

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

FINANCIAL STATEMENTS



December 31, 2018 and 2017

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities – For the Year Ended December 31, 2018	3
Statement of Activities – For the Year Ended December 31, 2017	4
Statement of Functional Expenses – For the Year Ended December 31, 2018	5
Statement of Functional Expenses – For the Year Ended December 31, 2017	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Contract Bridge League, Inc. as of December 31, 2018 and 2017, 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.



Memphis, Tennessee
March 14, 2019

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 1,113,690	\$ 1,731,542
Investments	7,060,936	7,118,194
Accounts receivable, net of allowance of \$10,000	502,880	532,764
Due from affiliates	5,005	-
Prepaid expenses	526,687	474,435
Total current assets	<u>9,209,198</u>	<u>9,856,935</u>
Property and equipment, net	<u>4,401,953</u>	<u>4,794,127</u>
Total assets	<u><u>\$ 13,611,151</u></u>	<u><u>\$ 14,651,062</u></u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,836,771	\$ 760,300
Accrued payroll liabilities	615,428	671,050
Accrued postemployment healthcare benefits	68,386	108,989
Unredeemed Bridge Bucks and gift certificates	75,871	109,578
Deferred revenue	4,376,791	4,335,018
Due to units and districts	542,529	543,762
Due to affiliates	185,151	219,159
Total current liabilities	<u>7,700,927</u>	<u>6,747,856</u>
Long-Term Liabilities		
Deferred revenue	2,191,669	2,002,061
Accrued postretirement healthcare benefits	1,223,338	1,485,316
Unit dues refunds payable	207,746	192,612
Total long-term liabilities	<u>3,622,753</u>	<u>3,679,989</u>
Total liabilities	11,323,680	10,427,845
Net Assets		
Without donor restrictions	2,142,492	4,044,143
With donor restrictions	144,979	179,074
Total net assets	<u>2,287,471</u>	<u>4,223,217</u>
Total liabilities and net assets	<u><u>\$ 13,611,151</u></u>	<u><u>\$ 14,651,062</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues and Gain (Loss)			
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
Loss on foreign exchange	(42,830)	-	(42,830)
Net assets released from restrictions	<u>263,017</u>	<u>(263,017)</u>	<u>-</u>
Total operating revenues and gains (losses)	<u>17,749,561</u>	<u>(34,095)</u>	<u>17,715,466</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	<u>1,090,659</u>	<u>-</u>	<u>1,090,659</u>
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	<u>6,501,099</u>	<u>-</u>	<u>6,501,099</u>
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	(829,158)	(34,095)	(863,253)
Nonoperating Income (Loss)			
Investment income	176,102	-	176,102
Change in market value of investments	(232,636)	-	(232,636)
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	<u>302,581</u>	<u>-</u>	<u>302,581</u>
Total nonoperating income (loss)	<u>(1,072,493)</u>	<u>-</u>	<u>(1,072,493)</u>
Change in net assets	(1,901,651)	(34,095)	(1,935,746)
Net assets, beginning of year	<u>4,044,143</u>	<u>179,074</u>	<u>4,223,217</u>
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 ACTIVITIES

