

Chess-in-the-Schools, Inc.

Audited Financial Statements

June 30, 2024

Chess-in-the-Schools, Inc.

Audited Financial Statements

June 30, 2024

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Independent Auditor's 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, 2024, 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, 2024, 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 Auditor's 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' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 CIS' internal control. 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 CIS' ability 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 CIS' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects with the audited financial statements from which it was derived.

Sax CPAs LLP

New York, NY
March 12, 2025

Chess-in-the-Schools, Inc.

Statement of Financial Position

As of June 30, 2024
(With comparative totals as of June 30, 2023)

	June 30,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 379,777	\$ 242,256
Program fees receivable	186,074	134,562
Government grants receivable	867,883	1,027,809
Pledges receivable	75,000	221,370
Inventory	21,482	28,355
Prepaid expenses	3,175	4,594
Investments	16,585,640	14,496,587
Property and equipment, net	29,247	37,570
Operating lease right-of-use-("ROU") asset	811,184	1,017,799
TOTAL ASSETS	\$ 18,959,462	\$ 17,210,902
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 62,034	\$ 50,150
Operating lease liability	831,984	1,030,959
Total liabilities	894,018	1,081,109
NET ASSETS		
Without donor restrictions:		
Operations	7,955,074	5,933,423
Board designated	10,000,000	10,000,000
Total without donor restrictions	17,955,074	15,933,423
With donor restrictions	110,370	196,370
Total net assets	18,065,444	16,129,793
TOTAL LIABILITIES AND NET ASSETS	\$ 18,959,462	\$ 17,210,902

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, 2024
(With comparative totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/24	Total 6/30/23
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 968,546	\$ 35,000	\$ 1,003,546	\$ 1,186,116
Government grants	1,194,150	-	1,194,150	875,500
Program fee revenue	225,852	-	225,852	210,580
Reserve funds appropriated by the governing board for operations	750,000	-	750,000	750,000
Net assets released from restriction	121,000	(121,000)	-	-
Total public support and revenue	<u>3,259,548</u>	<u>(86,000)</u>	<u>3,173,548</u>	<u>3,022,196</u>
EXPENSES				
Program services	2,307,410	-	2,307,410	2,186,909
Supporting services:				
Management and general	327,742	-	327,742	294,306
Fundraising	211,590	-	211,590	194,990
Total expenses	<u>2,846,742</u>	<u>-</u>	<u>2,846,742</u>	<u>2,676,205</u>
Change in net assets from operations	<u>412,806</u>	<u>(86,000)</u>	<u>326,806</u>	<u>345,991</u>
NON-OPERATING ACTIVITIES				
Interest and dividend income	435,286	-	435,286	352,040
Net realized gain from investments	300,575	-	300,575	200,970
Net unrealized gain from investments	1,622,984	-	1,622,984	984,903
Reserve funds appropriated by the governing board for operations	(750,000)	-	(750,000)	(750,000)
Total non-operating activities	<u>1,608,845</u>	<u>-</u>	<u>1,608,845</u>	<u>787,913</u>
Change in net assets	<u>2,021,651</u>	<u>(86,000)</u>	<u>1,935,651</u>	<u>1,133,904</u>
NET ASSETS, beginning of year	<u>15,933,423</u>	<u>196,370</u>	<u>16,129,793</u>	<u>14,995,889</u>
NET ASSETS, end of year	<u>\$ 17,955,074</u>	<u>\$ 110,370</u>	<u>\$ 18,065,444</u>	<u>\$ 16,129,793</u>

