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## Audited Financial Statements

June 30, 2021

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Chess-in-the-Schools, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Chess-in-the-Schools, Inc. which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Chess-in-the-Schools, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Chess-in-the-Schools, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

January 19, 2022

**CHES-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2021**  
(With comparative totals at June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
<b>Assets</b>		
Cash and cash equivalents	\$214,408	\$499,289
Investments (Note 3)	16,190,722	11,969,439
Program fees receivable	140,635	112,921
Government grants receivable	125,000	449,409
Pledges receivable	131,000	200,254
Inventory	42,561	20,143
Prepaid expenses	20,362	6,850
Fixed assets (net of accumulated depreciation) (Note 4)	51,939	61,395
Investments held for endowment (Notes 3 and 7)	<u>378,563</u>	<u>269,368</u>
 Total assets	 <u><u>\$17,295,190</u></u>	 <u><u>\$13,589,068</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$26,325	\$24,988
Paycheck Protection Program loan (Note 5)	269,262	252,105
Deferred rent	<u>78,072</u>	<u>65,978</u>
Total liabilities	<u><u>373,659</u></u>	<u><u>343,071</u></u>
Net assets:		
Without donor restrictions:		
Operations	11,244,074	7,881,629
Board designated (Note 2b)	<u>5,000,000</u>	<u>5,000,000</u>
Total without donor restrictions	<u>16,244,074</u>	<u>12,881,629</u>
With donor restrictions (Notes 6 and 7)	<u>677,457</u>	<u>364,368</u>
Total net assets	<u><u>16,921,531</u></u>	<u><u>13,245,997</u></u>
 Total liabilities and net assets	 <u><u>\$17,295,190</u></u>	 <u><u>\$13,589,068</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CHESS-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

(With comparative totals for the year ended June 30, 2020)

	With Donor Restrictions			Total 6/30/21	Total 6/30/20
	Without Donor Restrictions	Donor Restricted Support (Note 6)	Donor Restricted Endowment (Note 7)		
<b>Public support and revenue:</b>					
Contributions	\$760,052	\$287,389		\$287,389	\$1,047,441
Government grant - Paycheck Protection Program (Note 5)	252,105			252,105	0
Other government grants	125,000			0	125,000
Program fee revenue	236,921			0	236,921
Miscellaneous income				0	1,260
Reserve funds appropriated by the governing board for operations (Note 2b)	750,000			0	750,000
Net assets released from restriction	83,495	(83,495)		(83,495)	0
<b>Total public support and revenue</b>	<b>2,207,573</b>	<b>203,894</b>	<b>0</b>	<b>203,894</b>	<b>2,411,467</b>
<b>Expenses:</b>					
Program services	1,861,758			0	1,861,758
Management and general	274,169			0	274,169
Fundraising	181,562			0	181,562
<b>Total expenses</b>	<b>2,317,489</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,317,489</b>
<b>Change in net assets from operations</b>	<b>(109,916)</b>	<b>203,894</b>	<b>0</b>	<b>203,894</b>	<b>93,978</b>
<b>Non-operating activities:</b>					
Interest and dividend income	268,737		10,465	10,465	279,202
Net realized gain/(loss) from investments	49,809		42,298	42,298	92,107
Net unrealized gain/(loss) from investments	3,903,815		56,432	56,432	3,960,247
Reserve funds appropriated by the governing board for operations (Note 2b)	(750,000)			0	(750,000)
<b>Total non-operating activities</b>	<b>3,472,361</b>	<b>0</b>	<b>109,195</b>	<b>109,195</b>	<b>3,581,556</b>
<b>Total change in net assets</b>	<b>3,362,445</b>	<b>203,894</b>	<b>109,195</b>	<b>313,089</b>	<b>3,675,534</b>
<b>Net assets - beginning of year</b>	<b>12,881,629</b>	<b>95,000</b>	<b>269,368</b>	<b>364,368</b>	<b>13,245,997</b>
<b>Net assets - end of year</b>	<b>\$16,244,074</b>	<b>\$298,894</b>	<b>\$378,563</b>	<b>\$677,457</b>	<b>\$16,921,531</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CHES-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With comparative totals for the year ended June 30, 2020)

