

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

FINANCIAL STATEMENTS



December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Contract Bridge League, Inc.

We have audited the accompanying financial statements of American Contract Bridge League, Inc. (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor'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 of America. Those standards require that we plan and perform the audit 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 judgment, 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 statement.

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 American Contract Bridge League, Inc. as of December 31, 2016 and 2015, 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 of America.

Watkins Uiberall, PLLC

Memphis, Tennessee
February 27, 2017

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 2,697,952	\$ 1,681,624
Investments	4,196,181	4,181,804
Accounts receivable, net of allowance of \$10,000	354,646	471,888
Due from affiliates	1,343	-
Prepaid expenses	561,699	451,839
Other current assets	23,569	24,637
Total current assets	<u>7,835,390</u>	<u>6,811,792</u>
Property and equipment, net	<u>4,894,332</u>	<u>5,049,433</u>
Total assets	<u><u>\$ 12,729,722</u></u>	<u><u>\$ 11,861,225</u></u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$ 792,499	\$ 678,082
Accrued payroll liabilities	632,666	508,993
Accrued postretirement healthcare benefits	115,745	126,912
Unredeemed Bridge Bucks and gift certificates	106,626	108,477
Capital lease liability	38,464	-
Deferred revenue	3,905,894	3,746,964
Due to units and districts	462,067	586,061
Due to affiliates	181,200	166,532
Total current liabilities	<u>6,235,161</u>	<u>5,922,021</u>
Long-Term Liabilities		
Deferred revenue	1,454,469	1,420,578
Accrued postretirement healthcare benefits	1,318,447	1,371,998
Unit dues refunds payable	106,843	117,410
Total long-term liabilities	<u>2,879,759</u>	<u>2,909,986</u>
Total liabilities	9,114,920	8,832,007
Net Assets		
Unrestricted	3,435,728	2,845,124
Temporarily restricted	179,074	184,094
Total net assets	<u>3,614,802</u>	<u>3,029,218</u>
Total liabilities and net assets	<u><u>\$ 12,729,722</u></u>	<u><u>\$ 11,861,225</u></u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues and Gains (Losses)			
Membership dues	\$ 5,434,746	\$ -	\$ 5,434,746
Club sanction fees	2,941,927	-	2,941,927
North American Championships	2,394,906	-	2,394,906
Tournament sanction fees	2,140,164	-	2,140,164
Tournament director fees	3,183,830	-	3,183,830
Bulletin sales and advertising	270,091	-	270,091
Educational programs and services	42,195	215,120	257,315
Royalties	397,610	-	397,610
Administrative fees	35,455	-	35,455
Other revenues	107,365	-	107,365
Other losses	(13,554)	-	(13,554)
Investment income	94,219	-	94,219
Net assets released from restrictions	220,140	(220,140)	-
Total operating revenues and gains (losses)	<u>17,249,094</u>	<u>(5,020)</u>	<u>17,244,074</u>
Operating Expenses			
Program Services			
North American Championships	2,128,915	-	2,128,915
Bulletin publication	1,490,744	-	1,490,744
Tournaments	4,462,256	-	4,462,256
Educational programs and services	349,070	-	349,070
Club and member services	950,310	-	950,310
Total program services	<u>9,381,295</u>	<u>-</u>	<u>9,381,295</u>
Supporting Services			
Membership development	407,219	-	407,219
Board expenses	397,642	-	397,642
Management and general	6,543,267	-	6,543,267
Total supporting services	<u>7,348,128</u>	<u>-</u>	<u>7,348,128</u>
Total operating expenses	<u>16,729,423</u>	<u>-</u>	<u>16,729,423</u>
Change in net assets from operations	519,671	(5,020)	514,651
Nonoperating Activities			
Change in market value of investments	6,670	-	6,670
Loss on disposal of property and equipment	(455)	-	(455)
Change in retirement liability other than net periodic benefit costs	64,718	-	64,718
Total nonoperating activities	<u>70,933</u>	<u>-</u>	<u>70,933</u>
