

**American Contract Bridge League, Inc.**  
**Results of Operations**  
For the years ended December 31, 2004 and 2003

The ACBL reported an excess of expenses over revenues of \$65,000 for the year ended December 31, 2004. This is an \$162,000 improvement over the \$227,000 excess of expenses over revenues that was reported for the year ended December 31, 2003. The comparisons of revenues and expenses for the two years:

<u>(000's Omitted)</u>	<u>2004</u>	<u>2003</u>	<u>Fav / (Unfav)</u> <u>Change</u>	<u>Fav / (Unfav)</u> <u>%</u>
Revenues	\$ 9,353	\$ 8,908	\$ 445	5.0 %
Expenses	9,418	9,135	(283)	(3.1)
Excess Revenue/(Exp)	<u>\$ (65)</u>	<u>\$ (227)</u>	<u>\$ 162</u>	<u>71.4 %</u>

**OPERATING REVENUES**

Income recognized on **Membership Dues** of \$4,060,000 was \$76,000 higher than 2003's \$3,983,000 as the number of dues/fee paying members has increased by approximately 1,000 members from the 2002 low as a result of stronger retention percentages over that same period. The membership figures for the last five years:

<u>Members in 000's</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Life Masters	46.0	45.4	44.7	44.2	43.6
Non-Life Masters	104.4	104.6	104.7	107.7	109.1
Paying Members	150.4	150.0	149.4	151.9	152.7
Unpaid Life Masters	18.0	17.2	16.6	16.0	15.3
Total Members	<u>168.4</u>	<u>167.2</u>	<u>166.0</u>	<u>167.9</u>	<u>168.0</u>
Percentage Change	0.7%	0.7%	-1.2%	-0.1%	1.0%

**Sanction fees** decreased \$41,000 from 2003 levels as a result of lower activity at the club level while sanction fee income from tournaments reflected higher attendance and higher revenues.

<u>Amounts in 000's</u>	<u>Tables Played</u>		<u>Sanction Fees</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Annual Club Sanction Fees #	-	-	\$ 95	\$ 99
Rating Point Games *	1,725.3	1,722.7	1,741	1,811
Locally Rated Games #	-	-	49	61
Club Level Games	<u>1,725.3</u>	<u>1,722.7</u>	<u>\$ 1,884</u>	<u>\$ 1,970</u>
Regional Games	172.7	160.3	782	734
Sectional Games	153.2	156.4	484	495
STaCs	94.6	91.3	233	225
Tournament Games	<u>420.5</u>	<u>408.0</u>	<u>\$ 1,499</u>	<u>\$ 1,454</u>
All Games	<u>2,145.8</u>	<u>2,130.7</u>	<u>\$ 3,383</u>	<u>\$ 3,424</u>
Percentage Change	0.7%		-1.2%	

\* Tables played reports typically lag by 6-8 weeks. These results are through October.

# Tables played statistic not available.

The three **North American Bridge Championships** combined to produce \$921,000 in profits in 2004, \$482,000 more than the \$439,000 profit reported for the 2003 events. 2004 attendance of 42,881 tables was 7,380 tables (20.8%) greater than the 2003 attendance of 35,501 tables and was the major factor in the positive profit comparison for all three events this year.

	Location		Tables		Profits - 000s	
	2004	2003	2004	2003	2004	2003
Spring	Reno	Philadelphia	14,888	10,852	\$ 378.7	\$ 136.7
Summer	New York	Long Beach	13,351	12,247	192.8	84.8
Fall	Orlando	New Orleans	14,642	12,402	343.5	205.3
Prior Yrs	-	-	-	-	6.2	12.2
Totals			42,881	35,501	\$ 921.3	\$ 439.0
Percentage Change			20.8%		109.8%	

The large increase in table attendance (+37%) at the Spring 2004 event in Reno was responsible for a \$261,000 increase in revenues with only a slight increase in expenses (\$19,000). New York's higher table count (+9 %) resulted in \$108,000 in increased revenues over the 2003 event in Long Beach with the same operating expenses. Finally, Orlando benefited from an 18% increase in table count to generate \$203,000 greater revenue than New Orleans while holding cost increases to \$65,000 (15%).

**Special Event games** combined for a total profit of \$95,000 in 2004, which was \$19,000 greater than the \$76,000 profit seen in 2003. The North American Pairs event accounted for \$18,000 of that improvement as the cost of the travel/lodging awards to Reno, NV were less than the comparable costs to Philadelphia, PA in 2003. All other special games experienced profit levels that were virtually the same as the previous year.

The net profit realized from our **Product Sales** area was \$520,000, or \$83,000 less than the \$604,000 profit achieved in 2003. Gross sales fell by \$189,000 as the traditional holiday selling season was not as robust as normal.

**Investment Income** of \$190,000 was \$45,000 less than last year's \$235,000 due to lower interest rates (\$35,000) and a negative market value adjustment (\$10,000) on our investments. Rental income in 2004 held constant at \$116,000 as there were no changes in our leasing activities.

