

**AMERICAN CONTRACT BRIDGE LEAGUE
EDUCATIONAL FOUNDATION**

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American Contract Bridge League Educational Foundation

We have audited the accompanying financial statements of American Contract Bridge League Educational Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Contract Bridge League Educational Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

Memphis, Tennessee

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AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 612,196	\$ 162,985
Unconditional promises to give	250,000	-
Investments	901,238	502,605
Interest receivable	2,386	1,630
Prepaid expenses	4,368	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,770,188</u>	<u>\$ 667,220</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 8,312	\$ 10,930
Grants payable	66,043	76,619
Due to American Contract Bridge League, Inc.	21,583	4,169
Total liabilities	<hr/> 95,938	<hr/> 91,718
Net Assets		
Without donor restrictions		
Undesignated	1,500,816	502,177
Designated by the Board for endowment	101,600	-
Total net assets without donor restrictions	<hr/> 1,602,416	<hr/> 502,177
With Donor Restrictions		
Perpetual in nature	25,000	25,000
Purpose restrictions	46,834	48,325
Total net assets with donor restrictions	<hr/> 71,834	<hr/> 73,325
Total net assets	<hr/> 1,674,250	<hr/> 575,502
Total liabilities and net assets	<u>\$ 1,770,188</u>	<u>\$ 667,220</u>

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

AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	\$ 40,735	\$ -	\$ 40,735
Tournament proceeds	98,174	-	98,174
Memorials and donations	45,439	-	45,439
Estate gifts	1,334,000	-	1,334,000
Miscellaneous income	8,953	-	8,953
Net investment return	39,706	860	40,566
Net assets released from restrictions	2,351	(2,351)	-
Total support	1,569,358	(1,491)	1,567,867
Expenses			
Program Services			
Grants	105,882	-	105,882
NABC tournament expenses	20,384	-	20,384
Other program expense	163,442	-	163,442
Payroll and taxes	6,872	-	6,872
Total program services	296,580	-	296,580
Fundraising			
Payroll and taxes	27,490	-	27,490
Management and general			
Payroll and taxes	34,362	-	34,362
Audit and accounting fees	20,881	-	20,881
Board meeting expenses	5,929	-	5,929
Grant administrator expenses	215	-	215
Insurance	2,109	-	2,109
Supplies and printing	4,012	-	4,012
Other expenses	21,617	-	21,617
Travel	6,750	-	6,750
Advertising	49,174	-	49,174
Total management and general	145,049	-	145,049
Total expenses	469,119	-	469,119
Change in net assets	1,100,239	(1,491)	1,098,748
Net assets, beginning of year	502,177	73,325	575,502
Net assets, end of year	\$ 1,602,416	\$ 71,834	\$ 1,674,250

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

AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	\$ 52,488	\$ -	\$ 52,488
Tournament proceeds	52,287	-	52,287
Memorials and donations	23,507	-	23,507
Miscellaneous income	14,640	-	14,640
Net investment return	7,767	1,149	8,916
Net assets released from restrictions	4,830	(4,830)	-
Total support	155,519	(3,681)	151,838
Expenses			
Program Expenses			
Grants	112,710	-	112,710
NABC tournament expenses	18,830	-	18,830
Other program expense	176,389	-	176,389
Total program expenses	307,929	-	307,929
Management and General			
Audit and accounting fees	14,409	-	14,409
Board meeting expenses	2,462	-	2,462
Grant administrator expenses	1,287	-	1,287
Insurance	2,109	-	2,109
Supplies and printing	108	-	108
Other expenses	10,993	-	10,993
Total management and general	31,368	-	31,368
Total expenses	339,297	-	339,297
Change in net assets	(183,778)	(3,681)	(187,459)
Net assets, beginning of year	685,955	77,006	762,961
Net assets, end of year	\$ 502,177	\$ 73,325	\$ 575,502

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

AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 1,098,748	\$ (187,459)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Change in market value of investments	(16,086)	251
Increase (Decrease) in Cash and Cash Equivalents:		
Unconditional promises to give	(250,000)	-
Due from American Contract Bridge League, Inc.	-	10,294
Interest receivable	(756)	938
Prepaid expenses	(4,368)	-
Accounts payable	(2,618)	10,930
Grants payable	(10,576)	50,827
Due to American Contract Bridge League, Inc.	17,414	4,169
Total adjustments	<u>(266,990)</u>	<u>77,409</u>
Net cash provided by (used for) operating activities	831,758	(110,050)
Cash Flows From (Used For) Investing Activities:		
Proceeds from sale of investments	735,000	855,000
Purchases of investments	<u>(1,117,547)</u>	<u>(777,718)</u>
Net cash from (used for) investing activities	<u>(382,547)</u>	<u>77,282</u>
Net increase (decrease) in cash and cash equivalents	449,211	(32,768)
Cash and cash equivalents at beginning of year	<u>162,985</u>	<u>195,753</u>
Cash and cash equivalents at end of year	<u>\$ 612,196</u>	<u>\$ 162,985</u>

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

AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

American Contract Bridge League Educational Foundation (the “Foundation”) is a not-for-profit organization whose purpose is to increase public awareness and instruct the public about contract bridge and to increase the enjoyment of playing bridge. The Foundation is governed by a nine-member Board of Trustees.

