



Audited Financial Statements  
June 30, 2022

## **Independent Auditors' Report**

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

### ***Opinion***

We have audited the accompanying financial statements of Chess-in-the-Schools, Inc. ("CIS"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CIS as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CIS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

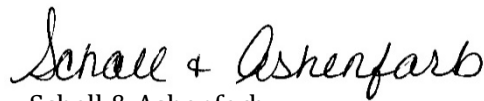
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control of CIS. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of CIS to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the 2021 financial statements of CIS, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

January 11, 2023

**CHESS-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2022**  
(With comparative totals at June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
<b>Assets</b>		
Cash and cash equivalents	\$416,850	\$214,408
Program fees receivable	160,806	140,635
Government grants receivable	268,469	125,000
Pledges receivable	0	131,000
Inventory	41,457	42,561
Prepaid expenses	6,662	20,362
Investments (Note 3)	14,194,400	16,190,722
Fixed assets (net of accumulated depreciation) (Note 4)	46,563	51,939
Investments held for endowment (Notes 3 and 7)	<u>0</u>	<u>378,563</u>
 Total assets	 <u><u>\$15,135,207</u></u>	 <u><u>\$17,295,190</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$54,461	\$26,325
Paycheck Protection Program loan (Note 5)	0	269,262
Deferred rent	84,857	78,072
Total liabilities	<u>139,318</u>	<u>373,659</u>
Net assets:		
Without donor restrictions:		
Operations	4,953,394	11,244,074
Board designated (Note 2b)	<u>10,000,000</u>	<u>5,000,000</u>
Total without donor restrictions	14,953,394	16,244,074
With donor restrictions (Notes 6 and 7)	<u>42,495</u>	<u>677,457</u>
Total net assets	<u>14,995,889</u>	<u>16,921,531</u>
 Total liabilities and net assets	 <u><u>\$15,135,207</u></u>	 <u><u>\$17,295,190</u></u>

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

**CHESS-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	With Donor Restrictions			Total 6/30/22	Total 6/30/21
	Without Donor Restrictions	Donor Restricted Support (Note 6)	Donor Restricted Endowment (Note 7)		
Public support and revenue:					
Contributions	\$951,635	\$60,000		\$60,000	\$1,047,441
Government grants:					
Paycheck Protection Program (Note 5)	269,262			269,262	252,105
Employee Retention Tax Credit (Note 8)	349,111			349,111	0
Other government grants	496,048			0	125,000
Program fee revenue	291,010			0	236,921
Reserve funds appropriated by the governing board for operations (Note 2b)	700,000			0	750,000
Net assets released from restriction (Note 6)	316,399	(316,399)		(316,399)	0
Total public support and revenue	<u>3,373,465</u>	<u>(256,399)</u>	<u>0</u>	<u>(256,399)</u>	<u>2,411,467</u>
Expenses:					
Program services	2,003,226			0	1,861,758
Management and general	254,853			0	274,169
Fundraising	187,846			0	181,562
Total expenses	<u>2,445,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,317,489</u>
Change in net assets from operations	<u>927,540</u>	<u>(256,399)</u>	<u>0</u>	<u>(256,399)</u>	<u>671,141</u>
Non-operating activities:					
Interest and dividend income	307,017			0	279,202
Net realized gain from investments	175,351			0	92,107
Net unrealized (loss)/gain from investments	(2,000,588)		2,441	2,441	3,960,247
Reserve funds appropriated by the governing board for operations (Note 2b)	(700,000)			0	(750,000)
Transfer of endowment funds (Note 7)			(381,004)	(381,004)	0
Total non-operating activities	<u>(2,218,220)</u>	<u>0</u>	<u>(378,563)</u>	<u>(378,563)</u>	<u>(2,596,783)</u>
Total change in net assets	<u>(1,290,680)</u>	<u>(256,399)</u>	<u>(378,563)</u>	<u>(634,962)</u>	<u>3,675,534</u>
Net assets - beginning of year	<u>16,244,074</u>	<u>298,894</u>	<u>378,563</u>	<u>677,457</u>	<u>13,245,997</u>
Net assets - end of year	<u>\$14,953,394</u>	<u>\$42,495</u>	<u>\$0</u>	<u>\$42,495</u>	<u>\$16,921,531</u>

