

American Contract Bridge League, Inc.
Results of Operations
For the Year Ended December 31, 2006

The ACBL reported a net loss of \$175,000 for the year ended December 31, 2006. This result is favorable by \$519,000 to the 2005 loss of \$694,000 as revenues increased by \$101,000 and expenses decreased by \$418,000 (\$355,000 operating and \$63,000 Tournament Directors' Net Cost).

COMPARISONS WITH 2005

<u>000's Omitted</u>	2006 <u>Actual</u>	2005 <u>Actual</u>	Fav/(Unfav) <u>Variance</u>
Revenues	9,517	9,416	+ 101
Expenses	9,434	9,789	+ 355
TD Cost	258	321	+ 63
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Net Loss	(175)	(694)	+ 519
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Operating Revenues

Membership Dues increased \$178,000 over 2005 as a result of the \$3 dues increase that went into effect in January 2005. Since the League recognizes income from dues at 1/12 of a member's annual payment per month and the payments are spread fairly evenly throughout the year, it usually takes two full years before the financial statements reflect the full increase. The total number of dues paying members at December 31, 2006 was 156,917 members, which was 1,195 members higher than 2005 and is actually the highest number of paying members in the last five years.

Club Fees increased \$112,000 in 2006 as a result of the increase in Club Rating Point Game fees from \$0.65 per table to \$0.74 per table on April 1, 2006.

Total **Sanction fee** income increased \$89,000 on all levels of play, as Regional games saw an increase in fees of \$7,000 and tables played of 1.0%, Sectionals increased \$20,000 on a 4.3% increase in tables, while STaC game income increased \$58,000 but showed a 0.4% decrease in tables played. The STaC figures were probably impacted by the 25% increase in sanction fees put into effect on January 1, 2006.

Combined profits for the three **NABCs** were \$35,000 lower than the combined profit of the three 2005 events. The Spring NABC in Dallas benefited from a 7.5% increase in attendance over Pittsburgh in 2005 and reported a profit that was \$92,000 higher. Chicago saw lower attendance (-0.7%) and lower profits (-\$30,000) than the prior year in Atlanta. The Fall NABC in Honolulu experienced lower attendance (-15.1%) and \$97,000 lower profits (\$16,000 loss versus \$81,000 profit) than Denver.

Net profits from the **ACBL Product Store** decreased \$215,000 as a result of the sale of the business to Baron Barclay Bridge Supplies. The sale, which was completed in September of this year, produced only nine months of operations as compared to the previous year's normal twelve months. The decrease in profits was partially offset by the first quarterly royalty payment from Baron of \$30,000.

Rental income decreased \$100,000 in 2006 as a result of not having any active tenants in place during the year. All previous leases expired last fall but still allowed 2005 to benefit from rental income of \$100,000 during the year.

Investment income increased \$128,000 in 2006 as interest earned increased \$16,000 and the positive market value adjustment of \$34,000 was \$112,000 favorable to 2005's negative adjustment of \$78,000.

Bulletin advertising income decreased \$48,000 as a result of lower in-house advertising, caused by a reduction in ad volume from Marketing and the Product Store.

The catch-all category "**Other Income**" decreased \$37,000 as a result of lower management fees from ACBL Foundations (\$22,000) and an unfavorable foreign currency position (\$15,000).

Operating Expenses

Salaries (HQ Staff) decreased \$63,000 as a result of positions that were vacated and were not filled during the year. Significant savings from headcount reductions will be seen in 2007 as a result of the sale of the Product Store.

Insurance – Staff increased \$64,000 as premium costs continue to escalate; **Other Benefits - Staff** increased \$57,000 primarily due to increased Pension Plan expenses while **Payroll Taxes – Staff** decreased \$19,000 as a result of fewer employees in the fourth quarter of 2006.

Board of Director Expense increased \$37,000 as a result of higher travel expenses during the year with the majority of that increase (\$33,000) resulting from the Honolulu trip.