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Gain (Loss)			
Membership dues	\$ 5,591,019	\$ -	\$ 5,591,019
Club sanction fees	2,947,910	-	2,947,910
North American Championships	2,367,081	-	2,367,081
Tournament sanction fees	2,243,501	-	2,243,501
Tournament director fees	3,262,345	-	3,262,345
Bulletin sales and advertising	269,853	-	269,853
Educational programs and services	25,039	218,823	243,862
Royalties	645,799	-	645,799
Administrative fees	39,756	-	39,756
Other revenues	415,968	-	415,968
Gain on foreign exchange	23,112	-	23,112
Net assets released from restrictions	218,823	(218,823)	-
Total operating revenues and gains (losses)	<u>18,050,206</u>	<u>-</u>	<u>18,050,206</u>
Operating Expenses			
Program Services			
North American Championships	2,914,905	-	2,914,905
Bulletin publication	1,513,514	-	1,513,514
Tournaments	4,811,746	-	4,811,746
Educational programs and services	356,024	-	356,024
Club and member services	922,959	-	922,959
Total program services	<u>10,519,148</u>	<u>-</u>	<u>10,519,148</u>
Supporting Services			
Membership development	336,305	-	336,305
Board expenses	397,269	-	397,269
Management and general	6,213,933	-	6,213,933
Total supporting services	<u>6,947,507</u>	<u>-</u>	<u>6,947,507</u>
Total operating expenses	<u>17,466,655</u>	<u>-</u>	<u>17,466,655</u>
Change in net assets from operations	583,551	-	583,551
Nonoperating Income (Loss)			
Investment income	132,213	-	132,213
Change in market value of investments	52,764	-	52,764
Change in postemployment liability other than net periodic benefit costs	(160,113)	-	(160,113)
Total nonoperating income (loss)	<u>24,864</u>	<u>-</u>	<u>24,864</u>
Change in net assets	608,415	-	608,415
Net assets, beginning of year	<u>3,435,728</u>	<u>179,074</u>	<u>3,614,802</u>
Net assets, end of year	<u>\$ 4,044,143</u>	<u>\$ 179,074</u>	<u>\$ 4,223,217</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 expense	-	-	-	-	-	-	-	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.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	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	\$ 712,446	\$ 289,832	\$ 3,454,470	\$ 108,263	\$ 403,072	\$ 7,785	\$ -	\$ 3,059,923	\$ 8,035,791
Payroll taxes and benefits	128,133	46,189	681,709	-	120,964	-	-	786,939	1,763,934
Employee development	-	295	-	-	1,768	-	-	66,063	68,126
Travel and entertainment	1,024,461	392	257,684	57,520	25,262	-	267,689	196,506	1,829,514
Postage and shipping	57,191	453,340	11,557	12,118	4,232	105,444	2,496	22,383	668,761
Supplies	44,558	547	5,948	51,745	3,259	17,376	1,566	16,257	141,256
Printing	145,781	642,318	10,130	24,590	-	8,554	305	19,735	851,413
Membership billing	-	-	-	-	-	36,516	-	-	36,516
Small equipment	2,207	-	1,320	1,763	-	-	-	13,173	18,463
Repairs and maintenance	424	-	-	-	-	-	-	94,899	95,323
Equipment rental	61,464	-	19,802	1,517	539	-	31,260	11,659	126,241
Computer maintenance	-	-	1,212	23,268	-	-	-	270,465	294,945
Telephone	21,310	-	33,653	-	985	-	12,562	80,439	148,949
Utilities	4,807	7,691	13,460	-	16,344	-	-	65,377	107,679
Professional fees	100,267	7,408	42,153	-	-	-	3,141	767,856	920,825
Insurance	14,615	23,383	40,921	-	49,690	-	-	198,759	327,368
Advertising and promotion	12,666	1,049	-	-	2,145	61,975	-	761	78,596
Other	83,511	500	2,000	-	-	9,220	78,250	13,341	186,822
Banking fees	42,181	-	-	-	93,175	89,435	-	109,505	334,296
Dues and subscriptions	918	323	7,895	240	116,000	-	-	8,374	133,750
Depreciation	25,154	40,247	70,432	-	85,524	-	-	342,097	563,454
Taxes and licenses	-	-	-	-	-	-	-	69,422	69,422
Contributions to affiliates	-	-	-	75,000	-	-	-	-	75,000
Local reimbursements	406,270	-	-	-	-	-	-	-	406,270
Tournament prizes	26,541	-	157,400	-	-	-	-	-	183,941
	<u>\$ 2,914,905</u>	<u>\$ 1,513,514</u>	<u>\$ 4,811,746</u>	<u>\$ 356,024</u>	<u>\$ 922,959</u>	<u>\$ 336,305</u>	<u>\$ 397,269</u>	<u>\$ 6,213,933</u>	<u>\$ 17,466,655</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (1,935,746)	\$ 608,415
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	532,517	563,454
Loss on legal settlements	991,787	-
Loss on disposal of property and equipment	326,753	-
Pension-related changes other than net periodic benefit costs	(302,581)	160,113
Change in market value of investments	232,636	(52,764)
Amortization of bond premiums	-	5,390
Increase (Decrease) in Cash and Cash Equivalents:		
Accounts receivable	29,884	(180,768)
Due from affiliates	(5,005)	1,343
Prepaid expenses	(52,252)	87,264
Other current assets	-	26,219
Accounts payable and accrued expenses	84,684	(32,199)
Accrued payroll liabilities	(55,622)	38,384
Unredeemed Bridge Bucks and gift certificates	(33,707)	2,952
Deferred revenue	231,381	976,716
Unit dues refunds payable	13,901	167,464
Due to affiliates	(34,008)	37,959
Total adjustments	<u>1,960,368</u>	<u>1,801,527</u>
Net cash provided by operating activities	24,622	2,409,942
Cash Flows From (Used For) Investing Activities:		
Proceeds from sale of investments	141,963	6,032,002
Purchase of investments	(317,341)	(8,906,641)
Purchase of property and equipment	(467,096)	(463,249)
Net cash used for investing activities	<u>(642,474)</u>	<u>(3,337,888)</u>
Cash Flows Used For Financing Activities:		
Principal payments on capital lease obligation	<u>-</u>	<u>(38,464)</u>
Net decrease in cash and cash equivalents	(617,852)	(966,410)
Cash and cash equivalents at beginning of year	<u>1,731,542</u>	<u>2,697,952</u>
Cash and cash equivalents at end of year	<u>\$ 1,113,690</u>	<u>\$ 1,731,542</u>