Change in net assets	590,604	(5,020)	585,584
Net assets, beginning of year	<u>2,845,124</u>	<u>184,094</u>	<u>3,029,218</u>
Net assets, end of year	<u>\$ 3,435,728</u>	<u>\$ 179,074</u>	<u>\$ 3,614,802</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues and Gains (Losses)			
Membership dues	\$ 5,340,736	\$ -	\$ 5,340,736
Club sanction fees	2,514,357	-	2,514,357
North American Championships	2,181,767	-	2,181,767
Tournament sanction fees	2,193,063	-	2,193,063
Tournament director fees	3,048,282	-	3,048,282
Bulletin sales and advertising	284,420	-	284,420
Educational programs and services	47,926	196,160	244,086
Royalties	148,979	-	148,979
Administrative fees	36,517	-	36,517
Other revenues	97,447	-	97,447
Other losses	(53,302)	-	(53,302)
Investment income	155,346	-	155,346
Net assets released from restrictions	203,660	(203,660)	-
Total operating revenues and gains (losses)	<u>16,199,198</u>	<u>(7,500)</u>	<u>16,191,698</u>
Operating Expenses			
Program Services			
North American Championships	1,848,495	-	1,848,495
Bulletin publication	1,527,424	-	1,527,424
Tournaments	4,444,542	-	4,444,542
Educational programs and services	435,420	-	435,420
Club and member services	1,028,603	-	1,028,603
Total program services	<u>9,284,484</u>	<u>-</u>	<u>9,284,484</u>
Supporting Services			
Membership development	504,110	-	504,110
Board expenses	469,627	-	469,627
Management and general	6,184,656	-	6,184,656
Total supporting services	<u>7,158,393</u>	<u>-</u>	<u>7,158,393</u>
Total operating expenses	<u>16,442,877</u>	<u>-</u>	<u>16,442,877</u>
Change in net assets from operations	(243,679)	(7,500)	(251,179)
Nonoperating Activities			
Change in market value of investments	(114,982)	-	(114,982)
Change in net assets	(358,661)	(7,500)	(366,161)
Net assets, beginning of year	<u>3,203,785</u>	<u>191,594</u>	<u>3,395,379</u>
Net assets, end of year	<u>\$ 2,845,124</u>	<u>\$ 184,094</u>	<u>\$ 3,029,218</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services					Supporting Services			Total
	North American Championships	Bulletin Publication	Tournaments	Educational Programs and Services	Club and Member Services	Membership Development	Board Expenses	Management and General	
Salaries and wages	\$ 566,999	\$ 281,090	\$ 3,218,693	\$ 119,218	\$ 367,899	\$ 10,000	\$ -	\$ 3,217,730	\$ 7,781,629
Payroll taxes and benefits	123,946	47,995	666,476	-	127,624	-	-	867,770	1,833,811
Employee development	5,295	-	-	-	253	-	-	87,548	93,096
Travel and entertainment	542,402	-	173,720	36,771	18,514	8,724	285,594	291,913	1,357,638
Postage and shipping	55,380	462,727	9,462	13,001	10,330	121,036	3,895	24,953	700,784
Supplies	33,797	822	36	53,247	3,837	16,012	1,772	20,000	129,523
Printing	146,940	632,472	11,242	22,621	2,550	11,488	691	38,014	866,018
Membership billing	-	-	-	-	-	44,781	-	-	44,781
Small equipment	667	-	-	202	-	-	-	42,353	43,222
Repairs and maintenance	3,027	343	-	343	-	-	-	117,779	121,492
Equipment rental	56,645	-	19,112	778	270	-	27,592	6,877	111,274
Computer maintenance	-	-	-	27,464	-	-	-	317,043	344,507
Telephone	9,140	-	23,819	-	1,081	-	98	98,254	132,392
Utilities	3,068	6,137	17,643	-	13,040	-	-	55,230	95,118
Professional fees	27,043	1,350	-	-	-	-	-	611,758	640,151
Insurance	10,882	21,763	62,569	-	46,247	-	-	195,868	337,329
Advertising and promotion	10,700	850	-	-	1,650	111,622	-	4,550	129,372
Other	57,599	-	2,000	-	-	7,727	78,000	11,920	157,246
Banking fees	37,503	-	-	-	116,362	75,829	-	141,170	370,864
Dues and subscriptions	704	125	58	425	166,130	-	-	5,980	173,422
Depreciation	17,418	34,837	100,156	-	74,028	-	-	313,531	539,970
Taxes and licenses	-	-	-	-	-	-	-	70,928	70,928
Contributions to affiliates	-	-	-	75,000	-	-	-	-	75,000
Interest expense	117	233	670	-	495	-	-	2,098	3,613
Local reimbursements	395,891	-	-	-	-	-	-	-	395,891
Tournament prizes	23,752	-	156,600	-	-	-	-	-	180,352