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

**CHES-~~I~~-~~N~~-~~T~~-~~H~~-~~E~~-~~S~~-~~C~~-~~H~~-~~O~~-~~O~~-~~L~~-~~S~~, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Program Services				Supporting Services		Total Expenses 6/30/22	Total Expenses 6/30/21	
	School Programs	College Bound Program	Tournament Program	Teacher Training Institute	Total Program Services	Management and General			Fundraising
Salaries	\$657,251	\$178,990	\$224,152	\$9,560	\$1,069,953	\$64,900	\$99,248	\$1,234,101	\$1,195,882
Payroll taxes and employee benefits	181,927	49,544	62,045	2,646	296,162	17,966	27,472	341,600	321,690
Awards and trophies			22,784		22,784			22,784	0
Program materials	9,326	9,776	4,710	39	23,851	262	402	24,515	6,028
Office expenses	37,866	20,720	15,098	643	74,327	6,559	11,787	92,673	71,970
Telephone	972	3,473	1,389	69	5,903	680	347	6,930	7,046
Insurance	13,570	9,154	6,427	292	29,443	2,359	2,390	34,192	36,483
Consultants	96,114	25,947	19,551	854	142,466	6,457	29,499	178,422	212,341
Professional fees					0	63,627		63,627	50,042
Travel and meals	578	53,256	7,009		60,843	98	603	61,544	14,557
Depreciation	2,034	7,264	2,906	145	12,349	1,453	726	14,528	17,304
Other expenses	30,343	6,262	5,749	220	42,574	1,669	2,280	46,523	36,901
Occupancy	31,624	112,941	45,177	2,259	192,001	22,588	11,294	225,883	226,170
Annuity and pension expense (Note 10)					0	62,554		62,554	62,554
Repairs and maintenance	4,070	14,535	5,814	291	24,710	2,906	1,453	29,069	13,026
Utilities	965	3,447	1,379	69	5,860	690	345	6,895	6,825
Bad debt					0	85		85	38,670
<b>Total</b>	<b>\$1,066,640</b>	<b>\$495,309</b>	<b>\$424,190</b>	<b>\$17,087</b>	<b>\$2,003,226</b>	<b>\$254,853</b>	<b>\$187,846</b>	<b>\$2,445,925</b>	<b>\$2,317,489</b>

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

**CHESS-IN-THE-SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

(With comparative totals for the year ended June 30, 2021)

	6/30/22	6/30/21
Cash flows from operating activities:		
Change in net assets	(\$1,925,642)	\$3,675,534
Adjustments to reconcile change in net assets to net cash flows used for operating activities:		
Depreciation	14,528	17,304
Realized gain on sale of investments	(175,351)	(92,107)
Unrealized loss/(gain) on sale of investments	1,998,147	(3,960,247)
Donated stock	0	(150,000)
Changes in assets and liabilities:		
Program fees receivable	(20,171)	(27,714)
Government grants receivable	(143,469)	324,409
Pledges receivable	131,000	69,254
Inventory	1,104	(22,418)
Prepaid expenses	13,700	(13,512)
Accounts payable and accrued expenses	28,136	1,337
Paycheck Protection Program loan	(269,262)	17,157
Deferred rent	6,785	12,094
Total adjustments	1,585,147	(3,824,443)
Net cash flows used for operating activities	(340,495)	(148,909)
Cash flows from investing activities:		
Sales of investments	1,132,542	1,166,082
Purchases of investments	(580,453)	(1,294,206)
Purchase of fixed assets	(9,152)	(7,848)
Net cash flows provided by/(used for) by investing activities	542,937	(135,972)
Net increase/(decrease) in cash and cash equivalents	202,442	(284,881)
Cash and cash equivalents - beginning of year	214,408	499,289
Cash and cash equivalents - end of year	\$416,850	\$214,408
Interest paid	\$0	\$0
Income tax paid	\$24,000	\$30,000

