

To the General Assembly of  
**Fédération Internationale des Echecs (FIDE), Lausanne**

Lausanne, 13 December 2019

## **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the accompanying financial statements of Fédération Internationale des Echecs, which comprise the balance sheet, income statement and notes for the year ended 31 December 2018.

### **Presidential Board's and treasurer's responsibility**

The presidential board and the treasurer are responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The presidential board and the treasurer are further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation 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 system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2018 comply with Swiss law and the articles of association.

## **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b Swiss Civil Code (CC) in relation with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b CC in relation to article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the presidential board and the treasurer.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Philippe Stöckli  
Licensed audit expert  
(Auditor in charge)

Bojan Radovanovic  
Licensed audit expert

### **Enclosure**

- ▶ Financial statements (balance sheet, income statement and notes)

# 1. BALANCE SHEET

	Notes	31.12.2018 EUR	31.12.2017 EUR	31.12.2018 CHF	31.12.2017 CHF
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and banks	4	2'825'147	2'969'770	3'191'285	3'477'484
Securities	5	-	100'669	-	117'879
Debtors Federations	6	774'421	839'211	874'786	982'682
Other Debtors	7	83'564	91'581	94'393	107'238
Accrued Income		4'822	45'708	5'446	53'522
<b>Total Current Assets</b>		<b>3'687'954</b>	<b>4'046'939</b>	<b>4'165'912</b>	<b>4'738'805</b>
<b>Long-Term Assets</b>					
Fixed assets	8	85'448	110'502	96'522	129'393
<b>Total Long-Term Assets</b>		<b>85'448</b>	<b>110'502</b>	<b>96'522</b>	<b>129'393</b>
<b>TOTAL ASSETS</b>		<b>3'773'401</b>	<b>4'157'441</b>	<b>4'262'434</b>	<b>4'868'198</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Upcoming Year Events	9	565'191	164'941	638'439	193'139
Prepayments by Federations		7'821	22'726	8'835	26'611
Other Creditors	10	692'479	2'092'809	782'224	2'450'596
Staff Retirement Indemnities	11	88'342	-	99'791	-
Accrued taxes		60'616	60'616	68'472	70'979
<b>Total Current Liabilities</b>		<b>1'414'449</b>	<b>2'341'092</b>	<b>1'597'761</b>	<b>2'741'325</b>
<b>Long-Term Liabilities</b>					
Events Beyond Upcoming Year	12	680'000	90'000	768'128	105'386
Permanent Fund	13	76'414	76'414	86'317	89'478
Staff Retirement Indemnities	11	-	36'293	-	42'497
<b>Total Long-Term Liabilities</b>		<b>756'414</b>	<b>202'707</b>	<b>854'445</b>	<b>237'361</b>
<b>TOTAL LIABILITIES</b>		<b>2'170'863</b>	<b>2'543'799</b>	<b>2'452'206</b>	<b>2'978'686</b>
Currency translation difference		-	-	17'710	84'288
<b>FIDE RESERVE FUND (NET ASSETS)</b>		<b>1'602'539</b>	<b>1'613'642</b>	<b>1'792'518</b>	<b>1'805'224</b>

## 2. STATEMENT OF INCOME AND EXPENSES

2.1 Income and Expenses Summary	2018 Actual EUR	2017 Actual EUR	2018 Actual CHF	2017 Actual CHF
TOTAL INCOME	3'474'131	2'615'740	3'972'217	2'909'610
TOTAL EXPENSES	3'485'236	2'152'042	3'984'925	2'393'818
INCOME AGAINST EXPENSES	-11'104	463'698	-12'706	515'793
FIDE Reserve Fund at beginning of period	1'613'643	1'149'945	1'805'224	1'289'431
FIDE Reserve Fund at end of period	1'602'539	1'613'642	1'792'518	1'805'224