	<u>\$ 2,128,915</u>	<u>\$ 1,490,744</u>	<u>\$ 4,462,256</u>	<u>\$ 349,070</u>	<u>\$ 950,310</u>	<u>\$ 407,219</u>	<u>\$ 397,642</u>	<u>\$ 6,543,267</u>	<u>\$ 16,729,423</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services					Supporting Services			Total
	North American Championships	Bulletin Publication	Tournaments	Educational Programs and Services	Club and Member Services	Membership Development	Board Expenses	Management and General	
Salaries and wages	\$ 472,896	\$ 256,646	\$ 3,197,958	\$ 203,975	\$ 391,523	\$ 9,500	\$ -	\$ 2,789,801	\$ 7,322,299
Payroll taxes and benefits	102,818	38,290	627,824	-	135,986	-	-	668,031	1,572,949
Employee development	8,512	-	-	-	700	-	-	214,980	224,192
Travel and entertainment	404,493	5,000	216,586	38,758	22,272	7,515	355,710	307,786	1,358,120
Postage and shipping	38,426	480,932	13,572	24,291	9,419	128,214	6,603	27,211	728,668
Supplies	27,023	363	1,392	60,134	3,348	27,326	1,604	24,640	145,830
Printing	157,803	681,668	17,951	20,989	8,582	8,303	1,369	17,113	913,778
Membership billing	-	-	-	-	-	46,195	-	-	46,195
Small equipment	5,337	-	-	-	-	-	-	19,141	24,478
Repairs and maintenance	503	-	-	-	-	-	-	120,299	120,802
Equipment rental	36,944	-	21,741	4,157	655	-	25,449	15,978	104,924
Computer maintenance	-	-	-	-	-	-	-	345,450	345,450
Telephone	6,307	-	5,189	-	1,521	-	669	96,078	109,764
Utilities	4,505	7,208	18,021	-	18,021	-	-	64,875	112,630
Professional fees	10,552	-	19,434	-	-	-	223	699,860	730,069
Insurance	14,896	23,834	59,585	-	59,585	-	-	214,506	372,406
Advertising and promotion	11,962	-	-	3,816	1,855	161,844	-	13,594	193,071
Other	76,511	-	4,153	-	-	6,963	78,000	17,116	182,743
Banking fees	33,732	-	-	-	126,501	108,250	-	150,600	419,083
Dues and subscriptions	813	148	398	300	165,297	-	-	6,145	173,101
Depreciation	20,338	32,541	81,353	-	81,353	-	-	292,874	508,459
Taxes and licenses	-	-	-	-	-	-	-	71,430	71,430
Contributions to affiliates	-	-	-	79,000	-	-	-	-	79,000
Interest expense	496	794	1,985	-	1,985	-	-	7,148	12,408
Local reimbursements	394,308	-	-	-	-	-	-	-	394,308
Tournament prizes	19,320	-	157,400	-	-	-	-	-	176,720
	<u>\$ 1,848,495</u>	<u>\$ 1,527,424</u>	<u>\$ 4,444,542</u>	<u>\$ 435,420</u>	<u>\$ 1,028,603</u>	<u>\$ 504,110</u>	<u>\$ 469,627</u>	<u>\$ 6,184,656</u>	<u>\$ 16,442,877</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 585,584	\$ (366,161)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	539,970	508,459
Loss on disposal of property and equipment	455	-
Pension-related changes other than net periodic benefit costs	(64,718)	-
Change in market value of investments	(6,670)	114,982
Amortization of bond premiums	31,725	-
Increase (Decrease) in Cash and Cash Equivalents:		
Accounts receivable	117,242	65,947
Due from affiliates	(1,343)	2,873
Prepaid expenses	(109,860)	30,252
Other current assets	1,068	98,811
Accounts payable and accrued expenses	114,417	(75,842)
Accrued payroll liabilities	123,673	10,805
Unredeemed Bridge Bucks and gift certificates	(1,851)	(8,650)
Deferred revenue	192,821	134,620
Unit dues refunds payable	(134,561)	145,411
Due to affiliates	14,668	(16,038)
Total adjustments	<u>817,036</u>	<u>1,011,630</u>
Net cash provided by operating activities	1,402,620	645,469
Cash Flows From (Used For) Investing Activities:		
Proceeds from sale of investments	3,193,806	2,078,175
Purchase of investments	(3,233,238)	(2,047,427)
Purchase of property and equipment	(311,341)	(75,344)
Net cash used for investing activities	<u>(350,773)</u>	<u>(44,596)</u>
Cash Flows From (Used For) Financing Activities:		
Principal payments on capital lease obligation	<u>(35,519)</u>	-
Net increase in cash and cash equivalents	1,016,328	600,873
Cash and cash equivalents at beginning of year	<u>1,681,624</u>	<u>1,080,751</u>
Cash and cash equivalents at end of year	<u>\$ 2,697,952</u>	<u>\$ 1,681,624</u>
Non-Cash Investing Activities:		
Property and equipment acquired by capital lease	<u>\$ 73,983</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

