400</u>	<u>8,204,691</u>	<u>2,291,120</u>
Net assets released from restriction	<u>821,792</u>	<u>(821,792)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	1,792,539	-	1,792,539	1,658,502
Management and general	491,786	-	491,786	385,601
Fundraising	139,555	-	139,555	125,781
Total expenses	<u>2,423,880</u>	<u>-</u>	<u>2,423,880</u>	<u>2,169,884</u>
Change in net assets	398,203	5,382,608	5,780,811	121,236
Net assets, beginning of year	<u>2,461,626</u>	<u>1,035,381</u>	<u>3,497,007</u>	<u>3,375,771</u>
Net assets, end of year	<u>\$ 2,859,829</u>	<u>\$ 6,417,989</u>	<u>\$ 9,277,818</u>	<u>\$ 3,497,007</u>

See accompanying notes to financial statements.

**RICHMOND FIRST TEE**

Statement of Activities  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
General contributions	\$ 553,625	\$ 546,700	\$ 1,100,325
Grants	87,500	-	87,500
Program revenue:			
Green fees	326,264	-	326,264
Golf tournaments	240,751	-	240,751
Driving range	225,419	-	225,419
Pro shop	107,596	-	107,596
Cart rental	90,292	-	90,292
Certification programs	83,123	-	83,123
Miscellaneous income	29,850	-	29,850
Total revenue and support	1,744,420	546,700	2,291,120
Net assets released from restriction	351,933	(351,933)	-
Expenses:			
Program services	1,658,502	-	1,658,502
Management and general	385,601	-	385,601
Fundraising	125,781	-	125,781
Total expenses	2,169,884	-	2,169,884
Change in net assets	(73,531)	194,767	121,236
Net assets, beginning of year	2,535,157	840,614	3,375,771
Net assets, end of year	\$ 2,461,626	\$ 1,035,381	\$ 3,497,007

See accompanying notes to financial statements.

## RICHMOND FIRST TEE

### Statement of Functional Expenses Year Ended December 31, 2020 with Comparative Totals for 2019

	2020			2019	
	Program Services	Supporting Services		Total Expenses	Total Expenses
		Management and General	Fundraising		
Advertising and marketing	\$ -	\$ -	\$ 37,485	\$ 37,485	\$ 29,188
Bank service fees	26,005	4,910	-	30,915	27,216
Cart lease	25,303	-	-	25,303	31,195
Educational programming	18,906	-	-	18,906	32,742
Golf course maintenance	257,749	-	-	257,749	185,694
Insurance	48,243	60,209	685	109,137	73,346
Interest expense	12,806	-	-	12,806	9,169
Miscellaneous	-	523	-	523	2,439
Office rent	-	39,942	-	39,942	41,544
Professional fees	-	71,642	-	71,642	57,786
Pro shop purchases	120,957	-	-	120,957	85,210
Salaries, wages, taxes and benefits	956,550	228,095	74,458	1,259,103	1,048,720
Supplies	4,245	6,193	-	10,438	20,636
Tournaments	-	-	26,927	26,927	32,504
Travel	16,322	1,026	-	17,348	12,129
Utilities	102,575	7,219	-	109,794	118,470
Total expenses before depreciation	1,589,661	419,759	139,555	2,148,975	1,807,988
Depreciation of property and equipment	202,878	72,027	-	274,905	361,896
Total expenses	<u>\$ 1,792,539</u>	<u>\$ 491,786</u>	<u>\$ 139,555</u>	<u>\$ 2,423,880</u>	<u>\$ 2,169,884</u>

See accompanying notes to financial statements.



## RICHMOND FIRST TEE

### Statement of Functional Expenses Year Ended December 31, 2019

	<u>Supporting Services</u>			Total Expenses
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Advertising and marketing	\$ -	\$ -	\$ 29,188	\$ 29,188
Bank service fees	22,559	4,657	-	27,216
Cart lease	31,195	-	-	31,195
Educational programming	32,742	-	-	32,742
Golf course maintenance	185,694	-	-	185,694
Insurance	35,448	36,869	1,029	73,346
Interest expense	9,169	-	-	9,169
Miscellaneous	-	2,439	-	2,439
Office rent	-	41,544	-	41,544
Professional fees	-	57,786	-	57,786
Pro shop purchases	85,210	-	-	85,210
Salaries, wages and benefits	815,691	169,969	63,060	1,048,720
Supplies	17,290	3,346	-	20,636
Tournaments	-	-	32,504	32,504
Travel	9,041	3,088	-	12,129
Utilities	113,611	4,859	-	118,470
Total expenses before depreciation	1,357,650	324,557	125,781	1,807,988
Depreciation of property and equipment	300,852	61,044	-	361,896
Total expenses	<u>\$ 1,658,502</u>	<u>\$ 385,601</u>	<u>\$ 125,781</u>	<u>\$ 2,169,884</u>

See accompanying notes to financial statements.

