

Financial Analysis of Membership & Dues Proposal July 21, 2020

The financial analysis of any dues adjustments in the current environment is difficult. No matter what the dues rate is, some are not going to renew without much OTB play. Scholastic programs are unlikely to renew unless there are schools in session, scholastic events are planned, and schools will allow teams to participate. I believe we could make it free, and a number will not renew.

We are trying to look beyond the present situation. That is the reason the new structure effective date is 6/1/21.

There are a number of assumptions to the financial analysis. They are only assumptions, because one must start somewhere. It is a fact of such analysis that the assumptions will not be exactly what transpires.

The assumptions:

- All dues transactions are single year purchases - they are not but the rates are such that US Chess is revenue neutral as to 1 or 2 year purchases.
- Premium members in each category continue to purchase a print magazine.
- Regular members in each category continue to decline to purchase a print magazine.
- Half of senior members purchase a magazine
- 30% of family members purchase a magazine (this is based on the CL magazine- the lower percentage recognizes some will purchase CL4K which has a lower rate)
- A portion of the current YA category will fall back to the youth rate - that is estimated at about 20%
- The balance of the YA category will be subject to the adult rate

Based on the last "normal year" which was 2018-19, if there is no membership attrition as a result of the membership changes, revenue is projected to increase about \$235,000. Another way to consider this - in 18-19 there were about 55,500 membership purchase transactions. We would have to lose about 13%, or 7,200, of those solely as a result of these changes, before we would see a revenue decrease.

Looking at an abnormal - hopefully not a new normal - 2019-20 - the loss of OTB play in the spring of 20 resulted in a sharp decrease in membership transactions. How long will that last? I think it reasonable to assume that US Chess efforts to ramp up online offerings and online rated play may have some impact, but I do not expect that impact to be very large in the short term. Running the numbers the same way there were about 48,000 membership purchase transactions. Starting with these numbers if there is no membership attrition as a result of the membership changes, revenue would be projected to increase about \$200,000. We would have to lose about 13%, or 6,200, of those solely as a result of these changes, before we would see a revenue decrease.

Are we likely to see membership decreases beyond those we have experienced? I think the clear answer is yes as long as OTB play is limited and as long as scholastic programs are not operating with OTB play. But will the membership changes increase that drop significantly? That is a main question.

I struggle with those who were telling us times were too good to adjust dues, and now we have some of the same people saying times are too bad. Folks bring up 2002. This is not 2002. US Chess is not in immediate danger of failing as it was then. Management is sound. We are keeping the lights on and providing services. The question is what we will be able to maintain, and where we need to be in the

long run. We keep getting feedback, especially from those purchasing online, the structure is too complex. More and more of our memberships are purchased directly by folks online through the webstore. Yes a significant portion are still run by organizers and directors. A growing percentage are scholastic group memberships too.

There is a core for whom the price does not matter all that much. There is a core for whom any price is too much - but they are going to join anyway to play OTB.