

**AMERICAN CONTRACT BRIDGE LEAGUE, INC.**

**FINANCIAL STATEMENTS**



December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

## **Correction of an Error**

As described in Note 10 to the financial statements, postretirement healthcare liabilities have been restated for the year ended December 31, 2014 as a result of errors found in the participant data reported to the actuary. Accordingly, the change in retirement liability other than net periodic benefit costs has been corrected as well for the year ended December 31, 2014. Our opinion is not modified with respect to that matter.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
March 1, 2016

**AMERICAN CONTRACT BRIDGE LEAGUE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2015 and 2014

|   | <u>Assets</u>                     |                                     |
|---|-----------------------------------|-------------------------------------|
|   | <u>2015</u>                       | <u>2014</u><br><u>(As Restated)</u> |
| Current Assets                                    |                                   |                                     |
| Cash and cash equivalents                         | \$ 1,681,624                      | \$ 1,080,751                        |
| Investments                                       | 4,181,804                         | 4,327,534                           |
| Accounts receivable, net of allowance of \$10,000 | 471,888                           | 537,835                             |
| Due from affiliates                               | -                                 | 2,873                               |
| Prepaid expenses                                  | 451,839                           | 482,091                             |
| Other current assets                              | 24,637                            | 123,448                             |
| Total current assets                              | <u>6,811,792</u>                  | <u>6,554,532</u>                    |
| Property and equipment, net                       | <u>5,049,433</u>                  | <u>5,482,548</u>                    |
| Total assets                                      | <u>\$ 11,861,225</u>              | <u>\$ 12,037,080</u>                |
|   | <u>Liabilities and Net Assets</u> |                                     |
| Current Liabilities                               |                                   |                                     |
| Accounts payable                                  | \$ 210,734                        | \$ 130,571                          |
| Accrued payroll liabilities                       | 508,993                           | 498,188                             |
| Other accrued expenses                            | 467,348                           | 623,353                             |
| Accrued postretirement healthcare benefits        | 126,912                           | 98,000                              |
| Unredeemed Bridge Bucks and gift certificates     | 108,477                           | 117,127                             |
| Deferred revenue                                  | 3,746,964                         | 3,663,791                           |
| Due to units and districts                        | 586,061                           | 433,510                             |
| Due to affiliates                                 | 166,532                           | 182,570                             |
| Total current liabilities                         | <u>5,922,021</u>                  | <u>5,747,110</u>                    |
| Long-Term Liabilities                             |                                   |                                     |
| Deferred revenue                                  | 1,420,578                         | 1,369,131                           |
| Accrued postretirement healthcare benefits        | 1,371,998                         | 1,400,910                           |
| Unit dues refunds payable                         | 117,410                           | 124,550                             |
| Total long-term liabilities                       | <u>2,909,986</u>                  | <u>2,894,591</u>                    |
| Total liabilities                                 | 8,832,007                         | 8,641,701                           |
| Net Assets  |                                   |                                     |
| Unrestricted                                      | 2,845,124                         | 3,203,785                           |
| Temporarily restricted                            | 184,094                           | 191,594                             |
| Total net assets                                  | <u>3,029,218</u>                  | <u>3,395,379</u>                    |
| Total liabilities and net assets                  | <u>\$ 11,861,225</u>              | <u>\$ 12,037,080</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

|   | Unrestricted | Temporarily<br>Restricted | Total        |
|---|--------------|---------------------------|--------------|
| 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) | 16,199,198   | (7,500)                   | 16,191,698   |
| Operating Expenses                          |              |                           |              |
| Program Services                            |              |                           |              |
| North American Championships                | 1,848,495    | -                         | 1,848,495    |
| Bulletin publication                        | 1,527,424    | -                         | 1,527,424    |
| Tournaments                                 | 4,463,515    | -                         | 4,463,515    |
| Educational programs and services           | 416,447      | -                         | 416,447      |
| Club and member services                    | 1,028,603    | -                         | 1,028,603    |
| Total program services                      | 9,284,484    | -                         | 9,284,484    |
| 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                   | 7,158,393    | -                         | 7,158,393    |
| Total operating expenses                    | 16,442,877   | -                         | 16,442,877   |
| 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               | 3,203,785    | 191,594                   | 3,395,379    |
| Net assets, end of year                     | \$ 2,845,124 | \$ 184,094                | \$ 3,029,218 |

