CHURCHILL DOWNS Inc
Form 10-Q
October 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-33998

(Exact name of registrant as specified in its charter)

Kentucky	61-0156015
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 North Hurstbourne Parkway, Suite 400 Louisville, Kentucky 40222	(502) 636-4400
(Address of principal executive offices) (zip code)	(Registrant’s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o
Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of Registrant’s common stock at October 21, 2016 was 16,607,697 shares.

CHURCHILL DOWNS INCORPORATED
INDEX TO QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2016

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56.9	$ 74.5
Restricted cash	31.3	29.7
Accounts receivable, net of allowance for doubtful accounts of $3.5 at September 30, 2016 and $3.8 at December 31, 2015	50.8	67.8
Income taxes receivable	—	1.0
Software development, net	10.5	7.1
Other current assets	51.7	39.5
Total current assets	201.2	219.6
Property and equipment, net	573.3	573.2
Software development, net	5.2	3.2
Investment in and advances to unconsolidated affiliates	131.4	129.7
Goodwill	841.7	841.7
Other intangible assets, net	458.4	496.2
Other assets	13.5	13.8
Total assets	$ 2,224.7	$ 2,277.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 53.9	$ 39.1
Purses payable	18.9	12.1
Account wagering deposit liabilities	22.1	20.4
Accrued expense	101.0	97.9
Income taxes payable	22.0	—
Tax refund due to Big Fish Games former equity holders	—	0.4
Deferred revenue - Big Fish Games	86.3	81.3
Deferred revenue - all other	11.1	46.0
Big Fish Games deferred payment, current	28.6	28.1
Big Fish Games earnout liability, current	34.1	279.5
Current maturities of long-term debt	13.0	16.2
Dividends payable	—	19.1
Total current liabilities	391.0	640.1
Long-term debt (net of current maturities and loan origination fees of $0.6 at both September 30, 2016 and December 31, 2015)	312.7	171.9
Notes payable (including premium of $2.6 at September 30, 2016 and $3.0 at December 31, 2015 and net of debt issuance costs of $8.1 at September 30, 2016 and $9.3 at December 31, 2015)	594.5	593.7
Big Fish Games deferred payment, net of current amount due	27.5	26.7
Big Fish Games earnout liability, net of current amount due	33.1	65.7
Deferred revenue - all other	21.4	16.1
Deferred income taxes	133.5	127.9
Other liabilities	15.6	18.1

Total liabilities	1,529.3	1,660.2
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 0.3 shares authorized; no shares issued	—	—
Common stock, no par value; 50.0 shares authorized; 16.6 shares issued at September 30, 2016 and 16.6 shares issued at December 31, 2015	130.7	134.0
Retained earnings	565.1	483.8
Accumulated other comprehensive loss	(0.4)	(0.6)
Total shareholders' equity	695.4	617.2
Total liabilities and shareholders' equity	$ 2,224.7	$ 2,277.4

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

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CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per common share data)	2016	2015	2016	2015
Net revenue:				
Racing	$38.5	$38.8	$220.8	$218.0
Casinos	83.0	82.7	253.9	252.5
TwinSpires	54.7	50.4	172.3	156.5
Big Fish Games	122.3	103.6	369.6	300.0
Other Investments	4.5	4.0	12.9	12.1
Corporate	0.4	0.3	0.8	0.8
Total net revenue	303.4	279.8	1,030.3	939.9
Operating expense:				
Racing	41.5	41.0	149.4	152.3
Casinos	61.4	60.8	182.8	182.9
TwinSpires	36.8	33.9	112.8	104.6
Big Fish Games	94.5	80.0	309.5	245.6
Other Investments	3.9	4.1	11.9	11.8
Corporate	0.5	0.5	1.5	2.3
Selling, general and administrative expense	27.6	24.7	75.3	68.3
Research and development	8.8	9.9	29.3	30.0
Calder exit costs	0.5	12.7	2.4	13.5
Acquisition-related charges	1.1	2.8	4.9	17.4
Total operating expense	276.6	270.4	879.8	828.7
Operating income	26.8	9.4	150.5	111.2
Other income (expense):				
Interest income	—	—	—	0.2
Interest expense	(11.1)	(6.7)	(32.8)	(21.3)
Equity in income of unconsolidated investments	4.9	2.3	13.5	8.2
Miscellaneous, net	(0.2)	(0.1)	(0.3)	5.5
Total other income (expense)	(6.4)	(4.5)	(19.6)	(7.4)
Income before income tax provision	20.4	4.9	130.9	103.8
Income tax provision	(11.7)	(0.7)	(49.6)	(46.1)
Net income	$8.7	$4.2	$81.3	$57.7
Net income per common share data:				
Basic net income	$0.52	$0.24	$4.85	$3.28
Diluted net income	$0.52	$0.24	$4.79	$3.26
Weighted average shares outstanding:				
Basic	16.4	17.3	16.5	17.3
Diluted	16.9	17.8	17.0	17.7
Other comprehensive income (loss):				
Foreign currency translation, net of tax	—	—	0.2	(0.4)

