

**AMERICAN CONTRACT BRIDGE LEAGUE
CHARITY FOUNDATION CORP.**

FINANCIAL STATEMENTS

December 31, 2017 and 2016



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTAL INFORMATION	
Schedule of Investments – December 31, 2017	11
Schedule of Trustee Grants – For the Year Ended December 31, 2017	12

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American Contract Bridge League Charity Foundation Corp.

We have audited the accompanying financial statements of American Contract Bridge League Charity Foundation Corp., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 error or fraud.

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 audits 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 Charity Foundation Corp. as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watkins Nilusall, PLLC

Memphis, Tennessee
February 28, 2018

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 84,583	\$ 100,840
Investments - municipal bonds	751,169	786,357
Due from American Contract Bridge League, Inc.	30,163	17,215
Interest receivable	<u>6,808</u>	<u>7,087</u>
Total assets	<u>\$ 872,723</u>	<u>\$ 911,499</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Grants payable	\$ -	\$ 1,000
Net Assets		
Unrestricted	<u>872,723</u>	<u>910,499</u>
Total liabilities and net assets	<u>\$ 872,723</u>	<u>\$ 911,499</u>

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

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

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Games Revenues		
Club	\$ 264,573	\$ 237,826
Unit and district	12,785	11,348
Continent wide	6,762	9,244
Donations and memorials	12,617	13,266
Interest income	15,369	11,260
Change in market value of investments	(2,555)	(26,143)
Miscellaneous	525	11
Total revenues	<u>310,076</u>	<u>256,812</u>
 Expenses		
Program Services		
Trustee grants	200,277	131,500
Charity of the year grants	120,000	150,000
Total program services expenses	<u>320,277</u>	<u>281,500</u>
 Management and General		
Administrative fees	18,515	16,951
Postage	51	85
Professional fees	7,200	6,900
Other expenses	1,809	1,261
Total management and general expenses	<u>27,575</u>	<u>25,197</u>
 Total expenses	<u>347,852</u>	<u>306,697</u>
 Change in unrestricted net assets	(37,776)	(49,885)
 Unrestricted net assets, beginning of year	<u>910,499</u>	<u>960,384</u>
 Unrestricted net assets, end of year	<u><u>\$ 872,723</u></u>	<u><u>\$ 910,499</u></u>

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

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (37,776)	\$ (49,885)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used For) Operating Activities:		
Change in market value of investments	2,555	26,143
Amortization of bond premiums	7,633	6,349
Increase (Decrease) in Cash and Cash Equivalents:		
Due from American Contract Bridge League, Inc.	(12,948)	(19)
Interest receivable	279	(2,990)
Grants payable	<u>(1,000)</u>	<u>1,000</u>
Total adjustments	<u>(3,481)</u>	<u>30,483</u>
Net cash used for operating activities	(41,257)	(19,402)
Cash Flows Provided by (Used For) Investing Activities:		
Proceeds from sale of investments	25,000	350,000
Purchases of investments	<u>-</u>	<u>(629,973)</u>
Net cash provided by (used for) investing activities	<u>25,000</u>	<u>(279,973)</u>
Net decrease in cash and cash equivalents	(16,257)	(299,375)
Cash and cash equivalents at beginning of the year	<u>100,840</u>	<u>400,215</u>
Cash and cash equivalents at end of the year	<u><u>\$ 84,583</u></u>	<u><u>\$ 100,840</u></u>

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

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

American Contract Bridge League Charity Foundation Corp. (the “Foundation”) is a not-for-profit organization whose purpose is to make important contributions to worthy causes and to foster good public relations for the game of bridge, for American Contract Bridge League, Inc. and for its members. The Foundation is governed by a five-member Board of Trustees.

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”).

The Foundation reports its financial position and activities in three net asset categories according to the existence and absence of donor-imposed restrictions. Accordingly, the Foundation’s 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, 2017 and 2016, there were no permanently restricted net assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent contributions 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. At December 31, 2017 and 2016, there were no temporarily restricted net assets.

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

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

The Foundation 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 and Credit Risks

The Foundation's credit risks primarily relate to cash and cash equivalents. The Foundation maintains cash deposits at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000.

Revenue Recognition

Contributions are recognized as revenues when they are received or unconditionally pledged. The Foundation 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.

Cash and Cash Equivalents

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

Investments

The Foundation carries investments at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the "change in market value of investments" in the accompanying statements of activities.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, no provision has been made for such taxes. The Foundation files an exempt organization return in the U.S. federal jurisdiction.

Recent Accounting Pronouncements

The Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The most significant changes within the ASU impact the following areas:

1. Net Asset Classes – Net asset classification has been reduced from three classes of net assets (unrestricted, temporarily restricted and permanently restricted) to net assets with donor restrictions and net assets without donor restrictions.
2. Investment Return – Investment return will be reported net of external and direct internal investment expenses and those netted expenses are no longer required to be disclosed.
3. Expenses – Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements.

4. Liquidity and Availability of Resources – The ASU requires disclosures that communicate qualitative information of how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, as well as quantitative information that communicates the availability of a not-for-profit entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
5. Presentation of Operating Cash Flows – Not-for-profit entities can continue to present the statement of cash flows using either the direct method or indirect method. The ASU removes the requirement to present or disclose the indirect method when using the direct method of reporting cash flows.