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

Chess-in-the-Schools, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Program Services					Supporting Services		Total Expenses	Total Expenses
	School Programs	College Bound Program	Tournament Program	Teacher Training Institute	Total Program Services	Management and General	Fundraising	6/30/24	6/30/23
Salaries	\$ 841,073	\$ 214,091	\$ 275,260	\$ 15,292	\$ 1,345,716	\$ 76,461	\$ 107,046	\$ 1,529,223	\$ 1,349,746
Payroll taxes and employee benefits	231,491	58,925	75,761	4,209	370,386	21,044	29,463	420,893	399,084
Awards and trophies	39,253	-	18,500	-	57,753	-	-	57,753	66,117
Program materials	21,644	13,662	7,110	2	42,418	11	1,084	43,513	42,225
Office expenses	52,754	13,428	17,266	959	84,407	3,912	6,714	95,033	85,253
Telephone	1,221	4,361	1,744	88	7,414	872	436	8,722	7,288
Insurance	11,848	9,087	5,893	313	27,141	2,218	1,929	31,288	28,508
Consultants	16,232	11,470	4,688	209	32,599	56,094	7,257	95,950	249,039
Professional fees	-	-	-	-	-	53,340	-	53,340	52,560
Travel and meals	834	51,502	25,463	-	77,799	2,702	8,955	89,456	92,623
Depreciation	1,730	6,179	2,471	123	10,503	1,236	618	12,357	13,495
Other expenses	19,806	5,041	6,481	360	31,688	13,824	2,521	48,033	44,704
Occupancy	31,751	113,398	45,359	2,268	192,776	30,320	11,340	234,436	152,786
Annuity and pension expense	-	-	-	-	-	62,554	-	62,554	62,554
Repairs and maintenance	3,247	11,597	4,639	231	19,714	2,319	1,160	23,193	23,485
Utilities	1,169	4,174	1,670	83	7,096	835	417	8,348	6,738
Meetings and events	-	-	-	-	-	-	32,650	32,650	-
Total expenses for statement of activities	\$ 1,274,053	\$ 516,915	\$ 492,305	\$ 24,137	\$ 2,307,410	\$ 327,742	\$ 211,590	\$ 2,846,742	\$ 2,676,205

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, 2024
(With comparative totals for the year ended June 30, 2023)

	June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,935,651	\$ 1,133,904
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	12,357	13,495
Change in operating lease right-of-use asset and liability	7,640	13,160
Realized gain on sale of investments	(300,575)	(200,970)
Unrealized gain on sale of investments	(1,622,984)	(984,903)
Changes in assets and liabilities:		
Program fees receivable	(51,512)	26,244
Government grants receivable	159,926	(759,340)
Pledges receivable	146,370	(221,370)
Inventory	6,873	13,102
Prepaid expenses	1,419	2,068
Accounts payable and accrued expenses	11,884	(4,311)
Deferred rent	-	(84,857)
Net cash provided by/(used for) operating activities	307,049	(1,053,778)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	5,070,661	1,214,369
Purchases of investments	(5,236,154)	(330,683)
Purchase of property and equipment	(4,035)	(4,502)
Net cash (used for)/provided by investing activities	(169,528)	879,184
Net increase/(decrease) in cash and cash equivalents	137,521	(174,594)
CASH and CASH EQUIVALENTS, <i>beginning of year</i>	242,256	416,850
CASH and CASH EQUIVALENTS, <i>end of year</i>	\$ 379,777	\$ 242,256
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	\$ 27,425	\$ 30,000
Interest paid	\$ -	\$ -

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

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 1 - Organization

Chess-in-the-Schools, Inc. ("CIS") fosters the intellectual and social development of low-income youth through chess education. CIS's primary sources of revenue are contributions and program income. CIS accomplishes its mission through the following programs:

- School Programs - CIS teaches chess in approximately 50 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 CIS 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 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. Recently Adopted Accounting Standards

On July 1, 2023, CIS adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses consist primarily of program fees receivables. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. The impact of the adoption was not considered material to the financial statements.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

c. Basis of Presentation

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

The financial statements are presented in accordance with the provisions of the FASB Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statements of Not-For-Profit Entities*. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to the following specific 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:

	June 30,	
	2024	2023
Balance, beginning of year	\$ 10,000,000	\$ 10,000,000
Appropriations	(750,000)	(750,000)
Transfer in	750,000	750,000
Balance, end of year	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Revenue Recognition

CIS follows the requirements of FASB 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.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition - Continued

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB 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 606 for recognizing revenue from contracts with customers. CIS receives program income for providing its chess education program in schools which falls under FASB 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, 2024. All receivables at June 30, 2024 are expected to be collected within one year.

e. 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.

f. 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.

g. Concentration of Credit Risk

Financial instruments that potentially subject CIS to a 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.

h. 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.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

i. Property, Plant, and Equipment

Equipment and furniture that exceed \$1,000 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

j. Leases

CIS determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The change in operating lease right-of-use asset and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. CIS does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that CIS will exercise that option.

k. 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.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

l. 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.

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, 2023, 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, 2021 and later are subject to examination by applicable taxing authorities.

