

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
United States Chess Trust

Norman M. Sassi, CPA
Walter J. Jung, CPA

Opinion

We have audited the accompanying financial statements of the United States Chess Trust (a nonprofit organization), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Chess Trust as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 United States Chess Trust 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 United States Chess Trust's 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 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, including omissions, 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 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 United States Chess Trust's 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 United States Chess Trust's 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.

Nugent & Haeussler PC

NUGENT & HAEUSSLER, P.C.

Montgomery, New York
August 26, 2024

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 164,092	\$ 153,642
Investments Without Donor Restrictions	877,936	799,841
Pledges Receivable	0	5,000
Cash With Donor Restrictions	149,156	163,815
Investments With Donor Restrictions	151,053	197,320
Pledges Receivable With Donor Restrictions	0	30,000
Hall of Fame	38,767	38,767
TOTAL ASSETS	<u>\$ 1,381,004</u>	<u>\$ 1,388,385</u>
 LIABILITIES		
Accrued Expenses	\$ 23,378	\$ 7,750
Scholarships Payable	20,250	30,250
TOTAL LIABILITES	<u>43,628</u>	<u>38,000</u>
 NET ASSETS		
Without Donor Restrictions	1,037,167	959,250
With Donor Restrictions	300,209	391,135
TOTAL NET ASSETS	<u>1,337,376</u>	<u>1,350,385</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,381,004</u>	<u>\$ 1,388,385</u>

See notes to financial statements.

UNITED STATES CHESS TRUST

WALLKILL, NEW YORK

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	Without Donor Restrictions	With Donor Restrictions	2024	Without Donor Restrictions	With Donor Restrictions	2023
Revenue						
Contributions	\$ 30,472	\$ 60,000	\$ 90,472	\$ 25,907	\$ 88,523	\$ 114,430
Nearing Trust Income	3,790	0	3,790	4,288	0	4,288
Administration Fee	4,000	0	4,000	4,000	0	4,000
Investment Return, Net	147,073	14,468	161,541	22,822	91	22,913
Total Revenues	185,335	74,468	259,803	57,017	88,614	145,631
Expenses						
Program Services	234,704	0	234,704	241,691	0	241,691
Supporting Services	38,108	0	38,108	39,668	0	39,668
Total Expenses	272,812	0	272,812	281,359	0	281,359
Change in Net Assets	(87,477)	74,468	(13,009)	(224,342)	88,614	(135,728)
Net Assets Released From Donor Restrictions	165,394	(165,394)	0	181,294	(181,294)	0
Net Assets at Beginning of Year	959,250	391,135	1,350,385	1,002,298	483,815	1,486,113
Net Assets at End of Year	\$ 1,037,167	\$ 300,209	\$ 1,337,376	\$ 959,250	\$ 391,135	\$ 1,350,385

See notes to financial statements.

UNITED STATES CHESS TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	Program Expense		Supporting Services		Program Expense		Supporting Services		2023 Total
	Encourage the studying and playing of the game of Chess	2024 Total	Encourage the studying and playing of the game of Chess	2023 Total	Encourage the studying and playing of the game of Chess	2023 Total	Encourage the studying and playing of the game of Chess	2023 Total	
Professional Fees	\$ 0	\$ 8,600	\$ 0	\$ 8,600	\$ 0	\$ 7,750	\$ 0	\$ 7,750	
Advertising	2,927	2,927	0	2,927	322	0	0	322	
Office Expenses	1,524	3,046	0	3,046	2,342	2,342	0	4,684	
Information Technology	3,498	6,996	3,498	6,996	3,498	0	3,498	6,996	
Travel	6,019	6,019	0	6,019	10,378	0	0	10,378	
Insurance	0	1,719	0	1,719	0	1,410	0	1,410	
Fellowships	75,176	75,176	0	75,176	84,704	0	0	84,704	
Administrative Fees	22,771	45,540	0	45,540	24,668	24,668	0	49,336	
Tournaments	28,967	28,967	0	28,967	27,615	0	0	27,615	
Other Program Expenses	14,843	14,843	0	14,843	59,522	0	0	59,522	
Chess Scholarship	4,000	4,000	0	4,000	23,000	0	0	23,000	
Contributions	69,365	69,365	0	69,365	0	0	0	0	
Bank Charges	701	701	0	701	552	0	0	552	
Filing Fees	4,913	4,913	0	4,913	5,090	0	0	5,090	
Total expenses	\$ 234,704	\$ 272,812	\$ 3,498	\$ 272,812	\$ 241,691	\$ 36,170	\$ 3,498	\$ 281,359	

See notes to financial statements.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (13,009)	\$ (135,728)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(100,254)	16,492
(Increase) Decrease in Operating Assets:		
Accounts Receivable	0	9,500
Pledges Receivable	35,000	(35,000)
Increase (Decrease) in Operating Liabilities:		
Accrued Expense	15,628	(12,520)
Scholarship Payable	(10,000)	2,250
NET CASH USED IN OPERATING ACTIVITIES	<u>(72,635)</u>	<u>(155,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Investments	(26,424)	(522,714)
Proceeds from Maturing Certificates of Deposit	94,850	0
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>68,426</u>	<u>(522,714)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,209)	(677,720)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>317,457</u>	<u>995,177</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 313,248</u></u>	<u><u>\$ 317,457</u></u>

See notes to financial statements.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the United States Chess Trust (the "Trust") is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Trust's management who is responsible for their integrity and objectivity.

Organization and General Business Description

The United States Chess Trust was formed in 1967 to promote, stimulate and encourage the study and playing of the game of chess.

