

AMERICAN CONTRACT BRIDGE LEAGUE, INC.



FINANCIAL STATEMENTS

December 31, 2019 and 2018



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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, 2019 and 2018, 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 statements.

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, 2019 and 2018, 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
March 18, 2020

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 2,766,890	\$ 1,113,690
Investments	6,876,835	7,060,936
Accounts receivable, net of allowance of \$10,000	430,916	502,880
Due from affiliates	21,099	5,005
Prepaid expenses	554,785	526,687
Total current assets	<u>10,650,525</u>	<u>9,209,198</u>
Property and equipment, net	<u>4,131,610</u>	<u>4,401,953</u>
Total assets	<u><u>\$ 14,782,135</u></u>	<u><u>\$ 13,611,151</u></u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$ 940,944	\$ 1,836,771
Accrued payroll liabilities	642,681	615,428
Accrued postemployment healthcare benefits, current	59,970	68,386
Unredeemed Bridge Bucks and gift certificates	81,513	75,871
Deferred revenue, current	4,398,582	4,376,791
Due to units and districts, current	542,828	542,529
Due to affiliates	239,880	185,151
Total current liabilities	<u>6,906,398</u>	<u>7,700,927</u>
Long-Term Liabilities		
Deferred revenue, long-term	2,344,754	2,191,669
Accrued postemployment healthcare benefits, long-term	1,285,623	1,223,338
Due to units and districts, long-term	222,414	207,746
Total long-term liabilities	<u>3,852,791</u>	<u>3,622,753</u>
Total liabilities	10,759,189	11,323,680
Net Assets		
Without donor restrictions	3,882,660	2,142,492
With donor restrictions	140,286	144,979
Total net assets	<u>4,022,946</u>	<u>2,287,471</u>
Total liabilities and net assets	<u><u>\$ 14,782,135</u></u>	<u><u>\$ 13,611,151</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Gains (Losses)			
Membership dues	\$ 6,109,615	\$ -	\$ 6,109,615
Club sanction fees	2,876,370	-	2,876,370
North American Championships	2,793,900	-	2,793,900
Tournament sanction fees	2,267,883	-	2,267,883
Tournament director fees	3,013,778	-	3,013,778
Bulletin sales and advertising	358,961	-	358,961
Educational programs and services	28,663	246,424	275,087
Royalties	641,174	-	641,174
Administrative fees	44,847	-	44,847
Other revenues	295,408	-	295,408
Net assets released from restrictions	251,117	(251,117)	-
Total operating revenues and gains (losses)	<u>18,681,716</u>	<u>(4,693)</u>	<u>18,677,023</u>
Operating Expenses			
Program Services			
North American Championships	2,682,265	-	2,682,265
Bulletin publication	1,634,508	-	1,634,508
Tournaments	5,196,021	-	5,196,021
Educational programs and services	352,241	-	352,241
Club and member services	937,125	-	937,125
Total program services	<u>10,802,160</u>	<u>-</u>	<u>10,802,160</u>
Supporting Services			
Membership development	362,523	-	362,523
Board expenses	362,483	-	362,483
Management and general	6,105,054	-	6,105,054
Total supporting services	<u>6,830,060</u>	<u>-</u>	<u>6,830,060</u>
Total operating expenses	<u>17,632,220</u>	<u>-</u>	<u>17,632,220</u>
Change in net assets from operations	1,049,496	(4,693)	1,044,803
Nonoperating Income (Loss)			
Investment income	162,899	-	162,899
Change in market value of investments	656,456	-	656,456
Net investment return	819,355	-	819,355
Loss on foreign exchange	(74,814)	-	(74,814)
Change in postemployment liability other than net periodic benefit costs	(53,869)	-	(53,869)
Total nonoperating income	<u>690,672</u>	<u>-</u>	<u>690,672</u>
Change in net assets	1,740,168	(4,693)	1,735,475
Net assets, beginning of year	<u>2,142,492</u>	<u>144,979</u>	<u>2,287,471</u>
Net assets, end of year	<u>\$ 3,882,660</u>	<u>\$ 140,286</u>	<u>\$ 4,022,946</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Gains (Losses)			
Membership dues	\$ 6,167,949	\$ -	\$ 6,167,949
Club sanction fees	2,818,924	-	2,818,924
North American Championships	2,000,978	-	2,000,978
Tournament sanction fees	2,261,979	-	2,261,979
Tournament director fees	3,087,996	-	3,087,996
Bulletin sales and advertising	270,877	-	270,877
Educational programs and services	21,803	228,922	250,725
Royalties	643,340	-	643,340
Administrative fees	41,565	-	41,565
Other revenues	213,963	-	213,963
Net assets released from restrictions	263,017	(263,017)	-
Total operating revenues and gains (losses)	<u>17,792,391</u>	<u>(34,095)</u>	<u>17,758,296</u>
Operating Expenses			
Program Services			
North American Championships	2,901,059	-	2,901,059
Bulletin publication	1,586,268	-	1,586,268
Tournaments	5,353,215	-	5,353,215
Educational programs and services	347,561	-	347,561
Club and member services	1,090,659	-	1,090,659
Total program services	<u>11,278,762</u>	<u>-</u>	<u>11,278,762</u>
Supporting Services			
Membership development	357,467	-	357,467
Board expenses	441,391	-	441,391
Management and general	6,501,099	-	6,501,099
Total supporting services	<u>7,299,957</u>	<u>-</u>	<u>7,299,957</u>
Total operating expenses	<u>18,578,719</u>	<u>-</u>	<u>18,578,719</u>
Change in net assets from operations	(786,328)	(34,095)	(820,423)
Nonoperating Income (Loss)			
Investment income	176,102	-	176,102
Change in market value of investments	(232,636)	-	(232,636)
Net investment return	(56,534)	-	(56,534)
Loss on foreign exchange	(42,830)	-	(42,830)
Loss on legal settlements	(991,787)	-	(991,787)
Loss on disposal of property and equipment	(326,753)	-	(326,753)
Change in postemployment liability other than net periodic benefit costs	302,581	-	302,581
Total nonoperating loss	<u>(1,115,323)</u>	<u>-</u>	<u>(1,115,323)</u>
Change in net assets	(1,901,651)	(34,095)	(1,935,746)
Net assets, beginning of year	4,044,143	179,074	4,223,217
Net assets, end of year	<u>\$ 2,142,492</u>	<u>\$ 144,979</u>	<u>\$ 2,287,471</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, 2019