	Program Services				Supporting Services		Total Expenses 6/30/21	Total Expenses 6/30/20	
	School Programs	College Bound Program	Tournament Program	Teacher Training Institute	Total Program Services	Management and General			Fundraising
Salaries	\$663,068	\$171,264	\$190,093	\$9,192	\$1,033,617	\$63,200	\$99,065	\$1,195,882	\$1,122,165
Payroll taxes and benefits	178,364	46,070	51,135	2,473	278,042	17,000	26,648	321,690	294,674
Scholarships and grants								0	1,000
Other program expenses	108	4,982	250		5,340	482	206	6,028	37,385
Office expenses	26,961	15,930	10,724	520	54,135	5,347	12,488	71,970	57,994
Telephone	986	3,523	1,409	70	5,988	706	352	7,046	5,955
Insurance	14,212	10,404	6,395	314	31,325	2,612	2,546	36,483	31,642
Consultants	109,799	37,241	34,539	1,676	183,255	12,125	16,961	212,341	200,855
Professional fees					0	43,042	7,000	50,042	49,936
Travel and meals		14,557			14,557			14,557	21,652
Depreciation and amortization	2,422	8,652	173	3,461	14,708	1,731	865	17,304	15,629
Other expenses	19,959	5,413	6,009	291	31,672	2,098	3,131	36,901	7,199
Occupancy	31,664	113,085	45,234	2,262	192,245	22,617	11,308	226,170	225,995
Annuity and pension expense (Note 9)					0	62,554		62,554	62,554
Repairs and maintenance	1,824	6,513	2,605	130	11,072	1,303	651	13,026	21,026
Utilities	956	3,413	1,365	68	5,802	682	341	6,825	6,910
Bad debt					0	38,670		38,670	26,473
<b>Total</b>	<b>\$1,050,323</b>	<b>\$441,047</b>	<b>\$349,931</b>	<b>\$20,457</b>	<b>\$1,861,758</b>	<b>\$274,169</b>	<b>\$181,562</b>	<b>\$2,317,489</b>	<b>\$2,189,044</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CHESS-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With comparative totals for the year ended June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Cash flows from operating activities:		
Change in net assets	\$3,675,534	(\$148,458)
Adjustments to reconcile change in net assets to net cash flows (used for)/provided by operating activities:		
Depreciation and amortization	17,304	15,629
Realized (gain)/loss on sale of investments	(92,107)	226,608
Unrealized (gain)/loss on sale of investments	(3,960,247)	243,536
Donated stock	(150,000)	(289,800)
Changes in assets and liabilities:		
Program fees receivable	(27,714)	12,862
Government grants receivable	324,409	(684)
Pledges receivable	69,254	174,746
Inventory	(22,418)	(124)
Prepaid expenses	(13,512)	(2,953)
Accounts payable and accrued expenses	1,337	(23,598)
Paycheck Protection Program loan	17,157	252,105
Deferred rent	12,094	17,275
Total adjustments	<u>(3,824,443)</u>	<u>625,602</u>
Net cash flows (used for)/provided by operating activities	<u>(148,909)</u>	<u>477,144</u>
 Cash flows from investing activities:		
Sales of investments	1,166,082	265,248
Purchases of investments	(1,294,206)	(694,002)
Purchase of fixed assets	(7,848)	(7,639)
Net cash flows used for by investing activities	<u>(135,972)</u>	<u>(436,393)</u>
 Net (decrease)/ increase in cash and cash equivalents	(284,881)	40,751
 Cash and cash equivalents - beginning of year	<u>499,289</u>	<u>458,538</u>
 Cash and cash equivalents - end of year	<u><u>\$214,408</u></u>	<u><u>\$499,289</u></u>
 Interest paid	<u>\$0</u>	<u>\$0</u>
Income tax paid	<u>\$30,000</u>	<u>\$2,000</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CHES-IN-THE-SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 1 - Nature of Entity**

Chess-in-the-Schools, Inc. ("CIS") fosters the intellectual and social development of low-income youth through chess education.

CIS was incorporated in the State of New York and has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and similar statutes in New York. They are an organization which has not been designated as a private foundation.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements of CIS have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

CIS reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions. The Board of Directors of CIS has established a board designated reserve fund to ensure long-term stability of the mission, programs, and ongoing operations of the organization. The reserve is intended to provide an internal source of funds for situations such as a sudden, unexpected increase in expenses, unanticipated loss in funding, or uninsured losses. The Board of Directors is required to approve any requests for the use of the funds.

Activity of the board designated fund was as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Balance – beginning of year	\$5,000,000	\$5,000,000
Appropriations	(750,000)	(550,000)
Transfer in	<u>750,000</u>	<u>550,000</u>
Balance – end of year	<u>\$5,000,000</u>	<u>\$5,000,000</u>

As the funds are internally designated, they are reflected on the financial statements as net assets without donor restrictions.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by the donors to specific purposes or passage of time and/or must remain intact in perpetuity.



c. Revenue Recognition

CIS follows the requirements of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

CIS follows the requirements of FASB's ASC 606 for recognizing revenue from contracts with customers. CIS receives program income for providing its chess education program in schools which falls under ASC 606 and is included in the statement of activities. Revenue from the chess education program is recognized at the point in time that the service is provided. Fees that have not been collected at year end are reflected as accounts receivable. Amounts collected in advance are treated as deferred revenue.

Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2021. Write-offs will be made in the period the receivable is deemed to be uncollectable.

d. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to CIS's ongoing services, which includes the transfer from the board designated fund to support current operating activities. Non-operating activities are limited to resources that generate return from investments, as well as the transfer of board designated funds to use for operations.

e. Cash and Cash Equivalents

CIS considers liquid investments that have an initial maturity of three months or less to be cash and cash equivalents. However, amounts held by the investment custodian for long-term purposes are included with investments.

f. Concentration of Credit Risk

Financial instruments that potentially subject CIS to concentration of credit risk consist of cash, money market accounts, and investment securities, which are placed with financial institutions that management deems to be creditworthy. Investments are subject to market fluctuations and principal is not guaranteed. At year end and at various times during the year, CIS had material uninsured balances. CIS has not experienced any losses due to the failure of any of these institutions.

g. Investments

Investments with readily available market prices are reflected at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities as non-operating activities.

h. Fixed Assets

Equipment and furniture that exceed pre-determined amounts and that have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Computers and equipment – *5 to 10 years*

Furniture and fixtures – *7 years*

i. Deferred Rent

Rent expense is recorded evenly over the life of the lease using the straight-line method. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

j. Donated Services

Donated services are recognized in circumstances where the service creates or enhances a non-financial asset or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist CIS. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

k. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CIS.

Salaries are allocated based on time and effort. Payroll taxes and benefits are allocated based on salary allocations.

The following costs are allocated based on square footage usage of the rented office space:

- Office expenses
- Telephone
- Insurance
- Depreciation and amortization
- Occupancy
- Repairs and maintenance
- Utilities

All other expenses have been charged directly to the applicable program or supporting services.

m. Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CIS's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

n. Accounting for Uncertainty of Income Taxes

CIS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2018 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncements

FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

CIS is in the process of evaluating the impact these standards will have on future financial statements.

### Note 3 - Investments

Investments are stated at fair value. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CIS has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments are designated as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Without donor restrictions	\$16,190,722	\$11,969,439
Donor restricted endowment (Note 7)	<u>378,563</u>	<u>269,368</u>
Total	<u>\$16,569,285</u>	<u>\$12,238,807</u>

The following summarizes the composition of investments:

	<u>June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Other (a)</u>	<u>Total</u>
Money funds	\$913,938	\$0	\$0	\$913,938
Mutual funds:				
Diversified emerging markets	1,820,964	0	0	1,820,964
Large blend	3,429,668	0	0	3,429,668
Small blend	2,168,077	0	0	2,168,077
Real estate	154,029	0	0	154,029
Foreign large blend	1,258,941	0	0	1,258,941
Large value	3,187,274	0	0	3,187,274
Health	884,311	0	0	884,311
Technology	1,168,906	0	0	1,168,906
Private investments	<u>0</u>	<u>0</u>	<u>1,583,177</u>	<u>1,583,177</u>
Total	<u>\$14,986,108</u>	<u>\$0</u>	<u>\$1,583,177</u>	<u>\$16,569,285</u>

	<u>June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Other (a)</u>	<u>Total</u>
Money funds	\$1,337,576	\$0	\$0	\$1,337,576
Mutual funds:				
Diversified emerging markets	1,312,683	0	0	1,312,683
Large blend	2,853,292	0	0	2,853,292
Real estate	114,631	0	0	114,631
Foreign large blend	1,339,027	0	0	1,339,027
Large value	2,701,929	0	0	2,701,929
Health	596,097	0	0	596,097
Technology	689,884	0	0	689,884
Private investments	0	0	699,893	699,893
Real estate	<u>593,795</u>	<u>0</u>	<u>0</u>	<u>593,795</u>
Total	<u>\$11,538,914</u>	<u>\$0</u>	<u>\$699,893</u>	<u>\$12,238,807</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned.

(a) The valuation of certain private investments and hedge funds as of June 30, 2021 and 2020, are reported at fair value utilizing the net asset values provided by fund managers. Other private investments are valued using outside appraisals conducted by third party appraisers. Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

#### **Note 4 - Fixed Assets**

Fixed assets consist of:

	<u>6/30/21</u>	<u>6/30/20</u>
Computers and equipment	\$323,246	\$315,398
Furniture and fixtures	<u>164,012</u>	<u>164,012</u>
	487,258	479,410
Less: accumulated depreciation and amortization	<u>(435,319)</u>	<u>(418,015)</u>
Total fixed assets, net	<u>\$51,939</u>	<u>\$61,395</u>

**Note 5 - Paycheck Protection Program**

During the year ended June 30, 2020, CIS obtained a loan of \$252,105 from the Small Business Administration (“SBA”) through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. CIS accounted for the PPP loan as a contribution in accordance with ASC 958-605. The conditions for forgiveness on this loan were met during the year ended June 30, 2021, and the full amount was recognized as revenue during the year then ended.