2.2 INCOME	Notes	2018 Actual EUR	2018 Budget EUR	2017 Actual EUR	2018 Actual CHF	2017 Actual CHF
<b>Fees from Federations</b>						
Membership Fees		134'595	136'000	135'380	153'892	150'590
Entry Fees		348'488	330'000	188'440	398'451	209'611
Registered Tournaments		553'521	525'000	515'349	632'879	573'247
Late Tournament report charges		1'900	1'000	1'260	2'172	1'402
Change of Federation		29'110	20'000	24'500	33'283	27'253
Title Application Fees		227'688	240'000	247'513	260'332	275'320
	<b>Federation fees</b>	<b>1'295'302</b>	<b>1'252'000</b>	<b>1'112'442</b>	<b>1'481'009</b>	<b>1'237'421</b>
						-
<b>Net Income from FIDE Events</b>	<b>14</b>					-
Candidates	14.1	79'847	80'000	-	91'295	-
World Cup		-	-	429'468	-	477'717
World Rapid and Blitz Championship	14.2	299'741	96'000	441'073	342'715	490'626
Olympiad	14.3	903'656	750'000	-	1'033'213	-
World Championship Match	14.4	200'000	220'000	-	228'674	-
Grand Prix Series		-	-	124'131	-	138'077
Women Grand Prix Series		-	45'000	-	-	-
Women World Championship Match	14.5	52'716	20'000	78'926	60'274	87'793
Women World Championship Tournament	14.6	80'942	80'000	-	92'547	-
Other Tournament Income		-	25'000	42'774	-	47'580
	<b>Net income from FIDE events</b>	<b>1'616'902</b>	<b>1'316'000</b>	<b>1'116'372</b>	<b>1'848'718</b>	<b>1'241'793</b>
						-
<b>Income from Commissions</b>						
Arbiters seminar fees		24'460	15'000	19'303	27'967	21'472
Arbiters license fees		46'180	40'000	42'990	52'801	47'820
Arbiters' manual		1'025	-	500	1'172	556
Trainers license fees		33'975	30'000	42'915	38'846	47'736
Trainers seminars		25'015	20'000	19'600	28'601	21'802
Trainers academy annual and registration fees		21'800	5'000	19'500	24'925	21'691
Olympiad TRG Captain penalty		3'500	-	-	4'002	-
Organizers seminar fees		1'440	1'000	2'220	1'646	2'469
School Instructor seminar fees		7'268	2'000	5'558	8'310	6'182
Chess in Schools Online		2'170	3'000	1'435	2'481	1'596
Journalist's membership fees		197	-	80	225	89
World Championship Olympiad Commission	14.4, 14.5	62'671	130'000	62'560	71'656	69'588
Event bidding fees		21'468	15'000	16'500	24'546	18'354
CNC web FIDE online arena		19'830	20'000	22'220	22'673	24'716
FIDE flag license fees		4'346	3'000	5'201	4'969	5'785
	<b>Income from Commissions</b>	<b>275'345</b>	<b>284'000</b>	<b>260'582</b>	<b>314'822</b>	<b>289'858</b>
						-
<b>Other Income</b>						
ARISF		-	5'000	5'204	-	5'789
International Olympic Committee		27'904	20'000	20'800	31'905	23'137
Rental of boards/ anti cheating devices		-	1'000	2'000	-	2'225
Interest from bank /Investment income		733	1'000	1'002	838	1'114
Royalties - Chess Equipment	15	56'880	52'000	53'332	65'035	59'324
Royalties - Agon / World Chess Events Ltd.	16	200'000	400'000	39'000	228'674	43'382

Gain on investments / currency conversion		464	-	-	531	-
Release of general provision		601	-	5'007	687	5'570
<b>Other income</b>		<b>286'582</b>	<b>479'000</b>	<b>126'345</b>	<b>327'670</b>	<b>140'539</b>
<b>TOTAL INCOME:</b>		<b>3'474'131</b>	<b>3'331'000</b>	<b>2'615'740</b>	<b>3'972'219</b>	<b>2'909'610</b>