Other comprehensive income (loss)	—	—	0.2	(0.4)
Comprehensive income	$8.7	$4.2	$81.5	$57.3

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities:		
Net income	$81.3	$57.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	81.4	82.1
Software development amortization	11.7	5.8
Acquisition-related charges	4.9	17.4
Asset impairment loss	—	12.9
Gain on sale of equity investment	—	(5.8)
Dividend from investment in unconsolidated affiliates	12.3	11.0
Big Fish Games earnout payment	(19.7)	—
Equity in income of unconsolidated investments	(13.5)	(8.2)
Stock-based compensation	14.3	10.6
Other	1.5	1.6
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions:		
Other current assets and liabilities	11.7	(2.7)
Software development	(16.3)	(16.2)
Income taxes	28.1	38.1
Deferred revenue	(7.5)	13.3
Other assets and liabilities	(1.2)	5.6
Net cash provided by operating activities	189.0	223.2
Cash flows from investing activities:		
Additions to property and equipment	(44.1)	(30.8)
Deferred payments to Big Fish Games former equity holders	—	(1.0)
Acquisition of gaming licenses	(2.5)	(2.3)
Proceeds from sale of equity investment	1.8	6.0
Other	(1.4)	(0.3)
Net cash used in investing activities	(46.2)	(28.4)
Cash flows from financing activities:		
Borrowings on bank line of credit	564.7	382.4
Repayments of bank line of credit	(427.2)	(565.6)
Big Fish Games earnout payment	(261.9)	—
Tax refund payments to Big Fish Games equity holders	(0.4)	(11.8)
Payment of dividends	(19.1)	(17.4)
Repurchase of common stock	(20.0)	(7.2)
Windfall tax provision from stock-based compensation	—	4.2
Loan origination fees and debt issuance costs	(1.4)	—
Other	5.3	5.1
Net cash used in financing activities	(160.0)	(210.3)
Net decrease in cash and cash equivalents	(17.2)	(15.5)
Effect of exchange rate changes on cash flows	(0.4)	(1.3)
Cash and cash equivalents, beginning of period	74.5	67.9
Cash and cash equivalents, end of period	$56.9	$51.1

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

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	2016	2015
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$21.8	$15.4
Income taxes	$21.6	$29.5
Schedule of non-cash investing and financing activities:		
Issuance of common stock in connection with the Company's restricted stock plans	$18.8	$22.7

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION AND SEASONALITY

Basis of Presentation

The Churchill Downs Incorporated (the "Company", "we", "us", "our") financial statements are presented in conformity with the requirements of this Quarterly Report on Form 10-Q and consequently do not include all of the disclosures normally required by U.S. generally accepted accounting principles ("GAAP") or those normally made in our Annual Report on Form 10-K. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements but does not include all disclosures required by GAAP.

The following information is unaudited. Tabular dollars are in millions, except as otherwise noted. All per share amounts assume dilution unless otherwise noted. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015.