	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	\$ 639,638	\$ 311,851	\$ 3,744,345	\$ 93,469	\$ 432,137	\$ 37,172	\$ -	\$ 3,185,309	\$ 8,443,921
Payroll taxes and benefits	124,022	73,176	806,790	-	145,826	-	-	859,163	2,008,977
Employee development	-	-	1,120	-	21	-	-	38,448	39,589
Travel and entertainment	853,087	97	195,773	99,776	27,642	-	223,540	167,910	1,567,825
Postage and shipping	62,335	477,106	7,602	8,946	2,878	69,258	635	18,247	647,007
Supplies	28,610	5,669	504	28,686	3,349	13,247	628	14,161	94,854
Printing	147,034	688,066	7,000	7,145	-	8,587	1,003	12,550	871,385
Membership billing	-	-	-	-	-	23,975	-	-	23,975
Small equipment	7,245	-	19,376	-	-	-	217	25,840	52,678
Repairs and maintenance	1,452	-	-	-	-	-	-	99,412	100,864
Equipment rental	171,539	-	14,043	2,519	-	-	51,161	15,826	255,088
Computer maintenance	-	-	780	7,555	-	-	-	263,245	271,580
Telephone	14,449	1,360	30,016	-	955	-	-	67,841	114,621
Utilities	3,353	5,365	10,730	-	11,401	-	-	45,603	76,452
Professional fees	18,412	5,640	43,371	8,026	-	-	7,311	533,078	615,838
Insurance	15,093	24,148	48,296	-	51,315	-	-	205,257	344,109
Advertising and promotion	17,688	9,000	-	-	1,771	54,826	-	111,649	194,934
Other	189,823	-	21,088	16,782	-	9,229	77,988	13,210	328,120
Banking fees	56,937	-	16,141	-	98,914	146,229	-	78,453	396,674
Dues and subscriptions	-	1,634	8,255	337	94,200	-	-	6,418	110,844
Depreciation	19,622	31,396	62,791	-	66,716	-	-	266,862	447,387
Taxes and licenses	-	-	-	-	-	-	-	68,710	68,710
Contributions to affiliates	-	-	-	79,000	-	-	-	-	79,000
Interest and penalties	-	-	-	-	-	-	-	7,862	7,862
Local reimbursements	280,932	-	-	-	-	-	-	-	280,932
Tournament prizes	30,994	-	158,000	-	-	-	-	-	188,994
	<u>\$ 2,682,265</u>	<u>\$ 1,634,508</u>	<u>\$ 5,196,021</u>	<u>\$ 352,241</u>	<u>\$ 937,125</u>	<u>\$ 362,523</u>	<u>\$ 362,483</u>	<u>\$ 6,105,054</u>	<u>\$ 17,632,220</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, 2018