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 in the financial statements. Actual results could differ from those estimates.

Revenue Recognition

Game revenues are elections made by players to contribute \$2 of the game fee to the Foundation. These contributions and other donations 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.

Concentrations and Credit Risks

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

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 vestments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Foundation’s financial position and changes in its net assets.

Cash and Cash Equivalents

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

Investments

The Foundation carries investments at fair value in the statements of financial position. Net investment return is reported in the statement of activities and consists of interest income, and realized and unrealized capital gains and losses, less external investment expenses.

Net Assets

The Foundation 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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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. 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. See Note 4 for details on the Foundation's net assets with donor restrictions.

Grants Payable

The Foundation is authorized to make financial support grants to organizations subject to approval by the Board of Trustees. These grants are recorded as a liability when approved by the Board of Trustees and are generally payable within one year.

Income Taxes

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

Advertising Costs

Advertising costs amounted to \$49,000 and \$0 for the years ended December 31, 2019 and 2018, respectively.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update impacts all organizations that receive or make contributions and clarifies whether transactions should be accounted for as contributions or exchange transactions and whether contributions are unconditional or conditional. The Foundation has implemented ASU 2018-08 using the modified prospective basis, which did not have a material effect on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This update impacts all organizations that hold financial assets and liabilities and changes how these organizations will recognize, measure, present, and disclose information about certain financial instruments. The Foundation has implemented ASU 2016-01 using a cumulative-effect adjustment, which did not have a material effect on the financial statements.

Date of Management's Review

Management has evaluated its December 31, 2019 financial statements for subsequent events through **DATE PENDING**, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Foundation has approximately \$1,664,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$612,000, unconditional promises to give of \$250,000, and undesignated investments of \$802,000. Of its net assets, \$1,501,000 have no donor restrictions or other designations, \$47,000 are restricted by donors to be used for specific purposes, \$25,000 are perpetually restricted by donors, and \$102,000 are designated by the Board of Directors for an endowment. See Note 4 for further details on donor restrictions and Note 5 for further details on the endowment.

As part of the Foundation'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 \$34,000. The Foundation invests cash in excess of daily requirements in various fixed income securities.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation 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.

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

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

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

The following is a description of the valuation methodologies used for Level 1 and 2 assets and liabilities measured at fair value on a recurring basis. There have been no changes in methodologies used at December 31, 2019.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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

Government Bonds: Valued using a market value pricing model.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation classifies all of its investments as either Level 1 or Level 2 assets for the years ended December 31, 2019 and 2018. The following is a description of the Foundation's investments at December 31:

	<u>2019</u>	<u>2018</u>
Level 1 Investments		
Equity mutual funds	\$ 625,684	\$ -
Level 2 Investments		
Certificates of deposit	275,554	-
Government bonds	-	502,605
Total level 2 investments	<u>275,554</u>	<u>502,605</u>
Total investments	<u>\$ 901,238</u>	<u>\$ 502,605</u>

The Foundation's investment objective emphasizes capital preservation and income with little or no investment risk.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes December 31:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Howard Lebow Memorial Fund	\$ 12,938	\$ 13,284
Jeffrey K. Feldman Fund	1,038	2,876
Peter Pender Trophy	31,639	31,260
Shoop Scholarship Fund	1,142	829
Sidney Lazard, Jr. Sportsmanship Trophy	77	76
	<u>46,834</u>	<u>48,325</u>
Held in Perpetuity:		
J. Homer Shoop Fund	25,000	25,000
	<u>\$ 71,834</u>	<u>\$ 73,325</u>

A brief description of each purpose restricted fund is as follows:

- Howard Lebow Memorial Fund – These funds are designated to support an annual \$500 scholarship award for a deserving junior in American Contract Bridge League (“ACBL”) Unit 142.
- Jeffrey K. Feldman Fund – These funds are designated for the support of all aspects of bridge education in ACBL Unit 126.
- Peter Pender Trophy – These funds are designated for the purchase of Peter Pender Trophy replicas to be awarded to the winners of the Junior Team Trials held every two years.
- Shoop Scholarship Fund – At December 31, 2019 and 2018, net assets with donor restrictions of a perpetual nature consisted of a one-time donation of \$25,000 to the J. Homer Shoop Fund. Interest earned on the donated funds is used to fund an annual \$1,000 scholarship to the ACBL King or Queen of Bridge.
- Sidney Lazard, Jr. Sportsmanship Trophy – These funds are designated for the purchase of Sidney Lazard, Jr. Sportsmanship Trophy replicas which are awarded annually to an individual exhibiting admirable ethical behavior and a sense of fair play in national and international bridge events.

