

Finance Sub-Committee for the Establishment of Financial Guidelines

Chuck Wilkinson (Chairman), Barbara Nist and Jim Reiman. Assisting the sub-committee in an advisory capacity were: Glenn Smith (ACBL President), Bob Lix (Finance Committee Chairman & ACBL Treasurer), David Silber, Jack Zdancewicz, Cherie Turman and Jim Miller.

Overview

During the 2000 Spring Board Meeting in Cincinnati, the Board of Directors asked the Finance Committee to prepare recommendations for establishing financial (operating) guidelines for the League. Currently, the League operates with partial guidelines related to direct costing of Regional and Sectional tournaments and NABCs. The following lists the specific guidelines to be used for all areas of ACBL operations. See attached information from the Cincinnati journal for further explanation of the various category decisions and makeup.

Financial Categories:

Mission Activities

- Membership Activities
 - Membership Dues
 - Publications
 - Club Activities (includes Special Games)
- Tournament Activities
 - Regional Games
 - Sectional Games
 - NABCs
- Product Sales
- Potential Member Marketing
- Governance
- Interest Income

Non-Mission Activities

- Real Estate Activities
- All other income

Basic Assumptions

- A. All financial guidelines will be expressed on a “fully-allocated” cost basis. ACBL currently has about \$8.7 Million of annual expense not included in direct expense. When financial guidelines are set that omit these costs, we can easily mislead ourselves on how an activity is really doing. Costs that are not direct must be absorbed somewhere.
- B. Sub-committee recommends that ACBL operate on a break-even basis for Mission Activities, seek to achieve a break-even for Real Estate operations and operate the remaining non-mission activities on a profitable basis.

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Publications

The committee decided that the advertising revenue generated by our magazines should be used to offset the costs of production & distribution (and not as a non-mission activity). Publications will be included within Membership Activities for profit guidelines purposes.

Club Activities

The committee decided that Club Activities and Special Games should be included within the Membership Activities group for purposes of establishing financial guidelines.

Tournament Activities

Based on established guidelines, Regional and Sectional tournaments are currently meant to break-even on a “direct-allocation” basis only. NABC tournaments are currently evaluated on a “direct-allocation” basis with a minimum required profit of \$450,000 accumulated every two years.

The sub-committee recommends that the Board switches to a “fully-allocated” basis and targets that each of the three tournament categories operates on a break-even basis. Philosophically it was unable to see why tournaments should not be targeted to be breakeven activities. Practically, however, it recognizes that it will be a challenge to get there and therefore recommends that the goal be to achieve this over five years. This will need to be accomplished by either increasing revenues (by more than inflation in costs), reducing expenses or some combination of the two. Break-even results could be achieved in five years if revenues were increased or costs reduced by an average of 2.8% per year. This is over and above the need to cover cost inflation.

Product Sales

The committee recommends that the sale of basic bridge supplies should be operated on a break-even basis while sale of discretionary merchandise (jewelry, clothes and accessories) should be operated on a profitable basis. The net result would be a small profit overall.

Potential Member Marketing

The committee recommends that the annual budget for potential member marketing should be based upon the 12.5% of total budgeted expenses in 2000. This figure should increase by 0.5% in each year until 2005, when the total expenses equal 15.0% of total budgeted expenses.

Governance

The committee decided that the budgeted expense for the Governance category shall not exceed 3.0% of expense (2000 budget adjusted for only one WBF meeting would be 2.8%). This 3% ceiling should be adjusted upward to reflect whatever decision is reached on the motion regarding WBF dues.

Summary

The above guidelines can be used to set interim action points for each of the various “lines of business.” That will allow a more disciplined approach to our budgeting

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process, to prioritizing revenue increases / cost reductions at the individual line of business level and thus, at the ACBL bottom line.