## 2.3 EXPENSES

	Notes	2018 Actual EUR	2018 Budget EUR	2017 Actual EUR	2018 Actual CHF	2017 Actual CHF
<b>OFFICIALS' EXPENSES</b>						
President's travel		10'127	50'000	1'920	11'579	2'136
Deputy President's travel		-	10'000	100	-	111
General Secretary's travel		7'054	-	-	8'065	-
Treasurer Expenses		45'358	50'000	38'179	51'861	42'468
Presidential advisers		-	-	46'000	-	51'168
Management Transition expenses	17	149'200	-	-	170'591	-
Vice Presidents and Subcommittees		887	10'000	4'259	1'014	4'737
CEO Travel	18	28'331	25'000	25'251	32'393	28'088
Travel Americas President		30'000	30'000	30'000	34'301	33'370
Travel Africa President		5'223	20'000	18'627	5'972	20'720
Presidential Boards and Congress	19	353'006	80'000	83'222	403'616	92'572
<b>Officials' Expenses</b>		<b>629'186</b>	<b>275'000</b>	<b>247'558</b>	<b>719'392</b>	<b>275'370</b>

## SECRETARIAT

<b>ATHENS</b>						
Staff Costs		336'069	370'000	327'931	384'251	364'773
Staff Travel		11'423	15'000	8'701	13'061	9'679
Staff Retirement Annuities	11	52'049	-	5'311	59'511	5'907
Office Cleaning		4'300	4'000	4'200	4'916	4'672
Photocopying & Printing		6'589	5'000	8'983	7'534	9'992
Postage & Carriage		2'735	5'000	3'359	3'127	3'737
Rent		16'259	17'000	16'423	18'590	18'268
Repairs, Maintenance & Renewals		1'939	2'000	2'664	2'217	2'963
Secretariat Hospitality		9'016	10'000	10'323	10'309	11'483
Office Supplies / Stationery		5'469	6'000	4'897	6'253	5'447
Telecommunications		19'362	15'000	15'937	22'138	17'728
Utilities		3'843	6'000	3'862	4'394	4'296
<b>Athens office</b>		<b>469'053</b>	<b>455'000</b>	<b>412'590</b>	<b>536'301</b>	<b>458'943</b>

## ELISTA

Staff and office costs		133'983	135'000	120'001	153'192	133'483
<b>Elista office</b>		<b>133'983</b>	<b>135'000</b>	<b>120'001</b>	<b>153'192</b>	<b>133'483</b>

## MOSCOW

Staff Costs and office expenses		70'738	90'000	70'682	80'880	78'623
Staff travel		2'748	25'000	10'537	3'142	11'721
<b>Moscow office</b>		<b>73'486</b>	<b>115'000</b>	<b>81'219</b>	<b>84'022</b>	<b>90'344</b>

<b>SECRETARIAT TOTAL</b>		<b>676'522</b>	<b>705'000</b>	<b>613'810</b>	<b>773'515</b>	<b>682'770</b>
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## GENERAL EXPENSES

Accountancy /Accreditation Software		15'140	10'000	9'922	17'311	11'037
Audit & Tax Accountant		29'785	30'000	26'756	34'055	29'762
Legal Costs	20	233'960	200'000	209'503	267'503	233'040
Consultants	21	84'683	100'000	54'677	96'824	60'820
Bank Charges	22	118'676	36'000	27'266	135'691	30'329
Loss on currency conversion		-	30'000	140'395	-	156'168
Loss on capital redemption		1'226	-	860	1'402	957
Depreciation	8, 23	34'942	60'000	46'771	39'952	52'026
Discounts Allowed for Early Payment	24	32'582	40'000	33'274	37'253	37'012
Entry Fees Refund to Organizing Federations		51'348	52'000	37'688	58'710	41'922
FIDE website		7'992	6'000	6'500	9'138	7'230
Insurance		44'421	45'000	44'421	50'790	49'412

Medals & Badges		6'755	7'500	3'637	7'723	4'046
Increase in provision for federations' arrears	6	346'571	-	21'536	396'259	23'956
Increase in general provisions	7	68'361	-	-	78'162	-
Bad Debts & Write offs		11'850	5'000	2'920	13'549	3'248
Publicity and Promotion		12'000	10'000	10'000	13'720	11'123
Special projects		10'000	20'000	6'062	11'434	6'742
SportAccord		5'085	5'000	3'073	5'814	3'418
Sport Exhibitions and Conferences		5'235	-	-	5'986	-
Subscriptions		5'450	6'000	5'740	6'231	6'385
Income/Asset tax		-	7'000	64'694	-	71'962
Veterans' support		-	25'000	19'976	-	22'220
Contingency		1'331	30'000	8'600	1'522	95'667
		<b>1'127'393</b>	<b>724'500</b>	<b>784'270</b>	<b>1'289'037</b>	<b>872'380</b>