American Contract Bridge League, Inc. (“ACBL”) is a not-for-profit organization whose purpose is to promote, grow, and sustain the game of bridge and serve the bridge-related interests of its members. ACBL sanctions duplicate bridge play throughout the United States, Canada, Mexico, and Bermuda. Most of ACBL’s membership resides in North America and Bermuda. ACBL is headquartered in Horn Lake, Mississippi.

ACBL supports over 3.5 million tables of bridge play annually in clubs and tournaments of which over 1,000,000 tables are online. There are three North American Bridge Championships (“NABC”) held annually, each attracting up to 5,000 players. Player achievement is encouraged by ACBL through the tracking and awarding of Master Points to more than 168,000 members. ACBL sponsors the School Bridge Lesson Series Program for more than 5,000 children annually and also publishes The Bridge Bulletin magazine on a monthly basis.

Method of Accounting and Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

ACBL reports its financial position and activities in three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for program operations. At December 31, 2016 and 2015, there were no permanently restricted net assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of ACBL.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value Measurements

ACBL applies U.S. GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 2 for additional disclosures.

Concentrations of Credit Risk

ACBL's credit risks relate primarily to cash and cash equivalents and investments. ACBL maintains cash deposits at various domestic and foreign financial institutions. Accounts at each domestic institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000. Accounts at the foreign institution are insured by the Canadian Deposit Insurance Corporation ("CDIC") up to an aggregate of \$100,000. At times, deposits exceeded FDIC and CDIC limits throughout the year. These risks are managed by maintaining such deposits in high-quality financial institutions.

Certain investments are insured by the Securities Investor Protection Corporation ("SIPC") up to an aggregate of \$500,000.

Investments are exposed to various risks such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with these certain investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect ACBL's financial position and changes in its net assets.

