

UNITED STATES OF AMERICA CHESS FEDERATION  
FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

MAY 31, 2021 AND 2020

UNITED STATES OF AMERICA CHESS FEDERATION

YEARS ENDED MAY 31, 2021 AND 2020

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# Bible Harris Smith, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
United States of America Chess Federation  
Crossville, Tennessee

We have audited the accompanying financial statements of the United States of America Chess Federation (a nonprofit organization) which comprise the statements of financial position as of May 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States of America Chess Federation as of May 31, 2021 and 2020, 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 schedules of unrestricted expenses on pages 21 - 22 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.

*Bible Harris Smith, P.C.*

Bible Harris Smith, P.C.  
Knoxville, Tennessee  
August 16, 2021

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	May 31,	
	2021	2020
<b>OPERATING ASSETS</b>		
Cash	\$ 1,742,401	\$ 1,417,084
Accounts Receivable	2,132	3,500
Prepaid Expenses	1,500	10,467
Investments	619,203	840,620
Furniture and Equipment (net of accumulated depreciation of \$77,560 and \$87,004 in 2021 and 2020)	347,407	2,079
Total Operating Assets	2,712,643	2,273,750
<b>LIFE MEMBERSHIP ASSETS</b>		
Cash	46,876	23,065
Investments	638,028	532,988
Land	264,000	264,000
Building and Improvements (net of accumulated depreciation of \$273,139 and \$257,173 in 2021 and 2020)	368,283	384,248
Total Life Membership Assets	1,317,187	1,204,301
<b>ENDOWMENT FUND</b>		
Cash	916,104	771,192
Investments	276,875	56,531
Total Endowment Cash and Investments	1,192,979	827,723
<b>TOTAL ASSETS</b>	<b>\$ 5,222,809</b>	<b>\$ 4,305,774</b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 48,274	\$ 132,412
Accrued Expenses and Other Liabilities	101,769	99,894
Paycheck Protection Program	188,043	229,100
Deferred Multi-Year Memberships	674,898	734,617
Deferred Sales and Tournament Income	24,425	16,404
Deferred Scholarships	122,978	80,178
Deferred Revenue - Life and Sustaining Memberships	380,114	397,271
<b>TOTAL LIABILITIES</b>	<b>1,540,501</b>	<b>1,689,876</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
With Board Designated Restrictions	1,349,288	1,314,735
Without Board Designated Restrictions	1,224,056	518,999
With Donor Restrictions	1,108,964	782,164
Total Net Assets	3,682,308	2,615,898
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,222,809</b>	<b>\$ 4,305,774</b>

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

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
REVENUES WITHOUT DONOR RESTRICTIONS		
Memberships	\$ 1,549,173	\$ 1,836,503
Tournaments	527,474	695,114
Magazine Revenues	47,990	178,670
Sales Revenues	94,930	120,000
Donations	316,549	433,388
Investment Return	201,550	6,281
Interest Income	77,050	99,173
Other Services	249,947	279,635
Other Revenues	50,506	62,872
Paycheck Protection Program Loan Forgiveness	229,100	-
Net Assets Released From Restrictions	-	-
Total Revenues	3,344,269	3,711,636
EXPENSES WITHOUT DONOR RESTRICTIONS		
Depreciation	18,796	20,821
General and Administrative Expenses	540,784	660,139
Fundraising Expenses	126,238	148,957
Governance	102,484	173,039
Magazine	743,085	836,522
Membership Development	480,123	1,083,605
Overhead Expenses	61,609	81,690
Tournament Expenses	531,540	1,167,030
Total Expenses	2,604,659	4,171,803
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	739,610	(460,167)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donations	325,501	558,826
Interest Income	1,299	1,157
INCREASE (DECREASE) - NET ASSETS WITH DONOR RESTRICTIONS	326,800	559,983
Increase (Decrease) in Net Assets	1,066,410	99,816
NET ASSETS - BEGINNING	2,615,898	2,516,082
NET ASSETS - ENDING	\$ 3,682,308	\$ 2,615,898