**General Expenses**

**COMMISSIONS & COMMITTEES**

Arbiters		42'376	45'000	21'617	48'451	24'045
Anti Cheating		18'270	25'000	10'715	20'889	11'919
Chess Composition		2'900	3'500	3'000	3'316	3'337
Chess for the Disabled		10'962	12'000	6'957	12'534	7'739
Chess in Schools		13'266	45'000	17'849	15'168	19'854
Constitutional Commission		381	2'000	3'119	436	3'470
Chess Journalists		-	4'000	4'595	-	5'111
Development Commission		300'040	300'000	183'393	343'057	203'996
Ethics		31'534	30'000	19'028	36'055	21'165
Events		7'315	25'000	7'152	8'364	7'956
Medical		9'725	10'000	8'276	11'119	9'206
Online		6'026	8'000	4'239	6'890	4'715
Qualification		9'463	20'000	5'259	10'820	5'850
Rules and Tournaments regulations		9'092	15'000	5'450	10'396	6'062
Systems of Pairings and Programs		3'493	5'000	1'993	3'994	2'217
Technical		5'904	12'000	7'484	6'750	8'325
Trainers		85'178	85'000	23'419	97'390	26'050
Verification		18'868	18'000	17'212	21'573	19'146
Women's Chess		15'290	20'000	7'669	17'482	8'531
World Championship and Olympiad		31'937	50'000	40'066	36'516	44'567
Skills Management Committee		-	7'500	-	-	-
Electoral		31'250	30'000	-	35'730	-
Social Projects		3'447	20'000	11'944	3'941	13'285
Social Action		17'871	20'000	12'305	20'433	13'688
Marketing		1'382	10'000	-	1'580	-
		<b>675'970</b>	<b>822'000</b>	<b>422'741</b>	<b>772'884</b>	<b>470'235</b>

**Commissions & Committees**

**EVENTS EXPENSES**

Women's World Chess Championship		-	6'000	-	-	-
World Youth Championships		-	6'000	6'808	-	7'573
World Junior U20 Championship		-	6'000	-	-	-
World Rapid and Blitz Championships		16'551	3'000	-	18'924	-
Women's World Rapid and Blitz Championships		-	3'000	-	-	-
World Amateur Championship		-	-	815	-	907
World Seniors Championship		825	-	-	943	-
Grand Prix Series	25	176'000	-	-	201'233	-
Women's Grand Prix Series		-	6'000	-	-	-
ARISF and IOC Events		11'263	25'000	18'730	12'878	20'834
Continental Championships	26	68'312	40'000	40'000	78'106	44'494
World Chess Ltd. Expenses	16	81'116	140'000	-	92'746	-
Electronic Boards (storage & transportation)	27	22'099	40'000	17'309	25'267	19'253
		<b>376'166</b>	<b>275'000</b>	<b>83'662</b>	<b>430'097</b>	<b>93'061</b>

**Events Expenses**

<b>TOTAL EXPENSES</b>		<b>3'485'237</b>	<b>2'801'500</b>	<b>2'152'042</b>	<b>3'984'925</b>	<b>2'393'818</b>
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# NOTES TO THE FINANCIAL STATEMENTS

## 1. FIDE OPERATIONS

The International Chess Federation, or Fédération Internationale des Echecs (FIDE), is the recognized international federation in the domain of chess, which was founded on July 20, 1924 in Paris. The Federation is recognized by the International Olympic Committee as the supreme body responsible for the game of chess and its championships. FIDE unites over 190 national chess federations throughout the world and oversees all official world competitions. The Federation is concerned exclusively with chess activities. FIDE has its registered office in Lausanne where it is incorporated as an association under Swiss Law. Operating headquarters used to be located in Athens until their move to Lausanne in June 2019, with other offices in Elista and Moscow.