Revenue Recognition

ACBL derives its revenues primarily through membership dues, club sanction fees, and various tournament fees. Membership dues are considered exchange transactions and are recognized ratably over the membership period of each member as the earnings process is completed. Club sanction fees and other tournament fees are also recognized when earned. Any unearned portions of revenues are reported as deferred revenue in the statements of financial position.

Contributions are recognized as revenues when they are received or unconditionally pledged. ACBL reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor restriction expires in the same year received, revenue is recognized as unrestricted net assets.

Allocation of Functional Expenses

Expenses that are identified with a specific program or supporting service are charged directly according to their natural expense classification. Other shared costs have been allocated among the program and supporting services benefitted based on usage or other estimates made by management. The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, ACBL considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

ACBL carries investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in market value of investments in the accompanying statements of activities and are reported net of related investment fees of \$36,939 and \$36,473 for the years ended December 31, 2016 and 2015, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

ACBL's policy is to capitalize purchases of long-lived assets with a cost in excess of \$1,500. Property and equipment items are recorded at acquisition cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

Postretirement Benefit Plan

ACBL recognizes the funded status of its defined benefit postretirement healthcare plan as a net asset or liability and recognizes changes in that funded status in the year in which the change occurs through a change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic costs.

Unredeemed Bridge Bucks and Gift Certificates

ACBL issues Bridge Bucks in \$20 denominations which are and purchased by individuals for entry fees at the NABCs and other ACBL sanctioned tournaments. Gift certificates may be given as recruiting incentives and as a Patron Member benefit. Bridge Bucks expire after three years and gift certificates expire after two years. The obligation for unredeemed Bridge Bucks and gift certificates is reflected as a current liability in the accompanying statements of financial position.

Due to Units and Districts

Due to units and districts is comprised of unit dues refunds payable and Grass Roots Funds payable.

The unit dues refunds payable represents the portion of membership dues collected for the benefit of the bridge units. Unit dues collected for three-year membership periods become due to the units annually in the month following the member's anniversary date. Such amounts to be paid in future years are reflected as a long-term liability in the accompanying statements of financial position.

In August 2012, ACBL began collecting funds through Grass Roots Fund games played and will remit these funds to the districts to fund the Grand National Teams at the Summer NABC and the North American Pairs at the Spring NABC. ACBL acts as a pass-through and does not collect a fee from the funds collected. The funds payable to the districts for the years ended December 31, 2016 and 2015 was \$14,911 and 147,351, respectively.

Advertising

ACBL expenses advertising costs as incurred. Advertising expense totaled \$129,372 and \$193,071 for the years ended December 31, 2016 and 2015, respectively.

Income Taxes

The Internal Revenue Service has determined that ACBL is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. ACBL files an exempt organization return in the U.S. federal jurisdiction. However, income from advertising in the Bridge Bulletin, which is not directly related to ACBL's exempt purpose, is subject to taxation as unrelated business income. There was no unrelated business income tax expense for the years ended December 31, 2016 and 2015.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. These changes had no effect on previously reported total net assets.

Date of Management's Review

ACBL evaluated its December 31, 2016 financial statements for subsequent events through February 27, 2017, the date the financial statements were available to be issued. ACBL is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities ACBL has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) that are observable for the asset or liability, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs which are unobservable for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability.

In determining fair values, ACBL utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value on a recurring basis. There have been no changes in methodologies used at December 31, 2016.

Certificates of Deposit: Valued using a market value pricing model.

U. S. Government securities: Certain U.S. government securities are valued at the closing price reported in the active market in which similar securities are traded. Other U.S. government securities for which market quotations are not readily available may be valued based on information supplied by independent pricing services using matrix pricing formulas and/or independent broker bid quotations.

