

American Contract Bridge League, Inc.

Results of Operations

Eight Months ended August 31, 2006

The American Contract Bridge League reported a profit of \$343,745 for the eight months ended August 31, 2006. This compares favorably to the \$257,518 loss reported for the same period in 2005 and reflects improvement in all categories: revenues, expenses and tournament director costs.

Amounts	2005 Actual	2006 Actual	Fav/ (Unfav)
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Revenues	\$ 6,453,415	\$6,762,215	\$ 308,800
Expenses	6,497,890	6,278,581	219,309
TDs Net Cost	213,043	139,889	73,154
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Net Profit / (Loss)	\$(257,518)	\$ 343,745	\$ 601,263
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OPERATING REVENUES

Income from **Membership Dues** increased \$142,093 from \$2,807,271 to \$2,949,364 as a result of higher rates and membership counts (1,161 more dues paying members at August 2006 vs August 2005).

Club Sanction & Rating Point Game fees increased \$55,888 as a result of the increase in the rating point fee structure.

Revenues from sanction fees increased at **Regional games** by \$2,785 and at **Sectional / STaC games** by \$45,455 as higher table counts were seen across the board along with increased fees at STaC games. Regional tables were up 0.6%, Sectional tables were up 4.6% and STaC tables were up 1.2%.

The **NABC – Spring** in Dallas drew 10,318 tables and earned a \$197,225 net profit, which was nearly double the \$102,276 net profit earned in Pittsburgh in 2005 with 9,596 tables. The gain in profitability was the result of increases in revenues of \$93,519 and decreases in expenses of \$1,430.

The **NABC – Summer** in Chicago drew 13,373 tables and earned a \$305,017 net profit, which was slightly higher than the \$285,120 earned in Atlanta, which drew 13,463 tables in 2005. Higher entry fees was the primary reason for the increase in revenues of \$78,320, while higher per diem (approximately \$15,000) and lodging costs (approximately \$20,000) were the largest components in the increased expenses of \$58,424.

Income from the ACBL **Product Store** increased \$28,574 from \$366,658 to \$395,232 on a slight increase in revenues (\$21,190) coupled with higher profit margins (\$7,003).

The category “**other income**” decreased by \$89,426 in 2006 to \$406,976 from the \$487,685 level attained in 2005 with the loss of tenants from our Airways building at the end of 2005 (\$78,388) being the largest factor.

OPERATING EXPENSES

Salaries – Staff decreased \$26,473 from \$2,552,350 in 2005 to \$2,525,877 in 2006 as a result of management’s decision not to replace a position in our information technology area that was vacated earlier in the year.

Increases in **Health Insurance – Staff** were attributable to the large end of the year premium increases absorbed by the company in excess of employee contributions. Costs, net of employee contributions, increased \$46,701 from \$370,020 to \$416,721.

Other Benefits – Staff increased \$46,672 from \$175,274 to \$221,946 as a result of increased Pension Plan expense of \$42,382. An amendment to the plan to exclude new hires from joining the Plan began on March 11, 2006 and will help reduce the annual expense in future years.

An increase in **Board Expenses** of \$32,301 was due in part to higher expenditures in President (\$12,199), Board Travel (\$9,782), Board Special Committee (\$4,067) and Board Operating (\$3,450).

A decrease in **Depreciation** of \$40,347 from \$238,264 to \$197,917 in 2006 is the result of slower capital spending in 2006 compared to the first trimester of 2005.

Insurance – General increased \$65,297 as a result of the League’s taking on additional coverage to provide free liability insurance to Units & Districts (approximately \$45,000).

A decrease in **Marketing** of \$323,596 (from \$584,002 in 2005 to \$260,406 in 2006) can be traced primarily to a reduction in marketing expenditures for the Youth Bridge Initiative Program (\$204,076). In addition, Marketing benefited from the inclusion of Junior Fund support (\$67,938) for the first time in 2006 and by reduced outlays in various marketing projects in 2005 (\$46,276). The 2006 comparison was also aided by the elimination of the Unit Cooperative Rebate which penalized 2005 results by \$60,579.

TOURNAMENT DIRECTORS NET COST

The net cost of **Tournament Directors** went down by \$73,154 from \$213,043 in 2005 to \$139,889 in 2006. The decrease in net cost was the result of higher revenues of \$114,599 offset by an increase in costs of \$57,057. Costs increased due to higher premiums on TD health insurance (\$41,686) and higher “other benefits and expenses” (\$17,699), partially offset by a decrease in salaries of \$2,328.