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

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2021

	Program Activities			Supporting Services	
	Magazine	Tournament	Total Program	Membership	Overhead
Advertising and Promotions	\$ -	\$ -	\$ -	\$ 9,616	\$ -
Bank and Credit Card Charges	-	10,184	10,184	57,709	-
Commissions	-	-	-	429	-
Contract Labor	48,746	-	48,746	-	-
Delegates Meeting	-	-	-	-	-
Election Expenses	-	-	-	-	-
Equipment Rental	-	-	-	-	5,688
FIDE International Representation	-	-	-	-	-
Insurance	-	-	-	-	19,396
IT Expenses	1,858	-	1,858	187,254	-
Office Supplies	1,032	-	1,032	3,313	-
Other	-	-	-	3,657	-
Personnel Expense	374,474	152,130	526,604	210,642	-
Printing, Mailing and Postage	316,560	-	316,560	7,503	-
Professional Fees	-	-	-	-	-
Property and Other Taxes	-	-	-	-	5,302
Repairs & Maintenance	-	-	-	-	7,720
Telephone	-	-	-	-	17,533
Tournament Expense - International	-	26,658	26,658	-	-
Tournament Expense - Domestic	-	342,568	342,568	-	-
Travel	415	-	415	-	-
Utilities	-	-	-	-	5,970
	743,085	531,540	1,274,625	480,123	61,609
Total Expenses before Depreciation					
Depreciation	-	-	-	-	-
Total Expenses	\$ 743,085	\$ 531,540	\$ 1,274,625	\$ 480,123	\$ 61,609

(CONTINUED ON PAGE 6)

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

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2021

(CONTINUED FROM PAGE 5)

	Supporting Services, continued			
	Governance	G&A	Fundraising	Grand Total
Advertising and Promotions	\$ -	\$ 5,666	\$ 20,917	\$ 36,199
Bank and Credit Card Charges	-	-	-	67,893
Commissions	-	-	-	429
Contract Labor	-	21,120	-	69,866
Delegates Meeting	1,534	-	-	1,534
Election Expenses	4,989	-	-	4,989
Equipment Rental	-	-	-	5,688
FIDE International Representation	14,045	-	-	14,045
Insurance	-	-	-	19,396
IT Expenses	-	115,857	-	304,969
Office Supplies	-	8,897	-	13,242
Other	-	89,288	-	92,945
Personnel Expense	81,916	245,749	105,321	1,170,232
Printing, Mailing and Postage	-	2,676	-	326,739
Professional Fees	-	45,511	-	45,511
Property and Other Taxes	-	-	-	5,302
Repairs & Maintenance	-	-	-	7,720
Telephone	-	-	-	17,533
Tournament Expense - International	-	-	-	26,658
Tournament Expense - Domestic	-	-	-	342,568
Travel	-	6,020	-	6,435
Utilities	-	-	-	5,970
	102,484	540,784	126,238	2,585,863
Depreciation	18,796	18,796		18,796
	\$ 102,484	\$ 559,580	\$ 126,238	\$ 2,604,659

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



UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2020

	Program Activities			Supporting Services	
	Magazine	Tournament	Total Program	Membership	Overhead
Advertising and Promotions	\$ -	\$ -	\$ -	\$ 5,851	\$ -
Bank and Credit Card Charges	-	13,444	13,444	76,185	-
Commissions	-	-	-	36,522	-
Contract Labor	52,813	-	52,813	-	-
Delegates Meeting	-	-	-	-	-
Election Expenses	-	-	-	-	-
Equipment Rental	-	-	-	-	9,352
Executive Board Meetings and Travel	-	-	-	-	-
FIDE International Representation	-	-	-	-	-
Insurance	-	-	-	-	17,766
IT Expenses	3,604	-	3,604	690,470	-
Office Supplies	258	-	258	20,440	-
Other	-	-	-	1,680	2,700
Personnel Expense	391,187	158,920	550,107	220,042	-
Printing, Mailing and Postage	386,979	-	386,979	32,415	-
Professional Fees	-	-	-	-	-
Property and Other Taxes	-	-	-	-	5,345
Repairs & Maintenance	-	-	-	-	20,048
Telephone	-	-	-	-	17,878
Tournament Expense - International	-	493,451	493,451	-	-
Tournament Expense - Domestic	-	501,215	501,215	-	-
Travel	1,681	-	1,681	-	-
Utilities	-	-	-	-	8,601
	836,522	1,167,030	2,003,552	1,083,605	81,690
Total Expenses before Depreciation					
Depreciation	-	-	-	-	-
Total Expenses	\$ 836,522	\$ 1,167,030	\$ 2,003,552	\$ 1,083,605	\$ 81,690