Municipal bonds: Valued at the present value by discounting the expected cash flows to the present using an established discount rate.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which similar bonds are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while ACBL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables present assets that are measured at fair value on a recurring basis at December 31:

	2016		
	Level 1	Level 2	Total
Fixed Income			
Certificates of deposit	\$ -	\$ 95,770	\$ 95,770
U.S. government securities	-	908,802	908,802
Municipal bonds	-	548,224	548,224
Corporate bonds	-	2,549,810	2,549,810
Equities			
Preferred stock	34,583	-	34,583
Exchange traded funds	58,992	-	58,992
	<u>\$ 93,575</u>	<u>\$ 4,102,606</u>	<u>\$ 4,196,181</u>
	2015		
	Level 1	Level 2	Total
Fixed Income			
Certificates of deposit	\$ -	\$ 302,856	\$ 302,856
U.S. government securities	-	348,799	348,799
Municipal bonds	-	299,540	299,540
Corporate bonds	-	2,070,837	2,070,837
Equities			
Preferred stock	67,248	-	67,248
Common stock	707,584	-	707,584
Mutual funds	355,070	-	355,070
Exchange traded funds	29,870	-	29,870
	<u>\$ 1,159,772</u>	<u>\$ 3,022,032</u>	<u>\$ 4,181,804</u>

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 is as follows:

	2016	2015
Land	\$ 876,922	\$ 876,922
Building and improvements	3,679,476	3,531,770
Furniture and equipment	1,224,854	1,224,854
Computer software and equipment	2,878,305	2,637,241
Tournament equipment	204,017	192,179
Automobiles	19,948	19,948
Internal-use software in progress	2,038	18,564
	<u>8,885,560</u>	<u>8,501,478</u>
Less accumulated depreciation	<u>(3,991,228)</u>	<u>(3,452,045)</u>
	<u>\$ 4,894,332</u>	<u>\$ 5,049,433</u>

NOTE 4 – CAPITAL LEASE

During 2016, ACBL entered into a capital lease for certain computer equipment. The lease requires monthly payments of \$2,996 through January 2018. Future minimum lease payments required under the lease are as follows:

2017	\$	35,946
2018		<u>2,996</u>
Present value of net minimum lease payments		38,942
Less current maturities of capital leases		<u>(35,946)</u>
Capital lease obligations, net of current maturities	\$	<u><u>2,996</u></u>

The following is an analysis of the leased asset included in property and equipment at December 31, 2016:

Computer equipment	\$	73,983
less accumulated depreciation		<u>(22,606)</u>
Net leased assets	\$	<u><u>51,377</u></u>

Depreciation expense for the leased asset was \$22,606 for the year ended December 31, 2016.

NOTE 5 – RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

401(k) Plan

ACBL has a qualified voluntary defined contribution plan covering substantially all full-time United States employees. Employer contributions to the plan are made each year at the discretion of management up to a maximum of 50% of the first 6% of each participating employee's salary. For the year ended December 31, 2016, management chose to contribute an additional 3% of each participating salary. For the year ended December 31, 2015, management chose to contribute an additional 2% of each participating salary. Employer contributions to the plan were \$293,919 and \$231,501 for the years ended December 31, 2016 and 2015, respectively.

Canadian Plan

ACBL has a Canadian Group RRSP (Registered Retirement Savings Plan) for the benefit of full-time employees residing in Canada. Employer contributions to the plan are made at the discretion of management up to a maximum of 50% of the first 8% of each participating employee's salary. Contributions to the plan were \$6,070 and \$5,308 for the years ended December 31, 2016 and 2015, respectively.

Postretirement Healthcare Plan

ACBL pays part of the premium cost of Medicare Supplement insurance for qualified retirees. Employees hired prior to January 1, 2014, who are at least 65 years old and have at least 20 years of service are qualified for this benefit.