	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	\$ 665,380	\$ 308,754	\$ 3,823,551	\$ 100,275	\$ 450,076	\$ 24,813	\$ -	\$ 3,485,181	\$ 8,858,030
Payroll taxes and benefits	123,443	50,449	759,676	-	146,027	-	-	786,200	1,865,795
Employee development	100	-	-	-	413	-	-	69,939	70,452
Travel and entertainment	1,148,279	8,570	302,127	88,237	19,953	-	293,674	181,935	2,042,775
Postage and shipping	67,700	462,260	10,525	11,488	1,288	79,075	706	22,419	655,461
Supplies	86,118	2,947	4,623	47,955	4,579	27,420	1,112	23,008	197,762
Printing	137,632	681,024	9,967	4,722	-	10,394	291	24,153	868,183
Membership billing	-	-	-	-	-	29,257	-	-	29,257
Small equipment	2,046	-	8,968	126	-	-	225	19,030	30,395
Repairs and maintenance	939	-	-	-	-	-	-	107,491	108,430
Equipment rental	81,959	-	27,571	8,204	4,031	-	55,432	13,746	190,943
Computer maintenance	-	-	5,262	7,226	31	-	-	370,730	383,249
Telephone	4,694	600	35,338	-	1,961	-	-	82,274	124,867
Utilities	3,125	5,000	11,249	-	11,249	-	-	41,871	72,494
Professional fees	17,502	5,885	38,570	-	-	-	11,500	567,384	640,841
Insurance	14,262	22,819	51,344	-	51,344	-	-	191,113	330,882
Advertising and promotion	11,237	-	-	-	1,918	52,392	451	2,528	68,526
Other	77,863	-	15,668	-	-	7,605	78,000	29,625	208,761
Banking fees	41,212	-	-	-	99,187	126,511	-	95,980	362,890
Dues and subscriptions	112	1,235	8,244	328	215,970	-	-	9,864	235,753
Depreciation	22,953	36,725	82,632	-	82,632	-	-	307,575	532,517
Taxes and licenses	-	-	-	-	-	-	-	68,850	68,850
Contributions to affiliates	-	-	-	79,000	-	-	-	-	79,000
Interest and penalties	-	-	-	-	-	-	-	203	203
Local reimbursements	370,487	-	-	-	-	-	-	-	370,487
Tournament prizes	24,016	-	157,900	-	-	-	-	-	181,916
	<u>\$ 2,901,059</u>	<u>\$ 1,586,268</u>	<u>\$ 5,353,215</u>	<u>\$ 347,561</u>	<u>\$ 1,090,659</u>	<u>\$ 357,467</u>	<u>\$ 441,391</u>	<u>\$ 6,501,099</u>	<u>\$ 18,578,719</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 1,735,475	\$ (1,935,746)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	447,387	532,517
Loss on legal settlements	-	991,787
Loss on disposal of property and equipment	-	326,753
Pension-related changes other than net periodic benefit costs	53,869	(302,581)
Change in market value of investments	(656,456)	232,636
Increase (Decrease) in Cash and Cash Equivalents:		
Accounts receivable	71,964	29,884
Due from affiliates	(16,094)	(5,005)
Prepaid expenses	(28,098)	(52,252)
Accounts payable and accrued expenses	(895,827)	84,684
Accrued payroll liabilities	27,253	(55,622)
Unredeemed Bridge Bucks and gift certificates	5,642	(33,707)
Deferred revenue	174,876	231,381
Unit dues refunds payable	14,967	13,901
Due to affiliates	54,729	(34,008)
Total adjustments	<u>(745,788)</u>	<u>1,960,368</u>
Net cash provided by operating activities	989,687	24,622
 Cash Flows From (Used For) Investing Activities:		
Proceeds from sale of investments	1,172,406	141,963
Purchase of investments	(331,849)	(317,341)
Purchase of property and equipment	<u>(177,044)</u>	<u>(467,096)</u>
Net cash from (used for) investing activities	<u>663,513</u>	<u>(642,474)</u>
 Net increase (decrease) in cash and cash equivalents	1,653,200	(617,852)
 Cash and cash equivalents, beginning of year	<u>1,113,690</u>	<u>1,731,542</u>
 Cash and cash equivalents, end of year	<u>\$ 2,766,890</u>	<u>\$ 1,113,690</u>