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, 2014, As Restated

|  | Unrestricted | Temporarily<br>Restricted | Total        |
|--|--------------|---------------------------|--------------|
| Operating Revenues and Gains (Losses)                                |              |                           |              |
| Membership dues  | \$ 5,189,686 | \$ -                      | \$ 5,189,686 |
| Club sanction fees   | 2,461,339    | -                         | 2,461,339    |
| North American Championships   | 2,297,521    | -                         | 2,297,521    |
| Tournament sanction fees   | 2,316,492    | -                         | 2,316,492    |
| Tournament director fees   | 2,997,103    | -                         | 2,997,103    |
| Bulletin sales and advertising                                       | 322,051      | -                         | 322,051      |
| Educational programs and services                                    | 36,820       | 176,808                   | 213,628      |
| Royalties  | 149,793      | -                         | 149,793      |
| Administrative fees  | 34,449       | -                         | 34,449       |
| Other revenues   | 106,129      | -                         | 106,129      |
| Other losses   | (34,766)     | -                         | (34,766)     |
| Investment income  | 177,704      | 592                       | 178,296      |
| Net assets released from restrictions                                | 257,961      | (257,961)                 | -            |
| Total operating revenues and gains (losses)                          | 16,312,282   | (80,561)                  | 16,231,721   |
| Operating Expenses   |              |                           |              |
| Program Services   |              |                           |              |
| North American Championships   | 2,376,400    | -                         | 2,376,400    |
| Bulletin publication   | 1,607,556    | -                         | 1,607,556    |
| Tournaments  | 4,954,365    | -                         | 4,954,365    |
| Educational programs and services                                    | 437,608      | -                         | 437,608      |
| Club and member services   | 1,101,411    | -                         | 1,101,411    |
| Total program services   | 10,477,340   | -                         | 10,477,340   |
| Supporting Services  |              |                           |              |
| Membership development   | 473,660      | -                         | 473,660      |
| Board expenses   | 417,617      | -                         | 417,617      |
| Management and general   | 5,444,970    | -                         | 5,444,970    |
| Total supporting services  | 6,336,247    | -                         | 6,336,247    |
| Total operating expenses   | 16,813,587   | -                         | 16,813,587   |
| Change in net assets from operations                                 | (501,305)    | (80,561)                  | (581,866)    |
| Nonoperating Activities  |              |                           |              |
| Change in market value of investments                                | (7,307)      | -                         | (7,307)      |
| Loss on asset impairment   | (1,905,329)  | -                         | (1,905,329)  |
| Gain on involuntary conversion fo property and equipment             | 57,139       | -                         | 57,139       |
| Change in retirement liability other than net periodic benefit costs | (1,740,500)  | -                         | (1,740,500)  |
| Total nonoperating activities  | (3,595,997)  | -                         | (3,595,997)  |
| Change in net assets   | (4,097,302)  | (80,561)                  | (4,177,863)  |
| Net assets, beginning of year, as previously reported                | 7,501,117    | 272,155                   | 7,773,272    |
| Prior period adjustment  | (200,030)    | -                         | (200,030)    |
| Net assets, beginning of year, as restated                           | 7,301,087    | 272,155                   | 7,573,242    |
| Net assets, end of year  | \$ 3,203,785 | \$ 191,594                | \$ 3,395,379 |

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<br>American<br>Championships | Bulletin<br>Publication | Tournaments         | Educational<br>Programs and<br>Services | Club and<br>Member<br>Services | Membership<br>Development | Board<br>Expenses | Management<br>and<br>General |                      |
| Salaries and wages          | \$ 467,520                         | \$ 256,646              | \$ 3,197,958        | \$ 203,975                              | \$ 391,523                     | \$ 9,500                  | \$ -              | \$ 2,789,801                 | \$ 7,316,923         |
| 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    | 409,869                            | 5,000                   | 235,559             | 19,785                                  | 22,272                         | 7,515                     | 355,710           | 307,786                      | 1,363,496            |
| 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>\$ 4,463,515</u> | <u>\$ 416,447</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.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