(CONTINUED ON PAGE 8)

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

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED MAY 31, 2020

(CONTINUED FROM PAGE 7)

	Governance	G&A	Fundraising	Grand Total
Advertising and Promotions	\$ -	\$ 20,367	\$ 38,936	\$ 65,154
Bank and Credit Card Charges	-	-	-	89,629
Commissions	-	-	-	36,522
Contract Labor	-	3,200	-	56,013
Delegates Meeting	12,451	-	-	12,451
Election Expenses	5,265	-	-	5,265
Equipment Rental	-	-	-	9,352
Executive Board Meetings and Travel	18,520	-	-	18,520
FIDE International Representation	51,231	-	-	51,231
Insurance	-	-	-	17,766
IT Expenses	-	131,619	-	825,693
Office Supplies	-	14,001	-	34,699
Other	-	87,776	-	92,156
Personnel Expense	85,572	256,716	110,021	1,222,458
Printing, Mailing and Postage	-	3,340	-	422,734
Professional Fees	-	88,466	-	88,466
Property and Other Taxes	-	-	-	5,345
Repairs & Maintenance	-	-	-	20,048
Telephone	-	-	-	17,878
Tournament Expense - International	-	-	-	493,451
Tournament Expense - Domestic	-	-	-	501,215
Travel	-	54,654	-	56,335
Utilities	-	-	-	8,601
	<u>173,039</u>	<u>660,139</u>	<u>148,957</u>	<u>4,150,982</u>
Depreciation		<u>20,821</u>		<u>20,821</u>
	<u>\$ 173,039</u>	<u>\$ 680,960</u>	<u>\$ 148,957</u>	<u>\$ 4,171,803</u>

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

UNITED STATES OF AMERICA CHESS FEDERATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 1,066,410	\$ 99,816
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	18,796	20,821
Unrealized (Gain) Loss on Life Membership Investments	(115,109)	35,581
Unrealized (Gain) Loss on Investments	(86,232)	(78,582)
Reinvested earnings - Investments	(36,513)	-
Reinvested earnings - Certificates of Deposit	-	105,884
Reinvested earnings - Life Membership Assets and Endowment	(41,635)	(33,664)
Paycheck Protection Program Loan Forgiveness	(229,100)	-
(Increase) Decrease in Assets:		
Accounts Receivable	1,368	28,362
Prepaid Expenses	8,967	(1,953)
Cash and Equivalents - Life Membership Assets	3,153	33,665
Increase (Decrease) in Liabilities:		
Accounts Payable	(84,138)	127,857
Accrued Expenses and Other Liabilities	1,875	(315,019)
Deferred Multi-Year Memberships	(59,719)	(87,898)
Deferred Sales and Tournament Income	8,021	(2,528)
Deferred Revenue-Life and Sustaining Memberships	(17,157)	(9,352)
Deferred Scholarships	42,800	30,225
Net Cash Provided By (Used In) Operating Activities	481,787	(46,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(195,601)	(770,225)
Purchases of Property, Plant, and Equipment	(348,159)	-
Sale of Investments	367,970	312,597
Net Cash Provided By (Used In) Investing Activities	(175,790)	(457,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program	188,043	229,100
Net Cash Provided By (Used In) Financing Activities	188,043	229,100
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
<b>EQUIVALENTS</b>	494,040	(275,313)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	2,211,341	2,486,654
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 2,705,381	\$ 2,211,341

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

UNITED STATES OF AMERICA CHESS FEDERATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MAY 31, 2021 AND 2020

Note 1 - Nature of Organization and Significant Accounting Policies

The Organization – The United States of America Chess Federation (Federation) was organized in 1939. The purpose of the Federation is educational and instructional. The Federation seeks to broaden and develop chess as art and recreation. The Federation accomplishes this objective by cooperating with schools, colleges, hospitals, military bases, community centers, recreation departments, and other groups and institutions in teaching chess, conducting tournaments, and other activities. In addition, the Federation disseminates information through its publications and representatives.

Basis of Accounting – The financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized in the period in which they are earned, and expenses are recognized when incurred.

Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Federation considers cash equivalents to include all highly liquid investments available for current use with an initial maturity of three months or less, and cash funds.