Bulletin Printing & Postage costs decreased \$46,000. All of the change was seen in reduced printing costs resulting from the switch from Rosenthal to Quebecor while postage costs remained constant.

Depreciation expense increased \$47,000 as a result of an adjustment to the depreciation model related to some older assets that were not being properly amortized over the previous couple of years.

Insurance – General increased \$131,000 over 2005 as the League had another poor year with “slip & fall” claims at regional & sectional tournaments (\$64,000). Our experience at tournaments has become so poor that insurance carriers require ACBL to pay out-of-pocket for the first \$25,000 of each claim. In addition, the League took on additional exposure by providing D & O coverage for all units & districts (\$70,000).

Legal fees decreased \$107,000 in 2006 as a result of our receipt of insurance proceeds related to cases originating in 2005 (\$92,000). Major legal issues that required outside counsel assistance in 2006 included anti-trust (\$69,000), Canadian border crossing (\$3,000) and Lyddon (\$11,000).

Marketing & Education expenses decreased \$424,000 due to reduced Youth Bridge Initiative expenditures (\$220,000), the inclusion of Junior Fund support for the first time (\$68,000), the absence of the Unit Cooperative rebate payment that penalized 2005 results (\$61,000), reduced outlays for Club & Unit operations (\$27,000) and Club Director’s Update Course (\$49,000).

Tournament Director Costs

Net Tournament Director costs decreased \$62,000 as a result of higher **TD Charges** (\$181,000) due to increased session fee rates, offset by higher costs in **TD Salaries** (\$43,000), **Insurance – TDs** (\$69,000) and **Other Benefits & Expenses – TDs** (\$7,000).

COMPARISONS TO BUDGET

	2006	2006	Fav/(Unfav)
<u>000’s Omitted</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues	9,517	9,989	(472)
Expenses	9,434	9,695	+ 261
TD Cost	258	229	(29)
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Net Loss	(175)	65	(240)
	=====	=====	=====

Primary Revenue Variances to Budget:

<u>Category</u>	<u>Variance</u>	<u>Reason</u>
NABC Spring	+ 27,000	Lower TD & Local expenses
Baron Royalties	+ 30,000	Sale was not anticipated
NABC Summer	- 32,000	Higher lodging costs
NABC Fall	- 57,000	Lower attendance
Product Sales	-261,000	Sold prior to profitable 3 rd trimester period
Bulletin advertising	- 74,000	Lower in-house (marketing, product store)
Other income	-115,000	Market Value Adjustment (-34), Mgmt fees (-32), Foreign Currency (-14), NAOP (-19)

Primary Expense Variances to Budget:

Salaries Staff	-118,000	Budgeted headcount positions not filled
Payroll Taxes Staff	- 28,000	Employee layoffs in 3 rd trimester
Bulletin expenses	-114,000	Switch to new printer
Marketing & Ed	- 97,000	Youth Bridge (-68)
Postage & Supplies	- 45,000	Postal increase failed to materialize (-34) and reduced supply cost in warehouse (-6)
Insurance Staff	+ 39,000	Accounting issue was offset by TD decrease
Insurance General	+155,000	Club & Unit D&O (+70), Claims (+64)

Primary Tournament Director Cost Variances to Budget:

Salaries TDs	- 81,000	Not as many sessions needed
Insurance TDs	- 39,000	Accounting issue was offset by HQ increase
Other Benefits	- 73,000	Lower costs associated with fewer directors
TD Charges	- 222,000	Not as many sessions earned

FINANCIAL POSITION

	December 31 2006	December 31 2005	% Change
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Cash Reserves	\$ 7,066,000	\$ 5,982,000	+18.1%
Current Assets	3,520,000	3,232,000	+ 8.9%
Current Liabilities	1,811,000	1,783,000	+ 1.6%
Current Ratio	1.94x	1.81x	+0.13x
Net Assets	6,730,000	6,702,000	+ 0.4%

Management Comment

Please note, the statement of activities published in the *ACBL Bridge Bulletin* may be different from the results contained in the simplified report.