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.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 3 - Investments and Fair Value Measurements - Continued

The following summarizes the composition of investments:

	June 30, 2024		
	Level 1	Other (a)	Total
Money funds	\$ 124,588	\$ -	\$ 124,588
Mutual funds			
Diversified emerging markets	1,298,723	-	1,298,723
Large blend	3,675,131	-	3,675,131
Small blend	890,513	-	890,513
Foreign large blend	326,304	-	326,304
Large value	3,777,688	-	3,777,688
Health	1,636,214	-	1,636,214
Technology	1,326,441	-	1,326,441
Treasury	529,150	-	529,150
Energy	233,382	-	233,382
Ultrashort Bond	1,319,687	-	1,319,687
Large Growth	832,693	-	832,693
Private investments	-	615,126	615,126
Total	<u>\$ 15,970,514</u>	<u>\$ 615,126</u>	<u>\$ 16,585,640</u>
	June 30, 2023		
	Level 1	Other (a)	Total
Money funds	\$ 662,030	\$ -	\$ 662,030
Mutual funds			
Diversified emerging markets	1,160,931	-	1,160,931
Large blend	2,951,770	-	2,951,770
Small blend	1,532,025	-	1,532,025
Real estate	136,055	-	136,055
Foreign large blend	295,062	-	295,062
Large value	3,779,860	-	3,779,860
Health	1,484,626	-	1,484,626
Technology	1,210,177	-	1,210,177
Commodities	280,296	-	280,296
Core Aggressive	8,093	-	8,093
Private investments	-	995,662	995,662
Total	<u>\$ 13,500,925</u>	<u>\$ 995,662</u>	<u>\$ 14,496,587</u>

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 3 - Investments and Fair Value Measurements - Continued

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, 2024 and 2023, 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 - Property and Equipment

Property and equipment assets consist of:

	June 30,	
	2024	2023
Computers and equipment	\$ 336,900	\$ 336,900
Furniture and fixtures	164,012	164,012
Leasehold improvements	4,035	-
	<u>504,947</u>	<u>500,912</u>
Less: accumulated depreciation	(475,700)	(463,342)
Total property and equipment, net	<u>\$ 29,247</u>	<u>\$ 37,570</u>

Note 5 - Operating Lease Right-of-Use ("ROU") Asset and Operating Lease Liability

CIS leases office space in New York, NY under a non-cancelable lease, which expires on March 31, 2028 and has been determined to be an operating lease. The lease term does not include any extension options.

The ROU asset represents CIS' right to use the underlying asset for the lease term, and the lease liabilities represent CIS' obligation to make lease payments arising from this lease. The ROU asset and lease liability were calculated based on the present value of future lease payments over the lease terms. As of June 30, 2024 and 2023, the weighted-average remaining lease term for CIS' operating leases was 3.67 years and 4.67 years, respectively. CIS has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2024 and 2023 was 2.9%.

For the years ended June 30, 2024 and 2023, total operating lease cost was \$233,985. Cash paid for operating leases for the years ended June 30, 2024 and 2023 was \$226,346 and \$220,825, respectively. There were no noncash investing and financing transactions related to leasing.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 5 - Operating Lease Right-of-Use ("ROU") Asset and Operating Lease Liability - Continued

Future required minimum lease payments under this lease are as follows:

Year ending:

June 30, 2025	\$	232,001
June 30, 2026		237,801
June 30, 2027		243,746
June 30, 2028		165,183
Total lease payments		878,731
Less: present value discount		(46,747)
Total lease liability at June 30, 2024	\$	831,984

Note 6 - Net Assets with Donor Restrictions

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

	June 30,	
	2024	2023
Programs		
College bound/College success program	\$ -	\$ 67,495
Total program	-	67,495
Time restrictions	121,000	121,000
Total restrictions	\$ 121,000	\$ 188,495

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

	June 30,	
	2024	2023
Programs		
College bound/College success program	\$ 35,370	\$ 370
Total program	35,370	370
Time restrictions	75,000	196,000
Total restrictions	\$ 110,370	\$ 196,370

Note 7 - Employee Benefits

CIS sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Code. The plan covers all full-time employees, who can make contributions up to the maximum statutory amount. CIS contributed approximately \$16,000 and \$22,000 to the plan during the years ended June 30, 2024 and June 30, 2023, 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.

Chess-in-the-Schools, Inc.

Notes to Financial Statements

June 30, 2024

Note 8 - 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	\$ 379,777
Program fees receivable	186,074
Government grants receivable	867,883
Pledges receivable	75,000
Investments	16,585,640
Total financial assets	<u>18,094,374</u>
Less amounts not available for general expenditures	
Donor contributions restricted to specific purpose	(110,370)
Board designated fund	<u>(10,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,984,004</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 9 - Subsequent Events

Subsequent events have been evaluated through March 12, 2025, 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.