Provision for Doubtful Accounts – The Federation provides for estimated losses on accounts receivable based on prior bad debt experience and a review of existing receivables. Accounts are charged off as uncollectible if over 365 days old and less than \$1,000, or if the collection efforts are exhausted. No allowance is considered necessary at May 31, 2021 and 2020.

Life Membership Assets (LMA) – The Federation offers lifetime and sustaining memberships to its members. The membership fees received are designated as LMA assets, which include land, building, cash, and investments. Life and sustaining membership fees are deferred and recognized in income over a twenty-year period from the date an individual becomes a life member.

Investments – Investments are stated at fair value. Fair value for all investments is determined by reference to quoted market prices in active markets for identical assets (Level 1). Net realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless its use is temporarily or permanently restricted by explicit donor stipulations or by law.

Deferred Multi-Year Memberships and Deferred Sales and Tournament Income – These deferred income categories include multi-year membership income and deferred tournament income for tournaments which have not yet taken place. Income is recognized when earned based on management's estimate of: the amount considered a contribution, and recognized upon receipt; the amount considered an exchange transactions, and recognized ratably during the duration of the membership; and adoption of a mid-year cost flow assumption.

Compensated Absences – Employees' vacation benefits are recognized in the period earned.

Financial Instruments and Fair Value Measurements – The Federation believes the carrying amount of cash, accounts receivable (net of allowances), other current assets, accounts payable, line of credit, accrued expenses and other liabilities approximates fair value due to their short maturity. FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Federation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Federation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Tax Exempt Status – The Federation operates under 501(c)(3) status. If applicable, the Federation accounts for unrelated business income taxes under the provisions of FASB ASC 740-10. During the years ended May 31, 2021 and 2020, the Federation did not have net income derived from unrelated business activities, and it was determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax exempt status. In years where the Federation has net income derived from unrelated business activities, it would be subject to examinations by taxing authorities generally for three years after filing the federal Exempt Organization Business Income Tax Returns (Form 990T). It is the Federation’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of May 31, 2021 and 2020, the Federation had no accruals for interest and/or penalties.

Financial Statement Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Federation and changes therein are classified and reported as follows.

Net assets without donor restrictions – Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Federation. These net assets may be used at the discretion of the Federation’s management and board of directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Federation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions – Contributions received are recorded as “with donor restrictions” or “without donor restrictions” depending on the existence or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Donated Services – The Federation receives donated services from unpaid volunteers who perform a variety of tasks to assist the Federation in its activities. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. If the criteria for recognition are satisfied, donated services are recorded at their fair values in the period received. No donated services met these criteria and none were recorded for the fiscal years ended May 31, 2021 and 2020.

Functional Allocation of Expenses – The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Items with a useful life of greater than one year and a cost of greater than \$500 are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets.

Reclassifications - Certain reclassifications have been made to the 2020 financial statements in order to conform with current year presentation. These reclassifications have no effect on total net assets at May 31, 2020, or the changes in net assets for the year then ended.

## Note 2 – Information Regarding Availability and Liquidity

The Federation strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements may be invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Federation’s financial assets as of May 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

	May 31,	
	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 2,705,380	\$ 2,211,341
Accounts Receivable	2,132	3,500
Investments	1,534,107	1,430,139
Total Financial Assets	4,241,619	3,644,980
Less amounts not available to be used within one year:		
Cash Subject to Donor Restrictions	27,565	26,266
Life Member Assets - Trust Financial Assets	684,904	556,053
Scholarship Fund	61,478	66,899
Endowment Fund	1,192,979	827,723
Reserve Fund	1,400,082	1,427,261
Less net assets with purpose restrictions to be met in less than a year	-	-
	3,367,008	2,904,202
Financial assets available to meet general expenditures over the next twelve months	\$ 874,611	\$ 740,778

Amounts not available include the Life Member Asset Trust which is intended to provide income to support services for life members throughout the term of their membership, a Scholarship Fund to pay for scholarships awarded to students in chess competitions, an Endowment Fund to hold restricted and unrestricted donations for long term investment (the proceeds of which will be used for future programming), and the Reserve Fund which is intended to provide operating liquidity in the event of an emergency or to fund special board initiatives not

considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also includes net assets with donor restrictions.