## RICHMOND FIRST TEE

### Statements of Cash Flows Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,780,811	\$ 121,236
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	274,905	361,896
Paycheck Protection Program grant	(197,400)	-
Change in assets and liabilities:		
Pledges receivable, net	(320,024)	253,833
Inventory	(19,309)	(3,753)
Other asset	-	167
Accounts payable and accrued liabilities	314,863	14,059
Payroll liabilities	(10,093)	13,802
Unearned revenue	<u>(7,327)</u>	<u>11,647</u>
Net cash provided by operating activities	<u>5,816,426</u>	<u>772,887</u>
Cash flows used in investing activities:		
Purchases of property and equipment	<u>(5,477,380)</u>	<u>(78,441)</u>
Cash flows provided by financing activities:		
Payments on capital lease obligations	(61,861)	(45,659)
Proceeds from Paycheck Protection Program Loan	<u>197,400</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>135,539</u>	<u>(45,659)</u>
Net increase in cash	474,585	648,787
Cash and cash equivalents, beginning of year	<u>810,749</u>	<u>161,962</u>
Cash and cash equivalents, end of year	<u>\$ 1,285,334</u>	<u>\$ 810,749</u>
Supplemental information:		
Cash paid for interest	<u>\$ 12,806</u>	<u>\$ 9,169</u>
Property and equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 198,387</u>

See accompanying notes to financial statements.

# RICHMOND FIRST TEE

## 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, County of Henrico 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. Richmond First Tee serves a unique role in the community; it is a golf organization that serves thousands of patrons annually, promotes sport and sportsmanship throughout the region, and is a leader in advancing the game of golf. However, the Organization’s primary business is developing all young people to reach their full potential. Each dollar spent at facilities directly impacts the mission of the Organization and ensures ongoing programs for youth.

### 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 includes use of 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.

**Cash and Cash Equivalents:** For purposes of the statements 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.

**Pledges Receivable:** Contributions pledged are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization’s management evaluates each of its promises to give and accounts receivable 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, 2020 and 2019.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Pledges Receivable, Continued:** Pledges receivable that are due in the next year are recorded at their net realizable value. Pledges receivable that are due in subsequent years are reported at the estimated present value using a risk free rate.

**Inventory:** Inventory is stated at the lower of cost or net realizable value, 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 3 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 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, 2020 and 2019.

**Paycheck Protection Program Loan:** The Organization's policy is to account for Paycheck Protection Program Loans (see Note 7) as debt until either (1) the loan is partially or entirely forgiven and the debt has been legally released, at which point the amount forgiven would be recorded into income as Paycheck Protection Program grant, or (2) the Organization pays off the loan.

**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.

The Organization recognizes program revenue under Topic 606 at a point in time when services are utilized at the courses, merchandise is purchased or tournaments occur. Economic factors may impact the nature, amount and timing of revenue recognition. Deferred revenues relate to tournament prepayments and gift cards and approximate contract liabilities as of December 31, 2020 and 2019 on the statements of financial position.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Net Assets:** The Organization classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions include funds that have no donor-imposed restrictions on the Organization as to their use, purpose, or timing. The funds are currently available, at the discretion of the Board of Directors, for use in the Organization's operations. There were no Board designated net assets as of December 31, 2020 and 2019.

Net assets with donor restrictions include funds that are limited by donor or grant-imposed time and/or purpose restrictions. When a restriction expires, the assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Advertising:** The Organization charges the cost of advertising to expense as incurred. The Organization incurred \$30,201 and \$17,270 in advertising expenses in 2020 and 2019.

**Functional Allocation of Expenses:** The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated across programs and other supporting services based on time and effort incurred.

**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.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**In-Kind Contributions:** The Organization receives non-monetary contributions in the course of conducting its programs, including volunteer services. There were no 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. Therefore, no in-kind contributions are recorded on the accompanying statements of activities for the years ending December 31, 2020 and 2019.

**Concentrations and Credit Risk:** Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Organization places its cash and cash equivalents with two financial institutions. 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, 2020, three contributors accounted for 66% of pledges receivable, net. During 2020, two contributors accounted for 78% of contribution revenue. At December 31, 2019, three contributors accounted for 78% of pledges receivable, net. During 2019, two contributors accounted for 44% of contribution revenue. At December 31, 2020 and 2019, two contributors accounted for 100% of grant revenue.