## 2. BASIS OF FINANCIAL STATEMENTS

FIDE financial statements have been prepared in accordance with the requirements of Swiss Law stipulated in the “Code of Obligations” and FIDE bylaws (Statutes and Financial Regulations). The financial statements have been prepared on the historical cost basis and they include the accounts of the following entities:

- FIDE main entity registered in Switzerland (Lausanne)
- FIDE entity in Greece (Athens)
- FIDE representative office in Russia (Moscow)

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Foreign currency translation

FIDE uses Euro as functional currency. Transactions denominated in foreign currencies have been translated into Euro at the rate in effect at the date of the transaction. Financial assets and liabilities denominated in foreign currencies have been translated into Euro at the year-end exchange rate. Realized foreign exchange gains and losses as well as unrealized foreign exchange losses are recognized in the statement of income and expenses while unrealized foreign exchange gains are deferred on the balance sheet.

For statutory reporting under Swiss law, the financial statements have been translated from Euro (EUR) to Swiss Francs (CHF). Assets and liabilities have been translated at the year-end exchange rate of CHF 1 for EUR 0.885 (2017: CHF 1 for EUR 0.854), the permanent fund and the Fide reserve fund at their historical exchange rate, and the income and expenses at the average exchange rate for the year of CHF 1 for EUR 0.874 (2017: CHF 1 for EUR 0.899). The resulting currency translation difference is recorded on the balance sheet.

### 3.2. Debtors

Debtors are stated at nominal value, net of provision for doubtful debts. FIDE is using the following provisioning policy:

- For all debts overdue by more than one year (i.e. debts originated prior to December 31 of the previous financial year and unpaid until December 31 of the current year), a 100% provision is created
- if a debtor has a debt overdue by more than one year and a current-year debt, a 50% provision is created against the current-year debt (in addition to the 100% provision against the debts originated in previous years);
- FIDE may create additional provisions on a discretionary basis if it receives information indicating that a debt is unlikely to be paid.

### 3.3. Fixed assets depreciation

Depreciation rate used is 30% per annum on the declining balance method.

### 3.4. Revenue recognition

Membership, entry and other fees are recorded as income in the year they are earned.

## 4. Cash and banks

### 4.1. Year-end balances

	EUR	
	<u>2018</u>	<u>2017</u>
Petty cash	813	82
Cash in Banks (see details below)	1,254,339	2,958,289
Cash held by the Fiduciary (notes 4.3, 4.4)	1,553,041	0
Cash at Paypal accounts *	16,954	11,399
	<u>2,825,147</u>	<u>2,969,770</u>

Cash and banks are composed of :

UBS CHF Account (frozen as of 31/12/2018)	-1,805
UBS USD Account (frozen as of 31/12/2018)	23,220
UBS EUR Account (frozen as of 31/12/2018)	192,980
UBS EUR Visa Account (frozen as of 31/12/2018) **	29,669
UBS Americas Account (frozen as of 31/12/2018 - note 4.2)	26,181
NBG EUR Account	334
Sberbank EUR Account	796,100
Sberbank USD Account	186,377
Sberbank RUB Account	52
Otkrytie Bank (Moscow office account)	1,231
	<u>1,254,339</u>

\* FIDE operates Paypal accounts that are used for receiving online payments. The balances from Paypal accounts are transferred to bank account on a regular basis. The line "Cash at Paypal accounts" represents the money that were not yet transferred to bank accounts.

\*\* Restricted cash account used as guarantee for FIDE Visa Corporate Card

### 4.2. UBS Americas account

In prior years, this account was not included in FIDE financial statements. Although registered in the name of FIDE, this account was de-facto managed by the Confederation of Chess for Americas (CCA), which kept the record of transactions made from this account. In early 2019, together with other FIDE accounts held in UBS, this account was terminated, and the money transferred to a FIDE account at another bank.



### **4.3. Cash held by the Fiduciary**

On April 30, 2018, FIDE's main bankers UBS closed all FIDE accounts citing as the reason the US sanctions against the former FIDE President Kirsan Ilyumzhinov. Unable to open an account with another bank, FIDE signed an agreement with a fiduciary and moved most of the balances from the UBS accounts to the accounts operated by the fiduciary. The fiduciary has been receiving the money and executing payments on FIDE behalf for the rest of 2018.