Note 3 – Prepaid Expenses - Prepaid expenses consist of the following:

	May 31,	
	2021	2020
Prepaid Insurance	\$ -	\$ 2,334
Prepaid Postage	1,500	8,133
Total	<u>\$ 1,500</u>	<u>\$ 10,467</u>

Note 4 – Furniture and Equipment - Furniture and equipment is summarized as follows:

	May 31,	
	2021	2020
Furniture and Office Equipment	\$ 57,628	\$ 57,628
Computer Equipment	16,917	21,541
Custom Member Software	340,508	-
Capital Lease- Computer Equipment	9,914	9,914
	<u>424,967</u>	<u>89,083</u>
Less: Accumulated Depreciation	(77,560)	(87,004)
Total	<u>\$ 347,407</u>	<u>\$ 2,079</u>

Note 5 – Life Membership Assets (LMA) - Cash and investments consisted of the following:

	May 31,	
	2021	2020
Cash- Money Market	\$ 46,876	\$ 23,065
Securities	638,028	532,988
Total	<u>\$ 684,904</u>	<u>\$ 556,053</u>

The Federation's securities are reported at fair value in the accompanying statement of financial position.

Fair Value Measurement Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets				
Equity Securities May 31, 2021	<u>\$ 638,028</u>	<u>\$ 638,028</u>	<u>\$ -</u>	<u>\$ -</u>
Equity Securities May 31, 2020	<u>\$ 532,988</u>	<u>\$ 532,988</u>	<u>\$ -</u>	<u>\$ -</u>

LMA investment return is as follows:

	May 31,	
	2021	2020
Interest/Dividends	\$ 34,581	\$ 33,664
Unrealized Gain/(Loss)	94,267	(25,806)
	<u>\$ 128,848</u>	<u>\$ 7,858</u>

LMA land, building and improvements consisted of the following:

	May 31,	
	2021	2020
Land	\$ 264,000	\$ 264,000
Building	601,704	601,704
Building Improvements	39,717	39,717
Total	<u>905,421</u>	<u>905,421</u>
Less: Accumulated Depreciation	<u>(273,138)</u>	<u>(257,173)</u>
Total	<u>\$ 632,283</u>	<u>\$ 648,248</u>

Note 6 – Investments

Investments consist of the following at May 31, 2021 and May 31, 2020.

Fair Value Measurement Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>May 31, 2021</u>				
Equity Securities	\$ 619,203	\$ 619,203	\$ -	\$ -
Total	<u>\$ 619,203</u>	<u>\$ 619,203</u>	<u>\$ -</u>	<u>\$ -</u>
<u>May 31, 2020</u>				
Equity Securities	\$ 479,062	\$ 479,062	\$ -	\$ -
Fixed Income Securities	361,558	361,558	-	-
Total	<u>\$ 840,620</u>	<u>\$ 840,620</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 – Accrued Expenses and Other Liabilities - Accrued expenses and other liabilities consist of the following:

	May 31,	
	2021	2020
Accrued Payroll and Taxes	\$ 16,163	\$ 12,524
Accrued Vacation	50,416	53,662
Other Accrued Expenses	24,977	23,495
Grand Prix Fund	10,213	10,213
	<u>\$ 101,769</u>	<u>\$ 99,894</u>



### Note 8 – Deferred Revenue – Life Memberships

The Federation’s policy is to defer dues that it receives from life members over 20 years from the time they become life members. The following is a summary of deferred life membership income activity for the years ended May 31, 2021 and 2020.

Deferred Revenue Life Membership- May 31, 2019	\$ 406,623
Membership Dues Received	44,250
Amount Recorded as Income	<u>(53,603)</u>
Deferred Revenue Life Membership- May 31, 2020	397,270
Membership Dues Received	33,000
Amount Recorded as Income	<u>(50,156)</u>
Deferred Revenue Life Membership- May 31, 2021	<u><u>\$ 380,114</u></u>

The following is a schedule of life memberships to be recognized in income in future years.

Year Ending May 31,	
2022	\$ 41,933
2023	40,838
2024	35,287
2025	38,862
2026	30,587
2027-2031	100,173
2032-2036	63,334
Thereafter	<u>29,100</u>
	<u><u>\$ 380,114</u></u>

### Note 9 – Deferred Scholarships

The Federation awarded scholarships as prizes at certain scholastic tournaments. These awards are to be paid to the winners upon proof of enrollment in a post-secondary institution. The liability for the scholarship awards is at the estimated present value of the payments, taking into account a discount rate of 3% and the expected date of payment. It is at least reasonably possible that a change in this liability could occur in the near term.