|                             | Program Services                   |                         |                     |   |                                | Supporting Services       |                   |                              | Total                |
|-----------------------------|------------------------------------|-------------------------|---------------------|---|--------------------------------|---------------------------|-------------------|------------------------------|----------------------|
|                             | North<br>American<br>Championships | Bulletin<br>Publication | Tournaments         | Educational<br>Programs and<br>Services | Club and<br>Member<br>Services | Membership<br>Development | Board<br>Expenses | Management<br>and<br>General |                      |
| Salaries and wages          | \$ 612,321                         | \$ 298,564              | \$ 3,360,740        | \$ 172,152                              | \$ 429,138                     | \$ 9,500                  | \$ -              | \$ 2,428,587                 | \$ 7,311,002         |
| Payroll taxes and benefits  | 155,075                            | 48,126                  | 774,206             | -                                       | 156,289                        | -                         | -                 | 643,059                      | 1,776,755            |
| Employee development        | 35                                 | -                       | 1,097               | -                                       | 800                            | -                         | -                 | 90,488                       | 92,420               |
| Travel and entertainment    | 609,310                            | 5,909                   | 360,984             | 16,175                                  | 21,275                         | 8,166                     | 300,032           | 234,107                      | 1,555,958            |
| Postage and shipping        | 51,539                             | 484,749                 | 27,885              | 20,569                                  | 16,124                         | 134,959                   | 7,570             | 30,841                       | 774,236              |
| Supplies                    | 19,383                             | 461                     | 4,734               | 80,950                                  | 4,089                          | 14,118                    | 2,413             | 18,937                       | 145,085              |
| Printing                    | 156,124                            | 697,640                 | 18,040              | 13,938                                  | 11,230                         | 14,098                    | 1,024             | 25,349                       | 937,443              |
| Membership billing          | -                                  | -                       | -                   | -                                       | -                              | 49,777                    | -                 | -                            | 49,777               |
| Small equipment             | 7,881                              | -                       | 3,278               | 112                                     | -                              | -                         | -                 | 24,314                       | 35,585               |
| Repairs and maintenance     | 2,687                              | -                       | -                   | -                                       | -                              | -                         | -                 | 109,072                      | 111,759              |
| Equipment rental            | 96,863                             | -                       | 21,764              | 6,267                                   | 941                            | -                         | 26,520            | 12,924                       | 165,279              |
| Computer maintenance        | -                                  | -                       | -                   | -                                       | -                              | -                         | -                 | 232,979                      | 232,979              |
| Telephone                   | 16,977                             | -                       | 4,703               | -                                       | 915                            | -                         | 1,773             | 81,275                       | 105,643              |
| Utilities                   | 5,593                              | 7,457                   | 14,914              | -                                       | 20,506                         | -                         | -                 | 67,112                       | 115,582              |
| Professional fees           | 48,161                             | 1,058                   | 63,339              | (742)                                   | -                              | -                         | 112               | 653,304                      | 765,232              |
| Insurance                   | 24,445                             | 32,593                  | 65,186              | -                                       | 89,631                         | -                         | -                 | 293,337                      | 505,192              |
| Advertising and promotion   | 20,100                             | 3,709                   | 311                 | 1,893                                   | 1,012                          | 154,629                   | -                 | 12,850                       | 194,504              |
| Other                       | 48,928                             | -                       | 24,225              | -                                       | -                              | 4,907                     | 78,055            | 14,003                       | 170,118              |
| Banking fees                | 31,004                             | -                       | -                   | -                                       | 109,411                        | 83,506                    | -                 | 161,346                      | 385,267              |
| Dues and subscriptions      | 663                                | 160                     | 498                 | 294                                     | 165,442                        | -                         | 118               | 8,449                        | 175,624              |
| Depreciation                | 20,334                             | 27,112                  | 54,225              | -                                       | 74,559                         | -                         | -                 | 244,011                      | 420,241              |
| Taxes and licenses          | -                                  | -                       | -                   | -                                       | -                              | -                         | -                 | 58,463                       | 58,463               |
| Contributions to affiliates | -                                  | -                       | -                   | 126,000                                 | -                              | -                         | -                 | -                            | 126,000              |
| Interest expense            | 14                                 | 18                      | 36                  | -                                       | 49                             | -                         | -                 | 163                          | 280                  |
| Local reimbursements        | 419,969                            | -                       | -                   | -                                       | -                              | -                         | -                 | -                            | 419,969              |
| Tournament prizes           | 28,994                             | -                       | 154,200             | -                                       | -                              | -                         | -                 | -                            | 183,194              |
|                             | <u>\$ 2,376,400</u>                | <u>\$ 1,607,556</u>     | <u>\$ 4,954,365</u> | <u>\$ 437,608</u>                       | <u>\$ 1,101,411</u>            | <u>\$ 473,660</u>         | <u>\$ 417,617</u> | <u>\$ 5,444,970</u>          | <u>\$ 16,813,587</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, 2015 and 2014