COMPARISON TO BUDGET

Amounts	2006 Budget	2006 Actual	Fav/ (Unfav)
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Revenues	\$ 6,771,406	\$6,762,215	\$(9,191)
Expenses	6,478,643	6,278,581	200,062
TDs Net Cost	147,532	139,889	7,643
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Net Profit / (Loss)	\$ 145,231	\$ 343,745	\$ 198,514
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The primary contributors to the \$9,191 unfavorable comparison to budgeted revenues:

<u>Category</u>	<u>Variance</u>	<u>Reason</u>
Membership Dues	-19,241	Lower amnesty gains.
Other income	-77,195	Lower Bulletin advertising (\$53,941).
NABC – Spring	+31,570	Lodging rebates and fee to locals.
NABC – Summer	+26,313	Lower Director expenses.
Product Sales	+39,627	Stronger sales volume & lower costs.

The primary contributors to the \$200,062 favorable comparison to budgeted expenses:

Salaries – Staff	-49,072	Continuation of lower headcount.
Bulletin expense	-57,980	Lower costs with new printer.
Building & Grounds	-12,479	Favorable maintenance experience.
Depreciation	-60,085	Slower spending patterns.
Marketing	-113,854	Reduced Youth Initiative spending.
Postage & Supplies	-36,958	Club mailings for 3rd trimester.
Health Ins – Staff	+32,987	Fewer high deductible enrollees.
Board Expenses	+10,336	Higher equipment rental & telephone.
Insurance – Gen'l	+62,058	Unbudgeted Unit & District Insurance
Legal Fees	+26,289	Baron-Barclay less claims received.

The \$7,643 favorable comparison to tournament director costs reflects \$122,242 in lower costs offset by \$114,599 in lower revenues.

Salaries	-72,032
Health Insurance	+21,879
Other Benefits	-28,331
Charges	-114,599

FINANCIAL POSITION

	August 31 2005	August 31 2006	% Change
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Cash Reserves	\$ 6,294,079	\$ 6,404,839	+ 1.8 %
Current Assets	\$ 3,511,564	\$ 4,131,489	+17.7 %
Current Liabilities	\$ 2,343,497	\$ 2,736,336	+16.8%
Current Ratio	1.50 x	1.51 x	+ 0.01 x
Net Assets	\$ 7,073,097	\$ 7,126,438	+ 0.8 %

ACBL FINANCIAL STATEMENT (Simplified)