The above changes only impact the presentation and disclosures within the financial statements. However, within the ASU, there is one change in the accounting requirements for not-for-profit entities. The placed-in-service approach will now be required for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU eliminates the current option that, in the absence of explicit donor stipulations, had allowed a not-for-profit to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed, i.e. to match the depreciation expense on the asset) rather than when placed in service.

The Foundation intends to adopt the new ASU guidance using the retrospective method for the year ended December 31, 2018.

Date of Management's Review

Management has evaluated its December 31, 2017 financial statements for subsequent events through February 28, 2018, the date the financial statements were available to be issued. The Foundation 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 the Foundation has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices in active markets for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs 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 liabilities.

In determining fair values, the Foundation 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, 2017.

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

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, the Foundation 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 Foundation classifies all of its municipal bonds as Level 2 assets for the years ended December 31, 2017 and 2016.

NOTE 3 – RELATED PARTY TRANSACTIONS

American Contract Bridge League, Inc. (“ACBL”), an affiliate of the Foundation, provides administrative and bookkeeping services to the Foundation. ACBL collects donations and pays certain expenses on behalf of the Foundation. For the years ended December 31, 2017 and 2016, annual administrative fees consisted of \$18,515 and \$16,951, respectively. At December 31, 2017 and 2016, \$30,163 and \$17,215 was receivable from ACBL, respectively.

SUPPLEMENTAL INFORMATION

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

SCHEDULE OF INVESTMENTS

December 31, 2017

Issuer	Rate	Date Acquired	Maturity Date	Par Value	Market Value
Houston Texas Independent School District	4.76%	11/06/14	02/15/19	\$ 30,000	\$ 30,943
State of New York Municipal Bond	5.02%	11/06/14	05/15/19	115,000	119,034
Bergen County New Jersey Improvement Authority	2.66%	09/21/16	03/15/20	110,000	110,969
State of Utah Board of Regents	3.85%	09/22/16	04/01/21	110,000	113,237
State of Florida Board of Administration	2.64%	09/22/16	07/01/21	110,000	110,113
North Newton 2011 School Building Corporation	3.50%	11/14/16	07/15/21	40,000	40,856
Regional School District No. 1 Lower Kennebec Region	2.00%	09/21/16	08/01/21	115,000	113,404
Port of Morrow, Oregon	1.78%	09/22/16	09/01/21	115,000	112,613
				<u>\$ 745,000</u>	<u>\$ 751,169</u>

See independent auditor's report.

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.**SCHEDULE OF TRUSTEE GRANTS**

For the Year Ended December 31, 2017

Recipient	Amount
ALACBU Scholarship Foundation	\$ 500
Alzheimer's Association	500
American Red Cross	52,614
Americares	26,663
Appalachia Service Project	1,000
Association Des Parents D'Adolescents	250
Ballet Memphis	10,000
Bartlesville First United Methodist Church	1,000
Carpenter Place	500
City Mission, Inc.	500
City Youth Ministries	1,500
Community Foundation of the Florida Keys	1,000
Cornerstone Advocacy Service	1,000
Direct Relief	30,000
EMMAUS	500
Esperance, Inc.	5,000
Family Services of Tulare Country	1,000
Fisher House Foundation	1,000
Geneva Centre for Autism	2,500
Have a Heart, Inc.	1,000
Heartwood House	250
Hospice of Eastern Idaho	1,000
Hostetter Ministries	1,500
Houston Food Bank	1,000
Houston Food Bank	1,000
Kalamazoo County Humane Society	1,000
Les Petits Freres	250
Lifting Up Westchester	1,000
Meals at Home	10,000
Mid-Ohio Foodbank	500
Mind & Melody, Inc.	10,000
NAMI of Southwest Washington	250
Open Medicine Foundation	1,000
Planned Parenthood	250
Retrieving Freed - Iowa	1,000
Sacramento Zoological Society	1,000
Salvation Army Colorado Springs	1,000
SEARCH Homeless Services	1,000
Sherwood 4 Kids Sake	250
Southside Ministries Camp Kearney	1,500

See independent auditor's report.

AMERICAN CONTRACT BRIDGE LEAGUE CHARITY FOUNDATION CORP.

SCHEDULE OF TRUSTEE GRANTS (CONTINUED)

For the Year Ended December 31, 2017

Recipient	Amount
Stewarts Caring Place	10,000
Sunset Ridge-Middlefork Parent Teacher	1,000
The Community Transitional School	250
The Living Bank	1,000
The Longest Day	1,000
The Rehabilitation Institute of Kansas City	5,000
The Scott Mission	1,000
Thompson Anxiety Disorder Centre	2,500
True Theater	1,000
Unit 125 Scholarship & Charity	1,000
United Way of Northeast Arkansas	1,500
Vio-Secours, Calacs de Quebec	250
West Valley Food Pantry	500
Wichita Children's Home	500
World Renew	1,000
Total trustee grants	<u>\$ 200,277</u>

See independent auditor's report.