Basis of Accounting

The financial statements have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Trust considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

A. Investments are stated at fair market value.

B. Appreciation (Depreciation) of Investments

Appreciation (depreciation) in fair value of investments is determined as follows:
For investments held at year end, the appreciation (depreciation) represents the difference between fair value of investments at the beginning and end of the year for those investments held throughout the year and the difference between cost and fair value at the end of the year for those investments purchased during the year.

For investments sold during the year, the appreciation (depreciation) represents the difference between the selling price and the fair value of the investment as of the beginning of the year.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Investments (continued)

B. Appreciation (Depreciation) of Investments (continued)

For investments purchased and sold during the year, appreciation (depreciation) represents the difference between selling price and cost of the investment.

Accounts Receivable

Accounts receivable are reported at the net amount expected to be collected, which is the amount billed less management's estimate of amounts that may not be collectible (the allowance for credit losses).

In determining the allowance for credit losses, the Organization estimates expected credit losses by using five-year historical loss information. The calculated historical loss rates are adjusted for current economic conditions, if applicable. As of December 31, 2023 and 2022, the allowance for credit losses was -0-.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Tax Exempt Status

The organization has received a determination letter from the Internal Revenue Service stating that it is exempt from Federal income tax as a charitable organization pursuant to Section 501(c)(3) of the Internal Revenue Code, as per a determination letter dated June 17, 1981. It is the opinion of management that no unrelated business exists as defined by the Internal Revenue Code.

Classification of Net Assets

In accordance with provisions of Financial Accounting Standards Board ("FASB"), net assets, support and expenses are classified based upon the existence or absence of donor-imposed restrictions. The Trust's net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions and are available for support of the operations of the Organization.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions represent those resources that are subject to donor-imposed stipulations that will be met either by satisfaction of program restrictions or the passage of time. At May 31, 2024 and 2023, there were net assets with donor restrictions in the amount of \$300,209 and \$391,135, respectively.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The supporting service expenses are allocated based upon the actual expenses incurred by the management of the Organization.

Advertising

The Organization expenses advertising as incurred. The total cost of advertising expense for the years ended May 31, 2024 and 2023 was \$2,927 and \$322, respectively.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents as of May 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 164,092	\$ 153,642
Restricted Cash and Cash Equivalents	<u>149,156</u>	<u>163,815</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows	<u>\$ 313,248</u>	<u>\$ 317,457</u>

Restricted cash represents cash received from donations that were for a specific purpose.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of May 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 313,248	\$ 317,457
Pledges Receivable	0	35,000
Investments	<u>1,028,989</u>	<u>997,161</u>
Financial assets at May 31,	1,342,237	1,349,618
Less restricted funds	<u>(300,209)</u>	<u>(391,135)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,042,028</u>	<u>\$ 958,483</u>

NOTE 4. PLEDGES RECEIVABLE

The pledges receivable was \$0 and \$35,000 as of May 31, 2024 and 2023, respectively. The Trust considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If pledges become uncollectible, they will be charged to operations when that determination is made.

NOTE 5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are comprised of contributions received to fund fellowships and specific scholastic or charitable programs.

Net assets with donor restrictions are summarized as follows:

	<u>May 31,</u>	
	<u>2024</u>	<u>2023</u>
Frank Samford, Jr. Chess Fellowship	\$ 27,194	\$ 40,641
Mitchell Denker Fund	0	1,843
Barber Fund	0	88,731
Jerry Flowers Fund	<u>273,015</u>	<u>259,920</u>
Total Net Assets With Donor Restrictions	<u>\$ 300,209</u>	<u>\$ 391,135</u>

Net assets with donor restrictions of \$165,394 and \$181,294 were released from donor restrictions in 2024 and 2023, respectively.

UNITED STATES CHESS TRUST
WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS

The Trust follows Statement of Financial Accounting Standards Board ASC 820-10 formerly SFAS No. 157 “Fair Value Measurements”. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are the lowest priority and are primarily valued using management’s assumptions about the assumptions market participants would utilize in pricing the asset. The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were required to be used by the Trust.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Trust at year-end. The fair values of common stocks are based on quoted market prices.

The Trust’s investments are reported at fair value in the accompanying statements of financial position.

	Fair Value	Fair Value Measurements using: Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>May 31, 2024</u>		
Equities	\$ 630,016	\$ 630,016
Certificates of Deposit	398,973	398,973
Total	<u>\$ 1,028,989</u>	<u>\$ 1,028,989</u>
 <u>May 31, 2023</u>		
Mutual Fund Investments	\$ 503,530	\$ 503,530
Certificates of Deposit	493,631	493,631
Total	<u>\$ 997,161</u>	<u>\$ 997,161</u>

WALLKILL, NEW YORK
NOTES TO FINANCIAL STATEMENTS

NOTE 6. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended May 31, 2024 and 2023:

	2024		2023	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
Dividends and interest	\$ 45,402	\$ 15,885	\$ 26,769	\$ 12,636
Unrealized loss on investments	101,671	(1,417)	(3,947)	(12,545)
Net Investment Income	<u>\$ 147,073</u>	<u>\$ 14,468</u>	<u>\$ 22,822</u>	<u>\$ 91</u>

NOTE 7. HALL OF FAME

In past years the Trust had invested a total of \$38,767 in the Chess Hall of Fame. The Chess Hall of Fame is a museum located in St. Louis, Missouri.

NOTE 8. NON-MARKETABLE SECURITIES

During the year ended May 31, 2007, the Trust received a donation of 20,000 shares of United Biomedical, Inc., a privately held company. The value of this investment has not been determined as of May 31, 2024.

NOTE 9. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through August 26, 2024, the date which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.