Future payments are anticipated as follows:

2022	\$ 119,800
2023	1,750
2024	<u>2,000</u>
Total	123,550
Less: unamortized discount	<u>(572)</u>
Present value of Deferred Scholarships at 05/31/21	<u><u>\$ 122,978</u></u>

#### Note 10 – Line of Credit and Short-Term Notes Payable

United States of America Chess Federation received loan proceeds in the amount of \$188,043 in fiscal year ending May 31, 2021 and \$229,100 in fiscal year ending May 31, 2020 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the PPP provides loans for qualifying businesses in amounts up to 2.5 times the businesses’ average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over 2 to 5 years at an interest of 1%, with a deferral of payments 10 months after the end of the covered period. United States of America Chess Federation intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the covered period.

In June 2021, the Small Business Administration fully forgave the original PPP loan of \$229,100. The \$229,100 is included in Revenues without Donor Restrictions on the Statement of Activities and Changes in Net Assets.

#### Note 11 – Commitments and Contingencies

The Federation is insured for professional liability under an occurrence-basis policy with an independent insurance carrier. An occurrence-basis policy covers claims resulting from incidents that occur during the policy term, regardless of when the claims are reported to the insurance carrier.

The COVID-19 pandemic, whose effects first become known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant volatility in value resulting from uncertainty caused by the pandemic. United States of America Chess Federation is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The Federation makes in-person event decision based on available guidance from federal, state and local governments. The extent of the impact of COVID-19 on United States of America Chess Federation’s operational and financial performance will depend on certain developments, including the duration and speed of the outbreak and its impacts on United States of America Chess Federation’s customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact United States of America Chess Federation’s financial position and changes in cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of the pandemic.

#### Note 12 – Concentration of Credit Risk

The Federation has cash deposits with various financial institutions located within Tennessee and the United States at May 31, 2021. The Federation does not require collateral or other support for cash deposits in excess of the federally insured limit of \$250,000 for each financial institution. The Federation’s bank balances exceeded the federally insured limit by approximately \$640,000 and \$369,000 at May 31, 2021 and 2020, respectively. The Federation’s money market accounts are covered by SIPC insurance which offers limited protection but does not protect against loss in value.

The Federation’s trade receivables potentially subject the Federation to credit risk. At May 31, 2021 there were no credit risks.

### Note 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of contributions received to fund prizes, primarily in the form of scholarships, for invitational chess tournaments and to provide certain medical and pension benefits to America’s top chess players, and land. Net assets with donor restrictions as of May 31, 2021 and 2020 are summarized as follows:

	May 31,	
	2021	2020
Endowment	\$ 864,171	\$ 603,164
Scholarships	43,250	25,250
Professional Players Health and Benefits Fund	169,999	122,219
Crenshaw Endowment	11,273	11,260
Other	20,271	20,271
Total Net Assets with Donor Restrictions	<u>\$ 1,108,964</u>	<u>\$ 782,164</u>

### Note 14 – Board Restricted Funds

The following board restricted funds are included in Net Assets without Donor Restrictions:

The Scholarship Fund was established to segregate the amount required to pay scholarships awarded as prizes at chess competitions. The Board approved a policy that any scholarships awarded through a Federation sponsored chess competition must be funded at the time of the event. The scholarship money is held in a separate bank account until claimed by the winner upon entering a post-secondary educational institution. The account may also hold donor-restricted funds that have been donated to provide scholarships for specific events. Donor-restricted amounts are reported separately. At May 31, 2021, this Fund had assets of \$61,478 of which \$43,250 is donor-restricted and \$18,228 is Board restricted. At May 31, 2020, this Fund had assets of \$80,178 of which \$25,250 is donor-restricted and \$54,928 is Board restricted.