Postretirement Healthcare Plan Disclosures

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the statements of financial position for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Changes in Benefit Obligations:		
Benefit obligations, beginning of year	\$ 1,498,910	\$ 1,498,910
Service cost	53,704	53,323
Interest cost	73,208	60,176
Actuarial (gain) loss	(128,089)	(63,234)
Benefits paid	<u>(63,541)</u>	<u>(50,265)</u>
Accumulated postretirement benefit obligation, end of year	1,434,192	1,498,910
Changes in Plan Assets:		
Employer contributions	36,422	27,940
Plan participants' contributions	27,119	22,325
Benefits paid	<u>(63,541)</u>	<u>(50,265)</u>
Fair value of plan assets, end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (1,434,192)</u>	<u>\$ (1,498,910)</u>

The weighted average assumptions used to determine benefit obligations for 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Discount rate at end of year	4.25%	5.00%
Health care trend rate		
Initial	7.00%	5.00%
Ultimate	3.50%	5.00%
Years to ultimate	7	1
Dental trend rate		
Initial	4.00%	5.00%
Ultimate	3.00%	5.00%
Years to ultimate	4	1

The components of net periodic benefit cost for the years ended December 31 were:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 53,704	\$ 53,323
Interest cost	73,208	60,176
Net periodic benefit cost (income)	<u>\$ 126,912</u>	<u>\$ 113,499</u>

ACBL expects to contribute approximately \$115,745 to its postretirement benefit plan during the year ending December 31, 2016. Because contribution requirements are very sensitive to required interest rates, possible additional funding charges and other factors, differences between the initial estimate and final contribution amounts can be significant.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the following years ending December 31:

2017	\$	44,295
2018		46,284
2019		49,176
2020		50,337
2021		55,958
2022 - 2026		353,351
	\$	<u>599,401</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Vanderbilt trophy fund	\$ 136,847	\$ 141,867
Sternberg trophy fund	41,831	41,831
Education foundation fund	396	396
	<u>\$ 179,074</u>	<u>\$ 184,094</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

ACBL provides administrative services in an agency capacity for several affiliated organizations such as the American Contract Bridge League Charity Foundation (“Charity Foundation”), American Contract Bridge League Educational Foundation (“Educational Foundation”), United States Bridge Federation (“USBF”), and the Canadian Bridge Federation (“CBF”). Administrative fees charged to these organizations totaled \$35,455 and \$36,517 for the years ended December 31, 2016 and 2015, respectively.

ACBL makes contributions to the USBF and CBF out of a portion of the junior fund monies collected. Contributions to these affiliates totaled \$75,000 and \$75,000 for the years ended December 31, 2016 and 2015, respectively.

Related party balances due from and due to affiliates consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Due From:		
Charity Foundation	<u>\$ 1,343</u>	<u>\$ -</u>
Due To:		
United States Bridge Federation	\$ 159,725	\$ 143,329
Canadian Bridge Federation	12,837	12,159
Mexican Bridge Federation	94	90
Bermuda Contract Bridge League	71	68
ACBL Charity Foundation	-	1,318
ACBL Educational Foundation	8,473	9,568
	<u>\$ 181,200</u>	<u>\$ 166,532</u>

NOTE 8 – COMMITMENTS

ACBL has entered into cancelable agreements for hotel meeting space and guestroom rentals related to future NABC's through 2025. The cancellation clauses call for payments to be made for conference space and guestrooms if cancellation occurs within a specified time frame prior to the events or if hotel usage is less than contracted. If all agreements were cancelled at December 31, 2016, the maximum cancellation fees payable would be approximately \$13,000,000. This cost would be reduced by any hotel resell of the meeting space and guestrooms.

NOTE 9 – FOREIGN CURRENCY TRANSACTIONS

Since ACBL serves the bridge-related interests of its Canadian membership, a Canadian bank account is used to process various transactions. The Canadian bank account is converted to U.S. dollars using the applicable rate of exchange. For the years ended December 31, 2016 and 2015, the total effect resulting from these conversions was a loss of \$13,554 and \$53,302 respectively, and is included in other losses in the statements of activities.

NOTE 10 – CONTINGENCIES

ACBL is involved in various legal actions incidental to the ordinary course of operations. ACBL and/or its insurance carrier are vigorously defending these legal actions. Additionally, ACBL holds a general liability insurance policy with a \$5,000 deductible per occurrence. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on financial position or results of operations.