### **4.4. Subsequent events**

After opening regular bank accounts at Sberbank (Russia) in December 2018 and at Caixa Bank (Spain) in January 2019, FIDE terminated the relationships with UBS and the fiduciary, and transferred all the balances to the above banks. As of the date of the report, FIDE has direct control over all its accounts and has unrestricted access to all funds in its accounts.

## **5. Securities**

Investment in tradeable securities (valued at EUR 100,669 as of 31/12/2017) was liquidated on 04/05/2018 at then-prevailing market price of EUR 99,443, at a loss of EUR 1,226 compared to 31/12/2017 carrying value.

## **6. Debtors Federations**

	<u>EUR</u>
2018 debts (current year debts)	917,117
2017 debts (overdue by 1 year)	192,275
2016 debts (overdue by 2 years)	38,902
Prior years (overdue by > 3 years)	49,241
Total gross	<u>1,197,535</u>
Provision for doubtful debts	<u>-423,114</u>
<b>Total net</b>	<b><u>774,421</u></b>

Provisions for doubtful debts have been created against all debts of national chess federations, which are more than 1 years in arrears.

## **7. Other Debtors**

	<u>EUR</u>
Other debtors, gross	151,925
Provision for doubtful debts	<u>-68,361</u>
<b>Total net</b>	<b><u>83,564</u></b>

## 8. Fixed assets

<b>At cost (EUR)</b>	<b>Office furniture</b>	<b>Machines &amp; equipment</b>	<b>Total</b>
Opening balance	14,716	462,984	477,700
Additions	0	9,888	9,888
Closing balance	14,716	472,872	487,588
<b><u>Accumulated depreciation (EUR)</u></b>			
Opening balance	14,603	352,595	367,198
Depreciation charge	21	34,921	34,942
Closing balance	14,624	387,516	402,140
<b>Net book value</b>	<b>92</b>	<b>85,356</b>	<b>85,448</b>

## 9. Upcoming Year Events

	<b><u>EUR</u></b>
2019 Grand Prix	176,000
FIDE General Assembly	233,250
Deposit fees for 2019 events	115,000
Other misc.	40'941
<b>Total</b>	<b><u>565,191</u></b>

Deposit fees are refundable and were paid by organizers as stipulated in bidding procedures for FIDE official tournaments that will be organized in 2019. Deposit fees shall be returned to the organizers on successful completion of the events in question.

## 10. Other Creditors

Other creditors are mainly composed of the FIDE net liability arising from events held end of 2018 (Olympiad, World Rapid and Blitz Championship, Women World Championship Tournament, etc.). Most of the prize money and stipends and travel expenses for the principals for these events were paid in early 2019.

## 11. Staff Retirement Indemnities

Under the Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement. The law mandates that all entities must have certain reserves for termination payouts even the entity have no intentions to terminate its employees.

In compliance with the law, FIDE maintained adequate provision for such termination payouts and recognized it as a non-current liability in the past financial years (up to and including 2017). In Q4 2018 the Presidential Board decided that FIDE headquarters shall move to Lausanne; subsequently, FIDE management decided that the Athens office will be terminated. These decisions imply that FIDE will bear office termination costs in 2019; as such, full costs of the Athens office discontinuation were recorded as expense in the Statement of Income and Expenses and recognized as current (within one year) liability on the Balance Sheet.

## 12. Events Beyond Upcoming Year

	<u>EUR</u>
Funds received from the organizers of Olympiad 2020	545,000
Deposit fees for events beyond upcoming year	135,000
<b>Total</b>	<u><b>680,000</b></u>

Deposit fees are refundable and were paid by organizers as stipulated in bidding procedures for FIDE official tournaments that will be organized in 2020 and 2021. Deposit fees shall be returned to the organizers on successful completion of the events in question.

## 13. Permanent Fund

The FIDE Permanent Fund has been established by deed of trust on May 9, 1927. The trust deed stipulates that the Permanent Fund shall be administrated independently from the finances of FIDE by three administrators: the manager of the Fund appointed by the Swiss Chess Federation, and two administrators appointed by the Italian and the British Chess Federations.