	Calendar Year to Date				Projection to End of Year			Projected Calendar Year Results			
REVENUES	2005 Actual	2006 Budget	2006 Actual	Difference	2005 Actual	2006 Budget	Reforecast	2005 Actual	2006 Budget	2006 Actual	Difference
Membership Dues	2,807,271	2,968,605	2,949,364	(19,241)	1,448,245	1,484,307	1,482,070	4,255,516	4,452,912	4,431,434	(21,478)
Club Fees	1,283,043	1,346,664	1,338,931	(7,733)	606,580	673,336	641,000	1,889,623	2,020,000	1,979,931	(40,069)
Regional Sanction Fees	524,430	515,092	527,215	12,123	226,251	257,548	245,425	750,681	772,640	772,640	-
Sectional/STAC Sanction Fees	434,879	490,546	480,334	(10,212)	238,230	245,274	255,486	673,109	735,820	735,820	-
Other Sanction Fees	31,166	33,332	33,978	646	16,227	16,668	16,000	47,393	50,000	49,978	(22)
Spring NABC (Net)	102,276	165,655	197,225	31,570	(2,053)	-	(1)	100,223	165,655	197,224	31,569
Summer NABC (Net)	285,120	278,404	305,017	26,613	(8,263)	-	-	274,722	278,404	287,524	9,120
Fall NABC (Net)	-	-	-	-	88,048	41,130	34,579	88,048	41,130	34,579	(6,551)
Product Sales (Net)	366,658	355,605	395,232	39,627	152,616	209,271	8,387	519,274	564,876	403,619	(161,257)
Investment Income	122,170	133,332	127,943	(5,389)	73,013	66,668	66,000	195,183	200,000	193,943	(6,057)
Other Income	496,402	484,171	406,976	(77,195)	208,585	273,636	223,631	707,122	757,807	648,100	(109,707)
Total Revenues	6,453,415	6,771,406	6,762,215	(9,191)	3,047,479	3,267,838	2,972,577	9,500,894	10,039,244	9,734,792	(304,452)
EXPENSES (excl TDs)											
Salaries - Staff	2,552,350	2,574,949	2,525,877	(49,072)	1,255,201	1,287,621	1,227,778	3,807,551	3,862,570	3,753,655	(108,915)
Health Insurance - Staff	370,020	383,734	416,721	32,987	186,115	197,682	201,990	556,135	581,416	618,711	37,295
Other Benefits - Staff	175,274	218,244	221,946	3,702	90,244	112,434	107,537	265,518	330,678	329,483	(1,195)
Payroll Taxes - Staff	211,654	204,140	195,063	(9,077)	88,510	105,165	94,720	300,164	309,305	289,783	(19,522)
Bank Fees	95,845	97,666	101,296	3,630	43,573	48,834	50,350	139,418	146,500	151,646	5,146
Board Expenses (Incl. BOG)	218,345	240,310	250,646	10,336	140,798	159,248	167,808	359,143	399,558	418,454	18,896
Building & Grounds (Net)	211,095	202,270	189,791	(12,479)	98,278	101,132	84,419	309,373	303,402	274,210	(29,192)
Bulletin - Printing & Postage	687,543	744,456	686,476	(57,980)	361,110	372,227	364,445	1,048,653	1,116,683	1,050,921	(65,762)
Depreciation	238,264	258,002	197,917	(60,085)	91,420	128,998	148,083	329,684	387,000	346,000	(41,000)
Insurance - General	196,761	200,000	262,058	62,058	127,203	100,000	140,000	323,964	300,000	402,058	102,058
Legal Fees	107,716	80,000	106,289	26,289	102,325	40,000	18,000	210,041	120,000	124,289	4,289
Marketing	584,002	374,260	260,406	(113,854)	290,051	188,850	221,147	874,053	563,110	481,553	(81,557)
Postage & Supplies	138,324	160,659	123,701	(36,958)	72,552	80,359	81,821	210,876	241,018	205,522	(35,496)
Telephone	22,624	24,934	21,166	(3,768)	11,416	12,466	11,121	34,040	37,400	32,287	(5,113)
Travel	30,597	45,778	39,030	(6,748)	19,755	23,878	30,626	50,352	69,656	69,656	-
WBF Dues	82,051	88,028	95,771	7,743	14,596	5,022	5,857	96,647	93,050	101,628	8,578
Other Expenses	575,425	581,213	584,427	3,214	283,211	302,392	227,815	858,636	883,605	812,242	(71,363)
Total Expenses	6,497,890	6,478,643	6,278,581	(200,062)	3,276,358	3,266,308	3,183,517	9,774,248	9,744,951	9,462,098	(282,853)
TOURNAMENT DIRECTORS											
Salaries	1,708,446	1,778,150	1,706,118	(72,032)	829,203	883,075	917,177	2,537,649	2,661,225	2,623,295	(37,930)
Health Insurance	177,721	241,286	219,407	(21,879)	80,278	124,299	146,178	257,999	365,585	365,585	-
Other Benefits & Expenses	372,137	418,167	389,836	(28,331)	184,874	219,353	237,628	557,011	637,520	627,464	(10,056)
Total TD Expenses	2,258,304	2,437,603	2,315,361	(122,242)	1,094,355	1,226,727	1,300,983	3,352,659	3,664,330	3,616,344	(47,986)
TD Charges	2,045,261	2,290,071	2,175,472	(114,599)	979,380	1,145,090	1,175,917	3,024,641	3,435,161	3,351,389	(83,772)
Tournament Directors - Net	(213,043)	(147,532)	(139,889)	7,643	(114,975)	(81,637)	(125,066)	(328,018)	(229,169)	(264,955)	(35,786)
ACBL Net Profit (Loss)	(257,518)	145,231	343,745	198,514	(343,854)	(80,107)	(336,006)	(601,372)	65,124	7,739	(57,385)

Notes:

1. Club Fees include Sanction Fees + Rating Point Fees
2. NABCs could be combined, if desired
3. TD Charges for NABCs = Actual Salaries, Benefits, etc. For Regionals, Sectionals, etc. = Charges from schedules
4. Marketing/Education includes all non-people expenses from those departments

Note: The expectation is that this report would be given to the BOD. Jerry needs to decide how much he wants to give to the BOG. Our suggestion is that only columns 2, 3, 9, 10 and 11 be shown.