The Endowment Fund was established in 2019 to create a long-term source of investment income from donations received from benefactor members and from donations from estates. Benefactor members donate \$1,500 beyond the cost of a life membership to benefit the future efforts of the Federation. The endowment was started with the transfer of \$66,000 representing the contributions of the 44 benefactor members at that time. The Board established a policy that the donation component of future benefactor members will be added to the endowment along with the proceeds from any estate gifts. Any earnings of the endowment will be reinvested into the endowment until the fund reaches \$100,000. When the fund exceeds that amount, earnings may be used to fund Federation programs and activities at the discretion of the Board. At May 31, 2021, the endowment balance totaled \$1,192,979, of which \$864,171 was donor restricted. At May 31, 2020, the endowment balance totaled \$827,723, of which \$603,164 was board restricted.

The Reserve Fund was established in May 2017 to set aside money for use in the case of extreme emergency. The Board set a goal for the reserve to be between six and twelve months of Federation operating expenses. Any distribution from the reserve requires an affirmative vote of the Executive Board which outlines the emergency and establishes that the emergency cannot be met in other ways. Earnings of the reserve are being reinvested until the reserve meets the funding target which is presently \$2,000,000. The fund was initially established with \$800,000, followed by two additional deposits of \$200,000 each. The balance in the reserve fund was \$1,400,082 and \$1,427,261 at May 31, 2021 and 2020 respectively.

On July 15, 2003, the Federation received three acres of land located in Crossville, Tennessee. As a restriction on the use of the donated land, the Federation must not sell any undeveloped portion of the land without first

offering it to the City of Crossville for the same per acre price as the original price of \$1, plus improvements and other items, if the land is sold as an undeveloped piece of the original acreage. After considering the nature of these restrictions management has re-characterized the land from Net Assets With Donor Restrictions to Net Assets Without Donor Restrictions (Board Designated).

### Note 15 – Endowments

The Organization's endowment includes assets held by the Federation, the income from which is available to support the Federation. Its endowment includes both donor-restricted funds and funds designated by the Executive Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Executive Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Board of the Federation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Executive Board, for endowment assets as follows:

- Objective – To have investment and spending policies designed to balance the current goals of US Chess with its future need, in order to achieve parity in supporting both current and future generations of US Chess member and other beneficiaries of US Chess programs.
- Risk Philosophy – Moderate risk level to preserve principal and produce a total return sufficient to protect the purchasing power of the assets from inflation after meeting annual spending requirements.
- Asset Mix –
  - Cash: 5%-10%
  - Bonds, Fixed Income ETF: 45%-50%
  - US Equity, Indexes ETF: 25%-35%
  - Global Equity, Indexes: ETF: 25%-35%
  - Hedge Fund Strategies, Buy-Writes: 0%-10%
  - Private Equity/Venture Capital: 0%-5%
  - Natural Resources: 0%-5%
  - Real Estate: 0%-5%
- Performance Standard – Total return is expected to outperform a benchmark composite return for a similar asset mix.
- Withdrawal and Liquidity – The Executive Board will determine how and when to distribute the Endowment Fund. The Endowment Fund threshold base is \$100,000 before distributions are considered by the Executive Board.

Endowment net asset composition by type of fund as of May 31, 2021 and 2020,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
May 31, 2020 Donor Restricted Endowment Funds	\$ -	\$ 603,164	\$ 603,164
Board Designated Endowment Funds	224,559	-	224,559
Total Funds	<u>\$ 224,559</u>	<u>\$ 603,164</u>	<u>\$ 827,723</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
May 31, 2021 Donor Restricted Endowment Funds	\$ -	\$ 864,171	\$ 864,171
Board Designated Endowment Funds	328,808	-	328,808
Total Funds	<u>\$ 328,808</u>	<u>\$ 864,171</u>	<u>\$ 1,192,979</u>

Changes in Endowment Net Assets as of May 31, 2021 and 2020,

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
May 31, 2020 Endowment Net Assets, Beginning	\$ 66,000	\$ -	\$ 66,000
Designated for Endowment	167,281	603,164	770,445
Investment Income	1,053		1,053
Unrealized Gains (Losses)	(9,775)	-	(9,775)
Fiduciary Fees	-	-	-
Appropriated for Expenditure			-
Endowment Net Assets, Ending	<u>\$ 224,559</u>	<u>\$ 603,164</u>	<u>\$ 827,723</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
May 31, 2021 Endowment Net Assets, Beginning	\$ 224,559	\$ 603,164	\$ 827,723
Designated for Endowment	76,149	261,007	337,156
Investment Income	7,257	-	7,257
Unrealized Gains (Losses)	20,843	-	20,843
Fiduciary Fees	-	-	-
Appropriated for Expenditure	-	-	-
Endowment Net Assets, Ending	<u>\$ 328,808</u>	<u>\$ 864,171</u>	<u>\$ 1,192,979</u>