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

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – PRINCIPAL ACTIVITY AND 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 158,000 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.

Basis of Accounting

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 (“GAAP”).

Use of Estimates

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

Revenue Recognition

ACBL derives its revenues primarily through membership dues, club sanction fees, and various tournament fees. Club sanction fees and other tournament fees are recognized at the point in time when the games and tournaments are completed and the performance obligations are satisfied. Membership dues are considered exchange transactions and are recognized ratably over the membership period, which is generally one to three years. The performance obligations relating to membership dues consist of providing Master Points tracking and the monthly Bridge Bulletin magazine, which are satisfied ratably as services are received and consumed by the members. Certain judgments and estimates are used in the identification and timing of satisfaction of performance obligations and the related allocation of the transaction price. ACBL believes that these estimates represent an accurate depiction of the transfer of services to its members.

Membership dues paid in advance are deferred to the membership period to which they relate. All other amounts paid in advance are deferred to the period in which the games and tournaments take place.

Contributions are recognized when cash, securities or other assets, or unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been met

The following table provides information about changes in contract liabilities and accounts receivable from contracts with customers for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Contract Liabilities:		
Deferred revenue, beginning of year	\$ 6,568,460	\$ 6,337,079
Deferred revenue, end of year	\$ 6,743,336	\$ 6,568,460
Accounts Receivable, Net:		
Beginning of year	\$ 502,880	\$ 532,764
End of year	\$ 430,916	\$ 502,880

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.

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. Realized and unrealized gains and losses are included in the change in market value of investments on the statements of activities, net of external investment expenses.

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 \$1,000. 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.

Net Assets

ACBL reports its financial position and activities in two 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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature at December 31, 2019 and 2018. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Postemployment Benefit Plan

ACBL recognizes the funded status of its defined benefit postemployment 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 net assets without donor restrictions, 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 purchased by individuals for entry fees at the NABC events 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 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 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, 2019 and 2018 was \$25,869 and \$29,350, respectively.