In the opinion of management, all adjustments necessary for a fair statement of this information have been made, and all such adjustments are of a normal, recurring nature. For the nine months ended September 30, 2015, reclassifications of certain food & beverage operations between Fair Grounds and Fair Grounds Slots were made to conform to the current year presentation. Adjusted EBITDA, a measure of our operating segment results, for our joint venture, Miami Valley Gaming ("MVG"), and our equity investment, Saratoga Casino Holdings LLC ("SCH") was reclassified to exclude depreciation and amortization expense from our Casinos segment Adjusted EBITDA. There was no impact from these reclassifications on net income or cash flows.

Our critical accounting policies are revenue recognition, goodwill and indefinite-lived intangible assets, property and equipment and income taxes. Our significant accounting policies are more fully described in Note 1 to the Consolidated Financial Statements included in Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K.

Operating Segment Reclassifications

On January 1, 2016, we realigned our Churchill Downs Interactive Gaming ("I-Gaming") and Bluff Media ("Bluff") operations from our Other Investments segment to our TwinSpires segment to correspond with internal management reporting changes. Prior period segment financial information has been reclassified to conform to the 2016 presentation.

Game Technology and Rights

Software game development costs for Big Fish Games includes costs for internally developed and purchased third party software for free-to-play games and premium game software purchased from third parties.

Costs associated with internally developed free-to-play game software that allows the user to access content in an online mode only are capitalized according to the accounting guidance governing computer software developed or obtained for internal use. Any costs incurred during preliminary project stages are expensed; costs incurred during the application development stages are capitalized as software development and costs incurred during the post-implementation/operation stages are expensed. Once the software is placed in operation, we amortize the capitalized software cost as an operating expense over its estimated economic useful life, which is typically 18 months to three years.

Costs associated with internally developed free-to-play game software that allows the user to access content in both an online and offline mode are capitalized as software development once technological feasibility of the software has been established. Once the software is placed in operation, we amortize the capitalized software as an operating expense over its estimated economic useful life, which is typically 18 months. Generally, the software we develop reaches technological feasibility when a detailed program design of the software is available. Any costs prior to the establishment of technological feasibility are expensed when incurred as research and development costs. In addition, enhancements to existing games that increase the functionality of the game are capitalized as software development and amortized as an operating expense over the game’s estimated economic useful life which is typically 18 months.

Purchased third party free-to-play game software is capitalized as software development and amortized, once placed into service, over the game's estimated economic useful life, which is typically 18 months.

Purchased third party software for premium games is capitalized as software development, and amortized, once placed into service, over the game's estimated economic useful life, which is typically 12 months.

Internal use software costs for TwinSpires, I-Gaming and Big Fish Games software are capitalized in property and equipment, in accordance with accounting guidance governing computer software developed or obtained for internal use.   Once the software is placed in operation, we amortize the capitalized software as depreciation and amortization over its estimated economic useful life, which is generally three years.

Research & development expenditures are expensed as incurred.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Seasonality
Racing
Due to the seasonal nature of our live racing business, revenue and operating results for any interim quarter are generally not indicative of the revenues and operating results for the year and may not be comparable with results for the corresponding period of the previous year. Historically, we have had fewer live racing days during the first quarter of each year, and the majority of our live racing revenue occurs during the second quarter, with the running of the Kentucky Derby and the Kentucky Oaks. We conducted 60 live thoroughbred racing days during the third quarters of 2016 and 2015. For the nine months ended September 30, 2016, we conducted 175 live thoroughbred racing days, which compares to 183 live racing days during the nine months ended September 30, 2015.
Casinos
Casino revenue and earnings have historically been higher during the first quarter due to seasonal revenue from our predominately southern casino properties.
TwinSpires
Due to the seasonal nature of the racing business, revenue and operating results for any interim quarter are generally not indicative of the revenues and operating results for the year and may not be comparable with results for the corresponding period of the previous year. Historically, our revenue is higher in the second quarter with the running of the Kentucky Derby and the Kentucky Oaks.
Big Fish Games
Revenue from our Big Fish Games, Inc. ("Big Fish Games") segment also have a seasonal component and are typically lower during the summer months.
NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS
In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows, a consensus of the FASB’s Emerging Issues Task Force. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance will become effective for annual periods ending after December 15, 2017. We are assessing the impact of the new accounting guidance and currently cannot estimate the financial statement impact of adoption.
In June 2016, the FASB issued ASU No. 2016-15, Financial Instruments - Credit Losses, which introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income, and (4) beneficial interests in securitized financial assets. The guidance will become effective for annual periods ending after December 15, 2019. We do not expect the adoption of this standard to have a material impact on our financial statements.
In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies various aspects related to share-based payments. Previously, tax benefits in excess of compensation cost ("windfalls") were recorded as an increase to shareholders' equity. Under the new ASU, windfalls are recorded as a component of income tax expense. ASU 2016-09 also requires that tax-related cash flows resulting from share-based payments be reported as a part of cash flows from operating activities. We early adopted this guidance, prospectively, as of January 1, 2016 and during the nine months ended September 30, 2016 recognized an income tax benefit of $3.1 million which was recorded as a component of income taxes in cash flows provided by operating activities in the Condensed Consolidated Statement of Cash Flows. Prior to adoption of this ASU, windfalls were presented as a component of cash flows from financing activities. Upon the adoption of this ASU, we elected to account for forfeitures when incurred under a modified retrospective approach which did not impact our financial statements. The adoption of this ASU did not have a material impact on diluted earnings per share.
In February 2016, the FASB issued ASU No. 2016-02, Leases, which requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. ASU 2016-02 is