|  | <u>2015</u>         | <u>2014</u><br><u>(As Restated)</u> |
|--|---------------------|-------------------------------------|
| Cash Flows Provided By (Used For) Operating Activities:  |                     |                                     |
| Change in net assets   | \$ (366,161)        | \$ (4,177,863)                      |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Provided By Operating Activities: |                     |                                     |
| Depreciation   | 508,459             | 420,241                             |
| Gain on involuntary conversion of property and equipment<br>reimbursed by insurance            | -                   | (57,139)                            |
| Loss on impairment of property and equipment   | -                   | 1,905,329                           |
| Pension-related changes other than net periodic benefit costs                                  | -                   | 1,740,500                           |
| Change in market value of investments  | 114,982             | 7,307                               |
| Increase (Decrease) in Cash and Cash Equivalents:  |                     |                                     |
| Accounts receivable  | 65,947              | (40,639)                            |
| Due from affiliates  | 2,873               | 852                                 |
| Prepaid expenses   | 30,252              | 56,012                              |
| Prepaid pension benefits   | -                   | 596,022                             |
| Other current assets   | 98,811              | (90,528)                            |
| Accounts payable   | 80,163              | (211,781)                           |
| Accrued payroll liabilities  | 10,805              | 28,750                              |
| Other accrued expenses   | (156,005)           | 165,716                             |
| Accrued pension benefits   | -                   | (1,740,500)                         |
| Unredeemed Bridge Bucks and gift certificates  | (8,650)             | (14,976)                            |
| Deferred revenue   | 134,620             | 108,716                             |
| Unit dues refunds payable  | 145,411             | 8,579                               |
| Due to affiliates  | <u>(16,038)</u>     | <u>18,580</u>                       |
| Total adjustments  | <u>1,011,630</u>    | <u>2,901,041</u>                    |
| Net cash provided by (used for) operating activities   | <u>645,469</u>      | <u>(1,276,822)</u>                  |
| Cash Flows From (Used For) Investing Activities:   |                     |                                     |
| Proceeds from sale of investments  | 2,078,175           | 3,499,577                           |
| Purchase of investments  | (2,047,427)         | (1,753,542)                         |
| Purchase of property and equipment   | <u>(75,344)</u>     | <u>(920,629)</u>                    |
| Net cash from (used for) investing activities  | <u>(44,596)</u>     | <u>825,406</u>                      |
| Net increase (decrease) in cash and cash equivalents   | 600,873             | (451,416)                           |
| Cash and cash equivalents at beginning of year   | <u>1,080,751</u>    | <u>1,532,167</u>                    |
| Cash and cash equivalents at end of year   | <u>\$ 1,681,624</u> | <u>\$ 1,080,751</u>                 |

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

# AMERICAN CONTRACT BRIDGE LEAGUE, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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### 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 the 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 (“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, 2015 and 2014, 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 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 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. 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. 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.

## 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 \$36,473 and \$44,520 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 was \$147,351 and \$20,261, respectively.

### Advertising

ACBL expenses advertising costs as incurred. Advertising expense totaled \$193,071 and \$194,504 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014.

### 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, 2015 financial statements for subsequent events through March 1, 2016, 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**

Generally accepted accounting principles establish 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, 2015.