The category, "**All other revenues**" was \$36,000 higher in 2004 as a result of increased management fees received from affiliated organizations. This is the first year that ACBL was able to charge the entities based upon actual billable hours and not a flat-rate monthly fee.

## OPERATING EXPENSES

Headquarters' staff **Salaries** increased \$81,000 in 2004 as a result of normal salary increases (\$110,000) offset by several positions which remaining unfilled for portions of the year.

Net **BULLETIN** costs decreased by \$61,000 from \$777,000 in 2003 to \$716,000 in 2004 as costs associated with the production of the larger standard size magazine fell by \$44,000. Although advertising revenue remained flat compared to 2003, net advertising revenue increased by \$17,000 as a result of lower discounts being offered to commercial advertisers.

A change in the School Bridge Lesson series was primarily responsible for the \$74,000 in increased expenses seen in the **Education** category. Increases in classes taught and higher fees paid to qualified teachers resulted in a \$38,000 increase in program costs, while lower funding from the ACBL Educational Foundation increased the ACBL's out-of-pocket an additional \$30,000.

Gross **Tournament Director** expenses increased by \$115,000 in 2004 as compared to 2003, however, gross receipts from session fees increased by \$209,000, resulting in a net increase in the category's profit of \$94,000 over the previous year. These figures do not include any TD benefits or overhead charges.

Reduced operating expenses at the Airways headquarters resulted in lower **Building & Grounds Expenses** of \$49,000. The 2004 operating year experienced lower HVAC maintenance charges (\$20,000) as a result of the efficiencies associated with the new chiller units which were installed in January. The 2003 expenses included one-time expenses related to mold clean-up in the HQ building (\$22,000).

Continued emphasis in the **Marketing & Public Relations** area resulted in an \$131,000 increase over 2003's level of \$563,000. Significant increases were seen in public relations (\$24,000), club directors' dinners (\$12,000), patron member program (\$14,000), exhibit activities (\$10,000), surveys (\$13,000), cooperative advertising (\$17,000), unit cooperative rebates (\$29,000) and Educational activities (\$30,000).

The total cost for **Employee Benefits & Payroll Taxes** increased \$124,000 from \$1,712,000 to \$1,836,000 as a result of increased health care (\$71,000), pension (\$33,000) and post retirement health care costs (\$18,000).

**Depreciation & Amortization expense** dropped from \$428,000 in 2003 to \$363,000 in 2004 for a \$65,000 improvement as more expenses were shifted to the second half of 2004 versus the previous year. In addition, the ACBL purchased new chillers (\$100,000) that are depreciated over a seven-year life as opposed to the majority of capital expenditures which are depreciated over 3-year lives.

A continuation of the poor liability market resulted in higher premium costs on **General Insurance expense**. The total expense for 2004 of \$273,000 was \$36,000 higher than 2003's \$237,000.

**Banking fees** of \$90,000 reflect a \$30,000 increase over 2003's \$60,000 level as credit card usage has increased significantly with on-line club reporting and membership renewals being the primary areas. In addition, bank processing fees are higher due to the increased number of transactions related to the various subsidy programs currently offered by the League.

**Internet/ ACBL Online** costs increased \$44,000 from \$4,000 last year to \$48,000 this year, primarily as result of the ACBL winding down its partnership position in the e-bridge on-line games.

**BUDGET COMPARISONS:**

<u>(000's Omitted)</u>	<u>2004 Actual</u>	<u>2003 Budget</u>	<u>Fav / (Unfav) Change</u>	<u>Fav / (Unfav) %</u>
Revenues	\$ 9,353	\$ 9,550	\$ (197)	(2.1) %
Expenses	\$ 9,418	9,522	104	1.1
Excess Revenues	<u>\$ (65)</u>	<u>\$ 28</u>	<u>\$ (93)</u>	<u>(332.1) %</u>

Significant positive revenue comparison was seen in the combined profits for the three NABCs (\$167,000) while major negative revenue comparisons to budget included Product Sales (-\$163,000) and Investment and Rental Income (-\$208,000).

Major favorable expense comparisons to budget include: Tournament Directors (-\$126,000), Marketing & PR (-\$220,000) and Depreciation & Amortization (-\$67,000). Significant unfavorable expense comparisons include: Employee Benefits & Payroll Taxes (\$85,000), President & Board of Directors (\$56,000), Audit, Consulting & Legal Expenses (\$77,000) and Internet/Online Activities (\$69,000).

**FINANCIAL POSITION HIGHLIGHTS:**

<u>(Dollars in Thousands)</u>	<u>Asset Balances as of December 31st</u>		<u>Change</u>
	<u>2004</u>	<u>2003</u>	
Cash Reserves	\$ 6,533	\$ 6,179	\$ 5.7%
Current Assets	3,725	3,753	-0.7%
Current Liabilities	2,612	2,510	4.1%
Net Assets *	7,350	7,159	2.7%
Current Ratio	1.43 times	1.50 times	-0.07 times

\* As reflected in the 2004 Audited Financial Statements. Figures are different from internal reports due to the inclusion of FAS 116 accounting adjustments for member dues restrictions. The above net assets include a positive \$256,000 adjustment in 2004 and an negative \$17,000 in 2003.