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

**CHESS-IN-THE-SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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 accomplishes its mission through the following programs:

- School Programs – CIS teaches chess in approximately 48 elementary and middle schools annually in New York City public schools. The schools participating in the program are primarily schools that receive Title I Funding. Each school participating in the School Program is assigned a Chess in the Schools trained instructor. In each participating school, the School Program generally has two components: classroom instruction and an after-school chess club.
- College Bound Program – For low-income high school students, College Bound provides college readiness, career exploration, and advanced chess learning. Students also have the opportunity to participate in community service projects, go on cultural excursions, and work at CIS' tournaments as Assistant Tournament Directors. CIS provides test prep, college application advising, college and career fairs, as well as college visits.
- Tournament Program – The Scholastic Tournament Program offers free competitive chess tournaments in New York City. Tournaments normally are hosted primarily in public schools and many are open to all New York City students. Tournament participation ranges from approximately 400-700 students.
- Teacher Training Institute – The Teacher Training Institute (TTI) is a program to teach New York City public school educators to implement a chess program at their school. Teachers receive a free, one-day workshop including training, and additional digital resources.

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 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 held in CIS's investments and 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>6/30/22</u>	<u>6/30/21</u>
Balance – beginning of year	\$5,000,000	\$5,000,000
Appropriations	(700,000)	(750,000)
Transfer in	<u>5,700,000</u>	<u>750,000</u>
Balance – end of year	<u>\$10,000,000</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 when a contribution 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.

CIS evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for CIS to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

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 are recognized at net realizable value if expected to be received within one year, or at fair value using risk-adjusted present value techniques if expected to be received in more than one year.

CIS follows FASB ASC 958-606 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, 2022. Write-offs will be made in the period the receivable is deemed to be uncollectable. All receivables at June 30, 2022 are expected to be collected within one year.

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 and the transfer of endowment funds described in Note 7.

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. Advertising

The cost of advertising is expensed as incurred.

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, employee benefits, and insurance are allocated based on salary allocations.

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

- Office expenses
- Telephone
- Depreciation
- 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, 2021, 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, 2019 and later are subject to examination by applicable taxing authorities.

o. New Accounting Pronouncement

FASB issued Accounting Standards Update ("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 this standard will have on future financial statements.

**Note 3 - Investments and Fair Value Measurements**

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>6/30/22</u>	<u>6/30/21</u>
Without donor restrictions	\$14,194,400	\$16,190,722
Donor restricted endowment (Note 7)	<u>0</u>	<u>378,563</u>
Total	<u>\$14,194,400</u>	<u>\$16,569,285</u>

The following summarizes the composition of investments:

	<u>June 30, 2022</u>		
	<u>Level 1</u>	<u>Other (a)</u>	<u>Total</u>
Money funds	\$1,054,344	\$0	\$1,054,344
Mutual funds:			
Diversified emerging markets	1,435,953	0	1,435,953
Large blend	2,469,254	0	2,469,254
Small blend	1,782,377	0	1,782,377
Real estate	141,637	0	141,637
Foreign large blend	1,030,441	0	1,030,441
Large value	2,972,208	0	2,972,208
Health	838,446	0	838,446
Technology	885,497	0	885,497
Commodities	309,724	0	309,724
Private investments	<u>0</u>	<u>1,274,519</u>	<u>1,274,519</u>
Total	<u>\$12,919,881</u>	<u>\$1,274,519</u>	<u>\$14,194,400</u>
	<u>June 30, 2021</u>		
	<u>Level 1</u>	<u>Other (a)</u>	<u>Total</u>
Money funds	\$913,938	\$0	\$913,938
Mutual funds:			
Diversified emerging markets	1,820,964	0	1,820,964
Large blend	3,429,668	0	3,429,668
Small blend	2,168,077	0	2,168,077
Real estate	154,029	0	154,029
Foreign large blend	1,258,941	0	1,258,941
Large value	3,187,274	0	3,187,274
Health	884,311	0	884,311
Technology	1,168,906	0	1,168,906
Private investments	<u>0</u>	<u>1,583,177</u>	<u>1,583,177</u>
Total	<u>\$14,986,108</u>	<u>\$1,583,177</u>	<u>\$16,569,285</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