The ACBL maintains its records and properly reports its financial information in accordance with Generally Accepted Accounting Principles (“GAAP”). Said reports are examined by independent auditors and are the ones published for distribution to members and other outside parties. The results presented in compliance with GAAP are different from the results contained herein.

2006 Simplified Report

<u>REVENUES</u>	<u>2006 A</u>	<u>2005 A</u>	<u>Variance To Prior Yr</u>	<u>2006 B</u>	<u>Variance To Budget</u>
Membership Dues	4,433,442	4,255,516	177,926	4,452,912	(19,470)
Club Fees	2,002,012	1,889,623	112,389	2,020,000	(17,988)
Regional Sanction Fees	757,380	750,681	6,699	772,640	(15,260)
Sectional/STAC Sanction Fees	750,720	673,109	77,611	735,820	14,900
Other Sanction Fees	51,653	47,393	4,260	50,000	1,653
Spring NABC (Net)	192,523	100,223	92,300	165,655	26,868
Summer NABC (Net)	246,622	276,857	(30,235)	278,404	(31,782)
Fall NABC (Net)	(15,782)	80,869	(96,651)	41,130	(56,912)
Product Sales (Net)	304,065	519,274	(215,209)	564,876	(260,811)
Rental Income	-	100,230	(100,230)	-	-
Investment Income	211,096	195,183	15,913	200,000	11,096
Less: Market Value Adjust.	33,993	(77,593)	111,586	-	33,993
Bulletin Advertising	348,324	396,391	(48,067)	422,250	(73,926)
Baron Royalty Payments	30,000	-	30,000	-	30,000
Other Income	170,967	208,366	(37,399)	285,557	(114,590)
Total Revenues	9,517,015	9,416,122	100,893	9,989,244	(472,229)
<u>EXPENSES (excl TDs)</u>					
Salaries - Staff	3,744,093	3,807,551	63,458	3,862,570	118,477
Insurance - Staff	620,437	556,135	(64,302)	581,416	(39,021)
Other Benefits - Staff	322,944	265,518	(57,426)	330,678	7,734
Payroll Taxes - Staff	281,450	300,164	18,714	309,305	27,855
Bank Fees	147,490	139,418	(8,072)	146,500	(990)
Board Expenses (Incl. BOG)	396,042	359,143	(36,899)	399,558	3,516
Building & Grounds (Net)	292,387	309,373	16,986	303,402	11,015
Bulletin - Printing & Postage	1,002,923	1,048,653	45,730	1,116,683	113,760
Depreciation	376,642	329,684	(46,958)	387,000	10,358
Insurance - General	455,100	323,964	(131,136)	300,000	(155,100)
Legal Fees	102,858	210,041	107,183	120,000	17,142
Marketing / Education	622,413	1,046,657	424,244	719,173	96,760
Postage & Supplies	196,457	210,876	14,419	241,018	44,561
Telephone	31,419	34,040	2,621	37,400	5,981
Travel	57,623	50,352	(7,271)	69,656	12,033
WBF	95,828	96,647	819	93,050	(2,778)
Utilities	108,691	102,536	(6,155)	104,000	(4,691)
Other Expenses	579,204	598,496	19,292	573,542	(5,662)
Total Expenses	9,434,001	9,789,248	355,247	9,694,951	260,950
<u>TOURNAMENT DIRECTORS</u>					
Salaries - TDs	2,580,269	2,537,649	(42,620)	2,661,225	80,956
Insurance - TDs	326,598	257,999	(68,599)	365,585	38,987
Other Benefits & Expenses	564,469	557,011	(7,458)	637,520	73,051
Total TD Expenses	3,471,336	3,352,659	(118,677)	3,664,330	192,994
TD Charges	3,212,960	3,031,820	181,140	3,435,161	(222,201)
Tournament Directors - Net	258,376	320,839	62,463	229,169	(29,207)
ACBL Net Profit (Loss)	(175,362)	(693,965)	518,603	65,124	(240,486)