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

AMERICAN CONTRACT BRIDGE LEAGUE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

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

ACBL supports over 3.5 million tables of bridge play annually in clubs and tournaments of which over 1,000,000 tables are online. There are three North American Bridge Championships (“NABC”) held annually, each attracting up to 5,000 players. Player achievement is encouraged by ACBL through the tracking and awarding of Master Points to more than 164,000 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. Membership dues are considered exchange transactions and are recognized ratably over the membership period of each member as the earnings process is completed. Club sanction fees and other tournament fees are also recognized when earned. Any unearned portions of revenues are reported as deferred revenue in the statements of financial position.

Contributions are recognized 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.

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.

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.

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, 2018 and 2017. 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. When a donor restriction expires in the same year received, revenue is recognized as net assets without donor 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 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, 2018 and 2017 was \$29,350 and \$22,046, respectively.

Advertising

ACBL expenses advertising costs as incurred. Advertising expense totaled \$68,526 and \$78,596 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting and Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. ACBL is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Change of Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

ACBL has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which did not have a material effect on the financial statements.

Date of Management's Review

ACBL evaluated its December 31, 2018 financial statements for subsequent events through March 14, 2019, 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 \$8,670,000 of financial assets available within one year of the balance sheet date consisting of cash of \$1,110,000, investments of \$7,060,000, and accounts receivables of \$500,000. Aside from the donor-restricted net assets detailed in Note 6, none of financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. 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 \$1,400,000. 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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in methodologies used at December 31, 2018.

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>2018</u>	<u>2017</u>
Exchange Traded Funds - Level 1		
Fixed income	\$ 5,505,893	\$ 5,347,619
Equities	1,555,043	1,770,575
	<u>\$ 7,060,936</u>	<u>\$ 7,118,194</u>

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 876,922	\$ 876,922
Building and improvements	3,688,310	3,684,441
Furniture and equipment	1,287,648	1,243,176
Computer equipment	289,348	1,062,222
Computer software	2,080,386	1,878,521
Tournament equipment	178,383	243,982
Automobiles	19,948	19,948
Internal-use software in progress	-	339,597
	<u>8,420,945</u>	<u>9,348,809</u>
Less accumulated depreciation	<u>(4,018,992)</u>	<u>(4,554,682)</u>
	<u>\$ 4,401,953</u>	<u>\$ 4,794,127</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 the years ended December 31, 2018 and 2017, management chose to contribute an additional 3% of each participating salary. Employer contributions to the plan were \$285,207 and \$278,606 for the years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, ACBL had plan contributions payable of \$187,665 and \$190,349, respectively. These amounts are included in accrued payroll liabilities on the statements of financial position.