effective for us in our first quarter of fiscal 2019 on a modified retrospective basis and earlier adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2016-02 on our condensed consolidated financial statements and we currently expect that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption of ASU 2016-02.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

footnote disclosures in certain circumstances. Management will be required to assess, in each interim and annual period, if there is substantial doubt of an entity's ability to continue as a going concern as evidenced by relevant known or knowable conditions including an entity's ability to meet its future obligations. Management will be required to provide disclosures regardless of whether substantial doubt is alleviated by management's plans. The guidance will become effective for annual periods ending after December 15, 2016.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The revised guidance will become effective for annual periods beginning after December 15, 2017 and will be applied retrospectively to each period presented or as a cumulative- effect adjustment as of the date of adoption. We are assessing the impact of the new accounting guidance and currently cannot estimate the financial statement impact of adoption.

NOTE 3 — CALDER EXIT COSTS

On July 1, 2014, we finalized an agreement with The Stronach Group ("TSG") that expires on December 31, 2020 under which we permit TSG to operate and manage the racetrack of Calder Race Course, Inc. ("Calder") and certain other racing and training facilities and to provide live horseracing under Calder’s racing permits. During the term of the agreement, TSG pays Calder a racing services fee and is responsible for the direct and indirect costs of maintaining the racing premises, including the training facilities and applicable barns, and TSG receives the associated revenue from the operation.

During 2015, we assessed potential alternative uses of the Calder property that were not associated with the TSG lease agreement. Based on our analysis, we razed the barns that were not associated with the TSG agreement and commenced the demolition of the grandstand and certain ancillary facilities. In the nine months ended September 30, 2016, we recognized Calder exit costs of $2.4 million for demolition costs related to the removal of the grandstand. We expect to obtain operational efficiencies as a result of the demolition including savings in property taxes, repair and maintenance, utilities, permitting and environmental maintenance expenditures.

NOTE 4 — INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED AFFILIATES

Maryland Joint Venture

In August 2016, we signed a limited liability company operating agreement to form a 50% joint venture with SCH to purchase all of the equity interests of Ocean Enterprise 589 LLC, Ocean Downs LLC and Racing Services LLC (“Ocean Downs”). Ocean Downs, located near Ocean City, Maryland owns and operates video lottery terminals ("VLT") at the Casino at Ocean Downs and conducts harness racing at Ocean Downs Racetrack.

The new joint venture, Old Bay Gaming and Racing LLC (“Old Bay”), will manage both our and SCH’s interests in the operation of the gaming facility and racetrack. Old Bay has entered into a definitive purchase agreement through which it will acquire equity interests in entities holding the Maryland casino gaming and harness racing licenses and certain assets held by Ocean Downs. The expected completion of the purchase transaction is subject to regulatory approvals and other customary closing conditions.