#### Note 16 – Retirement Plan

Effective January 1, 2016, the Federation established a 401(k) plan covering employees with six months of service who have attained the age of 21. Retirement plan administration expenses \$4,998 and \$5,029 were paid during the years ended May 31, 2021 and 2020, respectively. The Federation has a safe harbor plan that requires a 3% contribution to all employees and a 50% matching contribution on the first 5% for employees voluntarily participating in the plan. For the years ended May 31, 2021 and 2020, contributions totaled \$41,756 and \$35,287, respectively.

#### Note 17 – Subsequent Events

Management has evaluated subsequent events through August 16, 2021, the date the Financial Statements were available to be issued.

## SUPPLEMENTARY INFORMATION

UNITED STATES OF AMERICA CHESS FEDERATION  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF UNRESTRICTED EXPENSES  
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
<b>MAGAZINE</b>		
Contract Labor	\$ 48,746	\$ 52,813
IT Expenses	1,858	3,604
Office Supplies	1,032	258
Personnel Expense	374,474	391,187
Printing, Mailing, and Postage	316,560	386,979
Travel	415	1,681
	<u>743,085</u>	<u>836,522</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotions	5,666	20,367
Contract Labor	21,120	3,200
IT Expenses	115,857	131,619
Office Supplies	8,897	14,001
Other	89,288	87,776
Personnel Expense	245,749	256,716
Printing, Mailing, and Postage	2,676	3,340
Professional Fees	45,511	88,466
Travel	6,020	54,654
	<u>540,784</u>	<u>660,139</u>
<b>TOURNAMENT EXPENSES</b>		
Bank and Credit Card Charges	10,184	13,444
Personnel Expenses	152,130	158,920
Tournament Expense - International	26,658	493,451
Tournament Expense - Domestic	342,568	501,215
	<u>531,540</u>	<u>1,167,030</u>
<b>MEMBERSHIP DEVELOPMENT</b>		
Advertising and Promotion	9,616	5,851
Bank and Credit Card Charges	57,709	76,185
Commissions	429	36,522
IT Expenses	187,254	690,470
Office Supplies	3,313	20,440
Other	3,657	1,680
Personnel Expenses	210,642	220,042
Printing, Mailing, and Postage	7,503	32,415
	<u>480,123</u>	<u>1,083,605</u>
Subtotal current page	\$ 2,295,532	\$ 3,747,296

(CONTINUED ON PAGE 22)

The accompanying notes are an integral part of these financial statements



UNITED STATES OF AMERICA CHESS FEDERATION  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF UNRESTRICTED EXPENSES  
YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Subtotal from previous page	\$ 2,295,532	\$ 3,747,296
<b>OVERHEAD EXPENSES</b>		
Equipment Rental	5,688	9,352
Insurance	19,396	17,766
Other	-	2,700
Property and Other Taxes	5,302	5,345
Repairs and Maintenance	7,720	20,048
Telephone	17,533	17,878
Utilities	<u>5,970</u>	<u>8,601</u>
TOTAL OVERHEAD EXPENSES	<u>61,609</u>	<u>81,690</u>
DEPRECIATION	<u>18,796</u>	<u>20,821</u>
<b>GOVERNANCE</b>		
Delegates Meeting	1,534	12,451
Election Expenses	4,989	5,265
Executive Board Meetings and Travel	-	18,520
FIDE International Representation	14,045	51,231
Personnel Expense	<u>81,916</u>	<u>85,572</u>
TOTAL GOVERNANCE EXPENSES	<u>102,484</u>	<u>173,039</u>
<b>FUNDRAISING</b>		
Advertising and Promotions	20,917	38,936
Personnel Expense	<u>105,321</u>	<u>110,021</u>
TOTAL FUNDRAISING EXPENSES	<u>126,238</u>	<u>148,957</u>
<b>TOTAL UNRESTRICTED EXPENSES AND LOSSES</b>	<u><u>\$ 2,604,659</u></u>	<u><u>\$ 4,171,803</u></u>

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