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 \$8,712 and \$8,915 for the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Changes in Benefit Obligations:		
Accumulated postemployment benefit obligation, beginning of year	\$ 1,594,305	\$ 1,434,192
Service cost	59,038	55,723
Interest cost	49,951	60,022
Actuarial (gain) loss	(346,305)	112,590
Benefits paid	<u>(65,265)</u>	<u>(68,222)</u>
Accumulated postemployment benefit obligation, end of year	1,291,724	1,594,305
Changes in Plan Assets:		
Employer contributions	36,653	39,595
Plan participants' contributions	28,612	28,627
Benefits paid	<u>(65,265)</u>	<u>(68,222)</u>
Fair value of plan assets, end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (1,291,724)</u>	<u>\$ (1,594,305)</u>

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

	<u>2018</u>	<u>2017</u>
Discount rate at end of year	4.15%	3.18%
Health care trend rate		
Initial	9.00%	7.00%
Ultimate	5.50%	3.50%
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:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 59,038	\$ 55,723
Interest cost	<u>49,951</u>	<u>60,022</u>
Net periodic benefit cost (income)	<u>\$ 108,989</u>	<u>\$ 115,745</u>

ACBL expects to contribute approximately \$68,386 to its postemployment benefit plan during the year ending December 31, 2019. 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:

2019	\$	45,625
2020		47,137
2021		50,867
2022		54,674
2023		59,366
2024 - 2028		344,385
	\$	<u>602,054</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Vanderbilt trophy fund	\$ 132,634	\$ 136,847
Junior Fund	11,949	-
Sternberg trophy fund	-	41,831
Education foundation fund	396	396
	<u>\$ 144,979</u>	<u>\$ 179,074</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 \$41,565 and \$39,756 for the years ended December 31, 2018 and 2017, 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 \$75,000 for the years ended December 31, 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Due From:		
ACBL Charity Foundation	\$ 836	\$ -
ACBL Educational Foundation	4,169	-
	<u>\$ 5,005</u>	<u>\$ -</u>
Due To:		
United States Bridge Federation	\$ 170,624	\$ 172,414
Canadian Bridge Federation	10,092	6,115
Mexican Bridge Federation	101	111
Bermuda Contract Bridge League	56	66
ACBL Charity Foundation	-	30,163
ACBL Educational Foundation	4,278	10,290
	<u>\$ 185,151</u>	<u>\$ 219,159</u>

NOTE 8 – COMMITMENTS

ACBL has entered into cancelable agreements for hotel meeting space and guestroom rentals related to future NABC's through 2025. The cancellation clauses call for payments to be made for conference space and guestrooms if cancellation occurs within a specified time frame prior to the events or if hotel usage is less than contracted. If all agreements were cancelled at December 31, 2018, the maximum cancellation fees payable would be approximately \$12,100,000. 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, 2018 and 2017, the total effect resulting from these conversions was a loss of \$42,830 and a gain of \$23,112, respectively, and is included in the statements of activities.

NOTE 10 – CONTINGENCIES

ACBL is involved in a suit that settled in early 2019. After insurance, ACBL paid \$225,000 in damages relating to the suit. ACBL has included a \$225,000 liability in accrued expenses on the statement of financial position and a loss on legal settlement on the statement of activities.

ACBL is involved in another suit that settled in early 2019. ACBL paid \$766,787 in damages relating to the suit. ACBL has included a \$766,787 liability in accrued expenses on the statement of financial position and a loss on legal settlement on the statement of activities.

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, aside from those discussed above, will not have a material adverse effect on financial position or results of operations.