**AMERICAN CONTRACT BRIDGE LEAGUE, INC.**

Statement of Revenues and Expenses

For the Twelve Months ending December 31, 2004 and 2003

Amounts in Thousands of Dollars

<b>REVENUES</b>	<b>2004 Actual</b>	<b>2003 Actual</b>	<b>2004 vs 2003</b>	<b>2004 Budget</b>	<b>2004 vs Budget</b>
Membership Dues	4,060	3,983	76	4,050	9
Sanction Fees	3,383	3,424	(41)	3,390	(6)
North American Championships					
Spring	379	137	242	323	56
Summer	193	85	108	118	74
Fall	344	205	138	313	31
Prior Years	6	12	(6)	0	6
Special Events					
World Wide Pairs	13	14	(1)	11	2
Instant Match Pt	23	23	(1)	20	3
N.A. Pairs	41	23	18	52	(11)
Grand National Teams	15	14	1	12	3
Seniors	3	3	1	4	(0)
N.A. 49ers	(0)	(1)	1	(1)	0
Product Sales	520	604	(83)	684	(163)
Investment & Rental	190	235	(45)	398	(208)
All other revenues	183	147	36	177	6
<b>TOTAL REVENUES</b>	<b>9,353</b>	<b>8,908</b>	<b>444</b>	<b>9,550</b>	<b>(198)</b>

<b>EXPENSES</b>	<b>2004 Actual</b>	<b>2003 Actual</b>	<b>2004 vs 2003</b>	<b>2004 Budget</b>	<b>2004 vs Budget</b>
Salaries	3,753	3,673	81	3,728	25
BULLETIN	716	777	(61)	714	1
Education	145	70	74	114	30
Tournament Directors	(235)	(141)	(94)	(109)	(126)
Postage & Supplies	303	284	19	299	4
Member Billing	64	73	(9)	85	(21)
Travel - Staff (excludes Board Mtgs)	53	38	15	68	(15)
Buildings & Grounds	311	359	(49)	330	(19)
Marketing & Public Relations	694	563	131	914	(220)
Employee Benefits & Payroll Taxes	1,836	1,712	124	1,751	85
President & Board of Directors	357	345	12	301	56
Computer Scoring	15	15	(0)	17	(2)
Audit, Consulting & Legal	194	201	(7)	117	77
Uncollectable A/R	1	1	(0)	1	(0)
Depreciation & Amortization	363	428	(65)	430	(67)
General Insurance	273	237	36	265	8
Real Estate Taxes	49	52	(3)	52	(3)
Banking Fees	90	60	30	65	25
Telephone & Utilities	151	134	17	162	(11)
Internet / ACBL Online Activities	48	4	44	(21)	69
All other expenses	239	251	(12)	239	(1)
<b>TOTAL EXPENSES</b>	<b>9,418</b>	<b>9,135</b>	<b>282</b>	<b>9,522</b>	<b>(104)</b>
<b>EXCESS REVENUE / (EXPENSE)</b>	<b>(65)</b>	<b>(227)</b>	<b>162</b>	<b>29</b>	<b>(94)</b>

Description	Current Year	Last Year
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Assets		
Current Assets		
Cash	319,072.61	551,180.73
Investments	1,452,767.93	1,272,912.78
Accounts Receivable less Allowance	399,458.20	407,063.74
Due from Affiliates	80,736.07	53,663.10
Inventories	916,799.29	910,604.92
Prepaid Expenses	503,297.52	501,778.12
Other Current Assets	53,066.56	55,810.55
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Total Current Assets	3,725,198.18	3,753,013.94
Investments	4,761,019.04	4,354,491.47
Investments in Subsidiary	1,000.00	1,000.00
Property and Equipment Less Accumulated Depr	1,554,144.86	1,623,560.72
Video Costs less Accum Amort	.00	.00
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Total Assets	10,041,362.08	9,732,066.13
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Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	277,877.63	372,229.17
Due to Affiliates	.00	.00
Accrued Expenses:		
Taxes	9,035.00	5,348.00
Tournaments	147,482.00	154,854.00
Other	485,751.31	482,344.54
Accrued Pension Cost	291,897.00	176,016.00
Accrued Post Ret Health	862,062.00	866,750.08
Unredeemed Scrip/Gift Cert	102,185.55	92,883.55
Deferred International Fund	105,206.57	83,122.32
Deferred Junior Fund	120,063.65	71,656.17
Unit Dues Payable	210,662.15	204,340.40
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Total Current Liabilities	2,612,222.86	2,509,544.23
Unit Dues Refunds Payable	79,071.61	63,561.74
Total Liabilities	2,691,294.47	2,573,105.97
Net Assets		
Unrestricted	3,634,492.78	3,699,539.17
Temporarily Restricted	3,715,574.83	3,459,420.99
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Total Net Assets	7,350,067.61	7,158,960.16
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Total Liab and Net Assets	10,041,362.08	9,732,066.13
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