*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:

|                            | 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> |
|                            |                     |                     |                     |
|                            | 2014                |                     |                     |
|                            | Level 1             | Level 2             | Total               |
| Fixed Income               |                     |                     |                     |
| Certificates of deposit    | \$ -                | \$ 597,018          | \$ 597,018          |
| U.S. government securities | -                   | 712,164             | 712,164             |
| Municipal bonds            | -                   | 433,285             | 433,285             |
| Corporate bonds            | -                   | 1,261,108           | 1,261,108           |
| Equities                   |                     |                     |                     |
| Preferred stock            | 125,040             | -                   | 125,040             |
| Common stock               | 770,242             | -                   | 770,242             |
| Mutual funds               | 326,205             | -                   | 326,205             |
| Exchange traded funds      | 102,472             | -                   | 102,472             |
|                            | <u>\$ 1,323,959</u> | <u>\$ 3,003,575</u> | <u>\$ 4,327,534</u> |

### NOTE 3 – PROPERTY AND EQUIPMENT

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

|                                   | 2015                | 2014                |
|-----------------------------------|---------------------|---------------------|
| Land                              | \$ 876,922          | \$ 876,922          |
| Building and improvements         | 3,531,770           | 3,531,770           |
| Furniture and equipment           | 1,224,854           | 1,223,674           |
| Computer software and equipment   | 2,637,241           | 2,174,779           |
| Tournament equipment              | 192,179             | 182,196             |
| Automobiles                       | 19,948              | 19,948              |
| Internal-use software in progress | 18,564              | 416,845             |
|                                   | <u>8,501,478</u>    | <u>8,426,134</u>    |
| Less accumulated depreciation     | <u>(3,452,045)</u>  | <u>(2,943,586)</u>  |
|                                   | <u>\$ 5,049,433</u> | <u>\$ 5,482,548</u> |



During 2014, ACBL determined that the multi-year project to develop the internal-use software, ACBL Score+, resulted in software that did not fit ACBL's needs. Therefore, the software was deemed unusable and the related asset balance was reduced. A loss on asset impairment for \$1,905,329 was recognized and included in the statement of activities.

## **NOTE 4 – 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 each of the years ended December 31, 2015 and 2014, management chose to contribute an additional 2% of each participating employee's salary. Contributions to the plan were \$231,501 and \$235,442 for 2015 and 2014, 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 \$5,308 and \$5,188 for the years ended December 31, 2015 and 2014, respectively.

### Pension Plan

During 2014, the qualified defined benefit pension plan was terminated. As a part of the termination, annuities totaling \$3,448,627 were purchased for participants and lump sum payments totaling \$4,895,549 were made to participants in order to fully dissolve ACBL's pension liability. The majority of the liability was funded by pension plan assets which totaled \$7,199,698 at the time of termination. Additional expense incurred by ACBL to terminate the plan totaled \$1,740,500 which is included in change in retirement liability other than net periodic benefit costs on the statement of activities.

### Postretirement Healthcare Plan

ACBL offers Medicare Supplement insurance to retirees with at least ten years of service and at least 65 years of age, or twenty years of service and at least 55 years of age for those employees leaving employment prior to January 1, 2000. For those employees leaving employment on or after January 1, 2000, retirees with at least 20 years of service and have attained age 55 are eligible. The retirees must agree to pay a portion of the premiums. Employees hired after December 31, 2013 are not eligible to participate in the plan.

## 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>2015</u>           | <u>2014</u><br>(As Restated) |
|--|-----------------------|------------------------------|
| Changes in Benefit Obligations:                            |                       |                              |
| Benefit obligations, beginning of year                     | \$ 1,498,910          | \$ 1,498,910                 |
| Service cost   | 53,323                | 33,496                       |
| Interest cost  | 60,176                | 63,725                       |
| Actuarial (gain) loss                                      | (63,234)              | (52,083)                     |
| Benefits paid  | <u>(50,265)</u>       | <u>(45,138)</u>              |
| Accumulated postretirement benefit obligation, end of year | 1,498,910             | 1,498,910                    |
| Changes in Plan Assets:                                    |                       |                              |
| Employer contributions                                     | 27,940                | 27,414                       |
| Plan participants' contributions                           | 22,325                | 17,724                       |
| Benefits paid  | <u>(50,265)</u>       | <u>(45,138)</u>              |
| Fair value of plan assets, end of year                     | <u>-</u>              | <u>-</u>                     |
| Funded status  | <u>\$ (1,498,910)</u> | <u>\$ (1,498,910)</u>        |