During the year ended June 30, 2021, CIS obtained a second loan from the SBA in the amount of \$269,262 through the Paycheck Protection Program that had similar terms as the first loan. CIS met the conditions for full forgiveness subsequent to year-end and will recognize the revenue in fiscal year 2022.

**Note 6 - Net Assets with Donor Restrictions**

Net assets were released from donor restrictions for the following purposes:

	<u>6/30/21</u>	<u>6/30/20</u>
Programs:		
Equipment & software	\$0	\$5,549
College bound	22,495	0
Summer program	<u>15,000</u>	<u>0</u>
Total program	37,495	5,549
Time restrictions	46,000	122,500
Endowment	<u>0</u>	<u>13,866</u>
Total restrictions	<u>\$83,495</u>	<u>\$141,915</u>

At year end, net assets were restricted for the following purposes:

	<u>6/30/21</u>	<u>6/30/20</u>
Programs:		
Equipment & software	\$5,000	\$5,000
College bound	22,495	0
College Success program	150,399	0
Summer program	<u>0</u>	<u>15,000</u>
Total program	177,894	20,000
Time restrictions	121,000	75,000
Endowment	<u>378,563</u>	<u>269,368</u>
Total restrictions	<u>\$677,457</u>	<u>\$364,368</u>

**Note 7 - Donor Restricted Endowment Fund**

The endowment consists of an individual donor-restricted fund, the Karff Fund, which was established in November 1998 for the purpose of funding the Edward Lasker Memorial Prizes to be awarded by the Marshall Chess Club. The endowment includes earnings from investment gains that have not yet been appropriated by the Board of Trustees.

### *Interpretation of Relevant Law*

CIS follows the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Board of Trustees of CIS has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, CIS will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, CIS has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, CIS classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The endowment agreement specifies that the amount to be used for awards and prizes from the fund each year is the lesser of the prior year’s net income or 5% of the total value of the fund at the beginning of the year.

### *Spending Policies*

In accordance with NYPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of CIS and the donor-restricted endowment fund;
- (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 CIS;
- (7) The investment policies of CIS;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on CIS.

Changes in endowment net assets are as follows:

	<u>June 30, 2021</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$169,368	\$100,000	\$269,368
Reinvested income	10,465	0	10,465
Realized gains	42,298	0	42,298
Unrealized gain	<u>56,432</u>	<u>0</u>	<u>56,432</u>
Endowment net assets, end of year	<u>\$278,563</u>	<u>\$100,000</u>	<u>\$378,563</u>

	<u>June 30, 2020</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$164,749	\$100,000	\$264,749
Reinvested income	46,043	0	46,043
Awards	(13,866)	0	(13,866)
Unrealized loss	<u>(27,558)</u>	<u>0</u>	<u>(27,558)</u>
Endowment net assets, end of year	<u>\$169,368</u>	<u>\$100,000</u>	<u>\$269,368</u>

*Endowment Investment Policies*

CIS has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends, and other market value gains for future appropriation.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires CIS to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 or June 30, 2020.

**Note 8 - Commitments and Contingencies**

CIS occupies office space under a lease that expires on March 31, 2028. Future minimum payments under the lease are as follows:

Year ending:	June 30, 2022	\$215,436
	June 30, 2023	220,821
	June 30, 2024	226,342
	June 30, 2025	232,001
	June 30, 2025	237,801
	Thereafter	<u>408,929</u>
Total		<u>\$1,541,330</u>

**Note 9 - Employee Benefits**

CIS sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees, who can make contributions up to the maximum statutory amount. CIS contributed approximately \$20,000 and \$18,000 to the plan during the years ended June 30, 2021 and June 30, 2020, respectively.

Additionally, in 1991, CIS entered into a deferred compensation agreement with a former Executive Director. Under the terms of that agreement, CIS pays that individual \$62,554 annually, representing 50% of their average salary during the 36 months prior to their retirement. As per the terms of the agreement, the deferred compensation is not funded and is approved each year as part of the annual budget.



**Note 10 - Liquidity and Availability of Financial Resources**

CIS maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for ongoing operations. As part of its liquidity management, CIS operates its programs within a board approved budget and relies on contributions and earned income to fund its operations and program activities.

Financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$214,408
Investments	16,190,722
Program fees, grants, and pledges receivables	<u>396,635</u>
Total financial assets	\$16,801,765
Less amounts not available for general expenditures:	
Program restricted contributions	(177,894)
Board designated fund	<u>(5,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$11,623,871</u>

Board designated funds are considered available for general expenditures when board action is taken to use these funds. Annually, the board appropriates a portion of the expected net assets without donor restrictions to the operating budget to supplement public support and revenue to fund current operations, taking into consideration investment market conditions and expectations.

**Note 11 - Subsequent Events**

Subsequent events have been evaluated through January 19, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

**Note 12 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which CIS operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.