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

#### 3. Pledges Receivable:

Pledges receivable are summarized as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for future periods	\$ 887,446	\$ 569,532
Less discount for present value of 0.6% for 2020 and 2.0% for 2019	<u>(15,299)</u>	<u>(17,409)</u>
Pledges receivable, net	<u>\$ 872,147</u>	<u>\$ 552,123</u>
Amounts due in:		
Less than one year	\$ 323,002	\$ 308,944
One to five years	<u>549,145</u>	<u>243,179</u>
Pledges receivable, net	<u>\$ 872,147</u>	<u>\$ 552,123</u>

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 4. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or when restricted by a donor for a time or purpose.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,285,334	\$ 810,749
Pledges receivable, current	<u>323,002</u>	<u>308,944</u>
Total financial assets	1,608,336	1,119,693
Less those unavailable for general expenditure within one year due to:		
Cash and pledges receivable designated for the Belmont golf course, not yet used or received	943,614	-
Donor imposed restrictions on funds to only be used for specific purposes or programs	<u>130,000</u>	<u>673,258</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 534,722</u>	<u>\$ 446,435</u>

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due. The Organization also has a line of credit, which could be drawn upon in the event of an unanticipated liquidity need (see Note 6).

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 5. Property and Equipment:

Property and equipment, net of depreciation, as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land improvements	\$ 4,407,150	\$ 4,407,150
Buildings	2,541,474	1,897,658
Furniture and equipment	1,499,639	1,476,627
Vehicles	55,785	55,785
Construction in progress	<u>4,852,540</u>	<u>41,988</u>
	13,356,588	7,879,208
Less accumulated depreciation	<u>5,669,063</u>	<u>5,394,158</u>
Property and equipment, net	<u>\$ 7,687,525</u>	<u>\$ 2,485,050</u>

Construction in progress as of December 31, 2020 consists of renovation costs for one facility that is expected to be completed during 2021. Construction in progress as of December 31, 2019 consists of renovation costs related to one facility, completed during 2020. Depreciation of the assets begins when the projects are completed and placed in service. Depreciation expense totaled \$274,905 and \$361,896 during 2020 and 2019. Under FASB guidance, contributions with donor restrictions related to construction in progress are held in net assets with restrictions until placed in service.

#### 6. Line of Credit:

The Organization had a line of credit with a bank for maximum borrowings of \$100,000 with interest due monthly at the prime rate plus 0.25% until its maturity in February 2020. The Organization renewed the line of credit during 2020 for maximum borrowings of \$100,000 with interest due monthly at the prime rate plus 0.25% until its maturity in May 2021. (3.50% and 5.00% at December 31, 2020 and 2019, respectively.) As of December 31, 2020 and 2019, there was no outstanding balance. The line of credit is secured by all the Organization's assets.

The Organization has an ongoing line of credit with a second bank for maximum borrowings of \$60,000 with interest due monthly at 5.25% and 7.00% at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, there was no outstanding balance on this line of credit.



## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 7. Paycheck Protection Program:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 7, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for certain qualifying costs defined in the CARES Act.

The Organization applied for and was approved for a PPP Loan in the amount of \$197,400. The Loan was funded on April 13, 2020, with an interest rate of 1.0%. The Organization is eligible for forgiveness of up to 100% the loan upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government. As the Organization used the loan proceeds for qualifying costs during 2020, the Organization applied for and was approved for loan forgiveness as of December 7, 2020. The forgiveness of the full loan is recognized as Paycheck Protection Program grant on the accompanying statements of activities.

#### 8. Donor Restricted Net Assets:

Net assets with donor restrictions consisted of the following at December 31:

	2020	2019
Belmont golf course renovation and operations, including \$408,558 of pledges receivable as of December 31, 2020	\$ 5,854,400	\$ -
Chesterfield golf course renovation, completed in 2020	-	638,258
New administrative space in 2021	100,000	-
Designated event, program or position	250,000	35,000
Time restrictions - no restricted purpose	213,589	362,123
Total net assets with donor or time restrictions	\$ 6,417,989	\$ 1,035,381

Net assets were released during 2020 and 2019 due to the following:

	2020	2019
Completion of Chesterfield facility renovation	\$ 638,258	\$ -
Expenditures for designated event, program or position	35,000	25,000
Receipt of pledge payments, fulfilling time restriction	148,534	326,933
	\$ 821,792	\$ 351,933

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 9. Memorandum of Understanding:

The Organization has a Memorandum of Understanding through April 23, 2023, with an option to extend the agreement through April 30, 2033, with Virginia Commonwealth University (“VCU”) in which VCU will reimburse the Organization twice a year for 50% of actual, documented maintenance and utility costs related to turf maintenance for the Richmond location in exchange for use of a portion of the land leased from the City of Richmond (see Note 11). In addition, VCU will bear up to \$435,959 in improvement costs on the courses and practice facilities located on the land. The Organization received \$110,464 and \$96,501 in maintenance cost reimbursements during 2020 and 2019, respectively, which is included in general contributions on the statements of activities.