(a) The valuation of certain private investments and hedge funds as of June 30, 2022 and 2021, 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>6/30/22</u>	<u>6/30/21</u>
Computers and equipment	\$332,398	\$323,246
Furniture and fixtures	<u>164,012</u>	<u>164,012</u>
	496,410	487,258
Less: accumulated depreciation	<u>(449,847)</u>	<u>(435,319)</u>
Total fixed assets, net	<u>\$46,563</u>	<u>\$51,939</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 in 2021.

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. The conditions for forgiveness on this loan were met during the year ended June 30, 2022, and the full amount was recognized as revenue in 2022.

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

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

	<u>6/30/22</u>	<u>6/30/21</u>
Programs:		
Equipment & software	\$5,000	\$0
College Bound/College Success program	190,399	22,495
Summer program	<u>0</u>	<u>15,000</u>
Total program	195,399	37,495
Time restrictions	121,000	46,000
Endowment	<u>0</u>	<u>0</u>
Total restrictions	<u>\$316,399</u>	<u>\$83,495</u>

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

	<u>6/30/22</u>	<u>6/30/21</u>
Programs:		
Equipment & software	\$0	\$5,000
College Bound/College Success program	<u>42,495</u>	<u>172,894</u>
Total program	42,495	177,894
Time restrictions	0	121,000
Endowment	<u>0</u>	<u>378,563</u>
Total restrictions	<u>\$42,495</u>	<u>\$677,457</u>

**Note 7 - Donor Restricted Endowment Fund**

The endowment consisted 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.

CIS petitioned the Supreme Court of the State of New York to authorize the transfer of this endowment to the Marshall Chess Club Foundation, a separate, unrelated nonprofit organization. This petition was granted on June 7, 2021, and CIS made the transfer on July 20, 2021. The total amount transferred was \$381,004, which consisted of the endowment corpus of \$100,000 and unappropriated earnings of \$281,004.

**Note 8 - Employee Retention Credit**

During the year ended June 30, 2022, CIS claimed the Employee Retention Credit ("ERTC") in the amount of \$349,111. The ERTC was established by the Coronavirus Relief Act issued by Congress during 2020 and allows an employer to obtain fully refundable tax credits through their payroll tax filing for qualified wages paid after March 13, 2020, through September 30, 2021. To be eligible, an employer must incur payroll costs to retain employees and be adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

CIS accounts for the ERTC as a conditional contribution in accordance with FASB ASC 958-605. The conditions for eligibility outlined above were met for the quarters claimed during the year ended June 30, 2022, and the full amount was recognized as revenue during the year then ended.

**Note 9 - 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, 2023	\$220,821
	June 30, 2024	226,342
	June 30, 2025	232,001
	June 30, 2026	237,801
	June 30, 2027	243,746
	Thereafter	<u>165,183</u>
Total		<u>\$1,325,894</u>

### Note 10 - 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 \$22,000 and \$20,000 to the plan during the years ended June 30, 2022 and June 30, 2021, 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 11 - 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	\$416,850
Investments	14,194,400
Program fees receivable	160,806
Government grants receivable	<u>268,469</u>

Total financial assets \$15,040,525

Less amounts not available for general expenditures:

Donor contributions restricted to specific purposes	(42,495)
Board designated fund	<u>(10,000,000)</u>

Financial assets available to meet cash needs for general expenditures within one year \$4,998,030

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 12 - Subsequent Events

Subsequent events have been evaluated through January 11, 2023, 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 13 - 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.