Miami Valley Gaming Joint Venture

In March 2012, we entered into a 50% joint venture with Delaware North Companies Gaming & Entertainment Inc. ("DNC") to develop a new harness racetrack and VLT gaming facility in Lebanon, Ohio. Through the joint venture agreement, we formed a new company, MVG, to manage both our and DNC’s interests in the development and operation of the racetrack and VLT gaming facility. On December 21, 2012, MVG completed the purchase of the harness racing licenses and certain assets held by Lebanon Trotting Club Inc. and Miami Valley Trotting Inc. ("MVG Sellers") for total consideration of $60.0 million, of which $10.0 million was funded at closing with the remainder funded through a $50.0 million note payable with a six year term effective upon the commencement of gaming operations. There is a potential contingent consideration payment of $10.0 million based on the financial performance

of the facility during the seven-year period after casino operations commence.
On December 12, 2013, the facility opened in Lebanon, Ohio on a 120-acre site. The facility includes a 5/8-mile harness racing track and a 186,000-square-foot casino facility with approximately 1,680 VLTs.
Since both we and DNC have participating rights over MVG, and both must consent to MVG's operating, investing and financing decisions, we account for MVG using the equity method. Summarized financial information for MVG is comprised of the following:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(in millions)	September 30, 2016	December 31, 2015
Assets		
Current assets	$ 15.0	$ 24.5
Property and equipment, net	112.1	119.7
Other assets, net	107.3	106.6
Total assets	$ 234.4	$ 250.8
Liabilities and Members' Equity		
Current liabilities	$ 11.3	$ 21.6
Current portion of long-term debt	8.3	8.3
Long-term debt, excluding current portion	15.7	20.5
Other liabilities	0.1	0.1
Members' equity	199.0	200.3
Total liabilities and members' equity	$ 234.4	$ 250.8

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2016	2015	2016	2015
Casino revenue	$36.1	$32.1	$108.7	$97.2
Non-casino revenue	1.2	1.5	5.2	5.3
Net revenue	37.3	33.6	113.9	102.5
Operating and SG&A expense	26.4	24.6	79.7	74.2
Depreciation & amortization expense	3.4	3.3	9.9	9.6
Operating income	7.5	5.7	24.3	18.7
Interest and other expense, net	(0.8)	(1.0)	(2.6)	(3.2)
Net income	$6.7	$4.7	$21.7	$15.5

The joint venture's long-term debt consists of a $50.0 million amortizing secured note payable from MVG to the MVG Sellers payable quarterly over 6 years through November 2019 at a 5.0% interest rate. We received distributions from MVG totaling $3.8 million for the three months ended September 30, 2016 and $11.5 million for the nine months ended September 30, 2016.

Our Condensed Consolidated Statements of Comprehensive Income include our 50% share of MVG's results as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2016	2015	2016	2015
Equity in income of unconsolidated investments	$3.4	$2.3	$10.9	$7.7

NOTE 5 — GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS IMPAIRMENT TEST

We performed our annual goodwill and indefinite-lived intangible impairment analysis for 2016 in accordance with ASU No. 2011-08, Intangibles-Goodwill and Other: Testing Goodwill for Impairment and ASU No. 2012-02, Intangibles-Goodwill and Other: Testing Indefinite-Lived Intangible Assets for Impairment as of March 31, 2016, and no adjustment to the carrying value of goodwill or indefinite-lived intangible assets was required. We assessed goodwill and indefinite-lived intangible assets by performing step one fair value calculations on a quantitative basis for each reporting unit and indefinite-lived intangible asset. We concluded that the fair values of our reporting units and indefinite-lived intangible assets exceeded their carrying value and therefore step two of the assessment was not required.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Goodwill is comprised of the following:

(in millions)	Racing	Casinos	TwinSpires	Big Fish Games	Total
Balances as of December 31, 2015	$ 51.7	$ 117.6	$ 132.1	$ 540.3	$ 841.7
Adjustments	—	—	—	—	—
Balances as of September 30, 2016	$ 51.7	$ 117.6	$ 132.1	$ 540.3	$ 841.7

The carrying amount of goodwill of our reporting segments has been retrospectively adjusted to conform to the 2016 presentation as discussed in Note 1.

Other intangible assets are comprised of the following:

September 30,
2016