The weighted average assumptions used to determine benefit obligations for 2015 and 2014 were as follows:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Discount rate  | 5.00%       | 5.00%       |
| Rate of compensation increase/<br>health care trend rate | 5.00%       | 8.00%       |

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

|                                    | <u>2015</u>       | <u>2014</u>      |
|------------------------------------|-------------------|------------------|
| Service cost                       | \$ 53,323         | \$ 33,496        |
| Interest cost                      | 60,176            | 63,725           |
| Net periodic benefit cost (income) | <u>\$ 113,499</u> | <u>\$ 97,221</u> |

ACBL expects to contribute approximately \$126,912 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:

|             |    |                |
|-------------|----|----------------|
| 2016        | \$ | 70,363         |
| 2017        |    | 72,512         |
| 2018        |    | 73,524         |
| 2019        |    | 77,171         |
| 2020        |    | 78,332         |
| 2021 - 2025 |    | 448,495        |
|             | \$ | <u>820,397</u> |

#### **NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

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

|                           | <u>2015</u>       | <u>2014</u>       |
|---------------------------|-------------------|-------------------|
| Vanderbilt trophy fund    | \$ 141,867        | \$ 148,805        |
| Sternberg trophy fund     | 41,831            | 41,925            |
| Education foundation fund | 396               | 864               |
|                           | <u>\$ 184,094</u> | <u>\$ 191,594</u> |

#### **NOTE 6 – 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 \$36,517 and \$34,449 for the years ended December 31, 2015 and 2014, 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 and \$126,000 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, related party balances due from and due to affiliates consisted of the following:

|                                 | <u>2015</u>       | <u>2014</u>       |
|---------------------------------|-------------------|-------------------|
| Due From:                       |                   |                   |
| Charity Foundation              | <u>\$ -</u>       | <u>\$ 2,873</u>   |
| Due To:                         |                   |                   |
| United States Bridge Federation | \$ 143,329        | \$ 159,794        |
| Canadian Bridge Federation      | 12,159            | 12,546            |
| Mexican Bridge Federation       | 90                | 101               |
| Bermuda Contract Bridge League  | 68                | 69                |
| ACBL Charity Foundation         | 1,318             | -                 |
| ACBL Educational Foundation     | 9,568             | 10,060            |
|                                 | <u>\$ 166,532</u> | <u>\$ 182,570</u> |

#### **NOTE 7 – 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, 2015, the maximum cancellation fees payable would be approximately \$11,500,000. This cost would be reduced by any hotel resell of the meeting space and guestrooms.

#### **NOTE 8 – 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, 2015 and 2014, the total effect resulting from these conversions was a loss of \$53,302 and \$34,766 respectively, and is included in other losses in the statements of activities.

#### **NOTE 9 – 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 \$25,000 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 10 – PRIOR PERIOD ADJUSTMENT

During 2015, ACBL discovered that incorrect participant census data had been provided to their actuary for the postretirement healthcare plan in prior years. Accordingly, ACBL has restated its financial statements for the year ended December 31, 2014. The effects of the correction of the financial statements were as follows:

|   | <u>As Previously<br/>Reported</u> | <u>As Restated</u> | <u>Effect of<br/>Correction</u> |
|---|-----------------------------------|--------------------|---------------------------------|
| Statement of Financial Position<br>at December 31, 2014                 |                                   |                    |                                 |
| Accrued postretirement<br>healthcare benefits                           | \$ 1,230,651                      | \$ 1,498,910       | \$ 268,259                      |
| Statement of Activities for the year<br>ended December 31, 2014         |                                   |                    |                                 |
| Change in retirement liability other<br>than net periodic benefit costs | \$ (1,672,271)                    | \$ (1,740,500)     | \$ (68,229)                     |
| Change in net assets  | \$ (4,109,634)                    | \$ (4,177,863)     | \$ (68,229)                     |
| Net assets, beginning of year   | \$ 7,501,117                      | \$ 7,301,087       | \$ (200,030)                    |
| Net assets, end of year   | \$ 3,663,638                      | \$ 3,395,379       | \$ (268,259)                    |