#### 10. Commitments and Contingencies:

As part of the renovations at the County of Henrico facility, the Organization entered into multiple contracts for construction, design, and other renovation services during 2020. As of December 31, 2020, the Organization had approximately \$300,000 in commitments outstanding. Subsequent to December 31, 2020 and prior to issuance of the financial statements, the renovations were substantially complete and all commitments related to these contracts were fulfilled.

#### 11. Leases:

**County of Henrico:** The Organization leases the Belmont Golf Course (the “Facility”) from the County of Henrico (“Henrico”) based on an agreement signed in January 2020. The agreement’s term is for 20 years with five-year optional extensions. The lease is conditional upon the Organization maintaining the Facility. If the lease is terminated by Henrico for any reason other than the Organization’s failure to comply with the terms of the agreement, then Henrico is required to compensate the Organization for the costs of certain improvements paid for by the Organization on a pro-rata basis. The Organization and Henrico 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.

**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.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 11. Leases, Continued:

**County of Chesterfield:** The Organization leases land from the County of Chesterfield (“Chesterfield”) based on an agreement signed in 1998. The agreement’s term is for 20 years with two ten-year optional extensions. The agreement was extended in April 2018 for the first ten-year extension, expiring on June 1, 2028. 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 Chesterfield. The Organization and Chesterfield 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 and various equipment. Rental expense for operating leases was \$65,245 and \$70,141 for 2020 and 2019, respectively. Minimum future payments under noncancellable operating leases at December 31, 2020 were as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 40,213
2022	40,213
2023	40,213
2024	40,213
2025	<u>3,012</u>
	<u>\$ 163,864</u>

In 2016, 2017, and 2019, the Organization entered into a total of six capital lease agreements for golf course equipment. The leases expire in 2021, 2022, 2023 and 2024 and contain a bargain purchase option for \$1 at the end of the lease terms. In 2019, the Organization entered into a capital lease agreement to finance the purchase of a water pump through 2026. The Organization did not enter into any new capital lease agreements in 2020.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 11. Leases, Continued:

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

<u>Year</u>	<u>Amount</u>
2021	\$ 65,415
2022	53,597
2023	40,402
2024	17,796
Thereafter	<u>32,174</u>
Total minimum lease payments	209,384
Less: amount representing interest	<u>(20,015)</u>
Present value of net minimum lease payments	<u>\$ 189,369</u>

The cost of equipment under capital leases, amounts to \$341,576 with accumulated depreciation of \$162,283 and \$96,926 as of December 31, 2020 and 2019, respectively.

#### 12. 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 \$37,143 and \$32,202 to the plan for 2020 and 2019.

#### 13. 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 the City, Chesterfield and Henrico 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, Chesterfield's or Henrico's willful or negligent acts or omissions. The Organization's insurance policies serve to limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

## RICHMOND FIRST TEE

### Notes to Financial Statements, Continued

#### 14. Accounting Standards Update:

**Contributed Services:** In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented. Richmond First Tee is currently evaluating the reporting and economic implications of the new standard.

**Leases:** In February 2016, the FASB issued new guidance over leases (ASU 2014-09) 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 statements of activities. 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 statements of activities. The new standard will be effective for periods beginning after December 15, 2021 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.

#### 15. Subsequent Events: Management has evaluated subsequent events through June 9, 2021, the date the financial statements were available to be issued and other than as disclosed below and in Note 10, has determined that there are no subsequent events to be reported in the accompanying financial statements.

In 2021, the Organization applied and was granted a second-round PPP Loan, funded on February 3, 2021 in the amount of \$240,000. The PPP Loan accrues interest at 1.0% until its maturity in February 2026. The Organization is eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements. There are no interest or principal payments due until the Small Business Administration remits the loan forgiveness amount to the lender or notifies the lender that no forgiveness is allowed, or in the case that the Organization does not submit a loan forgiveness application, payments will begin the month following the expiration of the loan forgiveness application submission period. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.