Allocation of Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Advertising

ACBL expenses advertising costs as incurred. Advertising expense totaled \$194,934 and \$68,526 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Principles

Financial Accounting Standards Board ("FASB") Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606") supersedes or replaces nearly all GAAP revenue recognition guidance. ASC 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASC 606 requires the recognition of revenue upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 requires enhanced disclosures, including revenue recognition policies used to identify performance obligations to customers and the use of significant judgments in measurement and recognition. Analysis of various provisions of this standard resulted in no significant changes in the way ACBL recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In January 2016, the FASB issued Accounting Standards Update ("ASU") 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This update impacts all organizations that hold financial assets and liabilities and changes how these organizations will recognize, measure, present, and disclose information about certain financial instruments. ACBL has implemented ASU 2016-01, which resulted in no adjustments to the financial statements.

Date of Management's Review

ACBL evaluated its December 31, 2019 financial statements for subsequent events through March 18, 2020, 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 – LIQUIDITY AND AVAILABILITY

ACBL has approximately \$10,096,000 of financial assets available within one year of December 31, 2019, consisting of cash of \$2,767,000, investments of \$6,877,000, accounts receivable of \$431,000, and due from affiliates of \$21,000. Aside from the donor-restricted net assets detailed in Note 6, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of December 31, 2019. ACBL has the following liquidity measurement as a long-term guideline:

The total of current assets plus investments, to the extent they are marketable, less liabilities, not including accrued postretirement health care, will be sufficient to satisfy four months of general, tournament directors and Bridge Bulletin expenses, and not decrease below the amount necessary for three months of such expenses.

As part of ACBL's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Normal operating expenses per month are, on average, approximately \$1,470,000. ACBL invests cash in excess of daily requirements in various short-term investments including fixed income and equity securities.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

ACBL reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of ACBL. Unobservable inputs are inputs that reflect ACBL's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- 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 assets measured at fair value on a recurring basis. There have been no changes in methodologies used at December 31, 2019.

Exchange Traded Funds: Valued based on price of securities actively traded in public markets.

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:

	<u>2019</u>	<u>2018</u>
Exchange Traded Funds - Level 1		
Fixed income	\$ 5,145,612	\$ 5,505,893
Equities	1,731,223	1,555,043
	<u>\$ 6,876,835</u>	<u>\$ 7,060,936</u>

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 876,922	\$ 876,922
Building and improvements	3,688,310	3,688,310
Furniture and equipment	1,287,648	1,287,648
Computer equipment	295,321	289,348
Computer software	2,153,814	2,080,386
Tournament equipment	267,233	178,383
Automobiles	19,948	19,948
Assets in progress	8,794	-
	<u>8,597,990</u>	<u>8,420,945</u>
Less accumulated depreciation	<u>(4,466,380)</u>	<u>(4,018,992)</u>
	<u>\$ 4,131,610</u>	<u>\$ 4,401,953</u>

NOTE 5 – RETIREMENT AND POSTEMPLOYMENT 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 each of the years ended December 31, 2019 and 2018, management elected to contribute an additional 3% of each participating employee's salary. Employer contributions to the plan were \$307,220 and \$285,207 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, ACBL had plan contributions payable of \$200,403 and \$187,665, respectively. These amounts are included in accrued payroll liabilities on the statements of financial position.

Canadian Plan

ACBL has a Canadian Group 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 \$5,996 and \$8,712 for the years ended December 31, 2019 and 2018, respectively.

Postemployment 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.