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

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Howard Lebow Memorial Fund	\$ 500	\$ -
Jeffrey K. Feldman Fund	1,851	4,830
	<u>\$ 2,351</u>	<u>\$ 4,830</u>

NOTE 5 – ENDOWMENT

The Foundation’s endowment consists of certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

At December 31, 2019, the Foundation had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	<u>\$ 101,600</u>	<u>\$ -</u>	<u>\$ 101,600</u>

Investment and Spending Policies

The Foundation's endowment investments are managed by an investment committee, appointed by the Board of Directors. The committee engages investment professionals to advise and assist in retaining principal and growing balances through conservative yet fiscally responsible investments. They are charged with maintaining a predictable stream of income to fund the operations and mission of the Foundation. Investment allocations are reviewed periodically throughout the year.

The investment committee has approved the following minimum and maximum broad asset class exposures:

	<u>Mimimum Weight</u>	<u>Maximum Weight</u>
Cash and cash equivalents	0%	15%
Fixed income	20%	60%
Equities: Domestic Large Cap	20%	40%
Equities: Domestic Small/Mid Cap	10%	25%
Equities: International	5%	15%

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment. The rate of 5% is applied to the endowment balance at year-end to determine the spending amount for the upcoming year.

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning endowment net assets	\$ -	\$ -	\$ -
Transfers	100,000	-	100,000
Investment return, net	6,947	-	6,947
Appropriations	(5,347)	-	(5,347)
Ending endowment net assets	<u>\$ 101,600</u>	<u>\$ -</u>	<u>\$ 101,600</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The American Contract Bridge League, Inc. ("ACBL"), an affiliate of the Foundation, provides administrative and bookkeeping services to the Foundation including collecting contributions and other revenues and pay grants and other expenses. For the years ended December 31, 2019 and 2018, administrative fees of \$13,481 and \$6,954, respectively, were charged and are included in Management and General expenses.

At December 31, 2019 and 2018, \$21,583 and \$4,169, respectively, was payable to ACBL.

NOTE 7 – ESTATE DONATIONS

During 2019, the Foundation received an estate donation totaling \$1,334,000. At December 31, 2019, \$250,000 of the balance was recorded as an unconditional promise to give on the statement of financial position and was received subsequent to December 31, 2019. It is possible that there could be additional distributions from the estate, but those amounts are uncertain. Therefore, no further amounts have been recorded.

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SUPPLEMENTARY INFORMATION

AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

SCHEDULE OF INVESTMENTS

December 31, 2019

Description	Rate	Maturity Date	Market Value
Certificates of Deposit			
Ally Bank CD	2.25%	1/27/2020	\$ 175,552
Bank of India CD	1.65%	2/10/2020	100,002
Total certificates of deposit			<u>275,554</u>
Equity Mutual Funds			
LifeStrategy Growth Fund	n/a	n/a	106,947
LifeStrategy Mod Growth Fund	n/a	n/a	518,737
Total mutual funds			<u>625,684</u>
Total investments			<u>\$ 901,238</u>

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AMERICAN CONTRACT BRIDGE LEAGUE EDUCATIONAL FOUNDATION

SCHEDULE OF TRUSTEE GRANTS

For the Year Ended December 31, 2019

Recipient	Amount
Aces & Knaves	\$ 500
American Bridge Teachers' Association	8,600
Birmingham Duplicate Bridge Club	4,000
Bridge Center of Buffalo	7,200
Bridge to the People Foundation	5,000
Carlinsville Youth Summer Camp	12,000
Cavendish Youth Bridge	2,635
Central Florida Youth Bridge Inc	5,000
Feldman Fund	1,850
Keep Bridge Alive	15,000
Michigan Youth Bridge	13,500
Military Initiative	25,000
Mo-Kan Friendly Friday Duplicate	297
Oaxaca Summer Youth Camp	1,500
St. Louis Bridge Center	2,500
Unit 144 Summer Camp	1,300
	<u>\$ 105,882</u>

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