Postemployment 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>2019</u>	<u>2018</u>
Changes in Benefit Obligations:		
Accumulated postemployment benefit obligation, beginning of year	\$ 1,291,724	\$ 1,594,305
Service cost	40,147	59,038
Interest cost	52,669	49,951
Actuarial (gain) loss	34,340	(346,305)
Benefits paid	<u>(73,287)</u>	<u>(65,265)</u>
Accumulated postemployment benefit obligation, end of year	1,345,593	1,291,724
Changes in Plan Assets:		
Employer contributions	42,086	36,653
Plan participants' contributions	31,201	28,612
Benefits paid	<u>(73,287)</u>	<u>(65,265)</u>
Fair value of plan assets, end of year	<u>-</u>	<u>-</u>
Funding deficit	<u>\$ (1,345,593)</u>	<u>\$ (1,291,724)</u>

Amounts recognized in the statements of financial position consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Accrued postemployment healthcare benefits, current	\$ 59,970	\$ 68,386
Accrued postemployment healthcare benefits, long-term	1,285,623	1,223,338
	<u>\$ 1,345,593</u>	<u>\$ 1,291,724</u>

The weighted average assumptions used to determine benefit obligations were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Discount rate at end of year	3.10%	4.15%
Health Care Trend Rate		
Initial	8.00%	9.00%
Ultimate	4.50%	5.50%
Years to ultimate	7	7
Dental Trend Rate		
Initial	4.00%	4.00%
Ultimate	3.00%	3.00%
Years to ultimate	4	4

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

	<u>2019</u>	<u>2018</u>
Service cost	\$ 40,147	\$ 59,038
Interest cost	52,669	49,951
Net periodic benefit cost (income)	<u>\$ 92,816</u>	<u>\$ 108,989</u>

ACBL expects to contribute approximately \$59,970 to its postemployment benefit plan during the year ending December 31, 2020. 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:

2020	\$ 49,484
2021	51,781
2022	54,851
2023	58,829
2024	61,919
2025 - 2029	337,133
	<u>\$ 613,997</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following purpose restrictions at December 31:

	<u>2019</u>	<u>2018</u>
Vanderbilt trophy fund	\$ 127,846	\$ 132,634
Junior fund	12,044	11,949
Education foundation fund	396	396
	<u>\$ 140,286</u>	<u>\$ 144,979</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Junior fund	\$ 246,329	\$ 216,973
Vanderbilt trophy fund	4,788	4,213
Sternberg trophy fund	-	41,831
	<u>\$ 251,117</u>	<u>\$ 263,017</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 \$44,847 and \$41,565 for the years ended December 31, 2019 and 2018, respectively.

ACBL makes contributions to the USBF and CBF out of a portion of the junior fund monies collected. Contributions to these affiliates totaled \$79,000 for each the years ended December 31, 2019 and 2018, respectively.

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

	<u>2019</u>	<u>2018</u>
Due From:		
ACBL Charity Foundation	\$ -	\$ 836
ACBL Educational Foundation	21,099	4,169
	<u>\$ 21,099</u>	<u>\$ 5,005</u>
Due To:		
United States Bridge Federation	\$ 227,769	\$ 170,624
Canadian Bridge Federation	7,164	10,092
Mexican Bridge Federation	142	101
Bermuda Contract Bridge League	85	56
ACBL Charity Foundation	1,488	-
ACBL Educational Foundation	3,232	4,278
	<u>\$ 239,880</u>	<u>\$ 185,151</u>

NOTE 8 – COMMITMENTS

ACBL has entered into cancelable agreements for hotel meeting space and guestroom rentals related to future NABC events 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, 2019, the maximum cancellation fees payable would be approximately \$7,800,000. 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 members, ACBL has a Canadian bank account that is used to process various transactions. This bank account is converted to U.S. dollars using the applicable rate of exchange. For the years ended December 31, 2019 and 2018, the total effect resulting from these conversions was a loss of \$74,814 and \$42,830, respectively. These amounts are presented separately 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.

NOTE 11 – SUBSEQUENT EVENT

Subsequent to year-end, ACBL's national tournament in March 2020 was canceled due to unforeseen circumstances. ACBL was able to cancel all related contracts without penalty or loss.