In 2016, the manager of the Permanent Fund took the decision to liquidate the securities held by the Permanent Fund into cash, and transfer that cash into FIDE bank accounts. According to the manager of the Fund, the reasons for his decision were small size of the Fund and negligible returns due to low interest rate environment.

The liability to the Permanent Fund is valued at historical FX rate (EUR 76,414 = CHF 82,166).

## 14. Net income from FIDE events

Income is presented net in the income and expenses account. Gross income and expenses are detailed below.

### 14.1 Candidates

	<u>EUR</u>
<b>Gross income</b>	<b>548,535</b>
Prize Fund	420,000
Arbiters and Principals Stipends	30,000
Travel and Expenses	18,668
<b>Total expenses</b>	<u><b>468,688</b></u>
<b>Net income</b>	<b>79,847</b>

## 14.2 World Rapid and Blitz Championship

	<u>EUR</u>
<b>Gross income</b>	<b>1,397,885</b>
Prize Fund	1,002,343
Stipends	71,144
Travel and Expenses	24,658
Contingency expenses related to WRB 2017	16,551
<b>Total expenses</b>	<b>1,098,144</b>
<b>Net income</b>	<b>299,741</b>

## 14.3 Olympiad

Income and expenses for the 2018 Olympiad in Batumi are presented on through-the-cycle basis since income and expenses have been spread over a four-year period (2015-2018)

	<u>EUR</u>
<b>Gross income (2015-2018)</b>	<b>3,473,200</b>
Development funds	370,496
Travel Subsidies	1,046,453
Match Arbiters stipends	258,000
Principals Stipends	110,750
Principals Travel	15,200
Inspection Costs	45,857
IT / Broadcast / Registration System	62,689
Pocket Money for Participants	47,441
Consulting Services	433,113
<b>Total expenses (2015-2018)</b>	<b>2,339,999</b>
<b>Remaining Development funds</b>	<b>-179,545</b>
<b>Net income</b>	<b>903,656</b>

## 14.4 World Championship Match

	<u>EUR</u>
<b>Gross income</b>	<b>1,290,331</b>
Prize Fund	1,000,000
Stipends	43,500
Travel and Expenses	9,624
<b>Total expenses</b>	<b>1,053,124</b>
<b>Net income</b>	<b>237,207</b>

Out of which EUR 200,000 is recorded as income from the event, and EUR 37,207 is recorded as income of World Championship Olympiad Commission.

#### 14.5 Women World Championship Match

	<u>EUR</u>
<b>Gross income</b>	<b>310,441</b>
Prize Fund	200,000
Stipends	30,500
Travel and Expenses	12,225
<b>Total expenses</b>	<b>242,725</b>
<b>Net income</b>	<b>67,716</b>

Out of which EUR 52,716 recognized as income from the event, and EUR 15,000 is recorded as income of World Championship Olympiad Commission.

#### 14.6 Women World Championship Tournament

	<u>EUR</u>
<b>Gross income</b>	<b>527,398</b>
Prize Fund	392,400
Stipends	23,980
Travel and Expenses	30,076
<b>Total expenses</b>	<b>446,456</b>
<b>Net income</b>	<b>80,942</b>

#### 15. Royalties - Chess Equipment

FIDE allows certain manufacturers of chess equipment (chess sets, clocks, electronic boards for online game broadcasts, etc.) to label their products as FIDE Official products. Such royalties earned by FIDE in 2018 amounted to EUR 52,217.

#### 16. Royalties - Agon / World Chess Events Ltd. and World Chess Ltd. Expenses

According to the agreement between FIDE and World Chess Events Ltd signed on October 12, 2017, the schedule of payments of royalties to FIDE was restructured, and FIDE agreed to cover certain expenses of World Chess Events Ltd. In 2018, under this agreement FIDE received net of EUR 120,000 (EUR 200,000 royalties minus EUR 80,000 deduction).

#### 17. Management Transition expenses

On October 3, the 2018 FIDE Congress elected the new FIDE President. The new management team appointed by the new President started working while the existing FIDE employees were still on the payroll. This resulted in extraordinary expenses that were not included in the 2018 budget and are shown as a separate line in the Statement of Income and Expenses.

These expenses are composed of :

	<u>EUR</u>
Salaries, stipends and consulting fees	121,238
Travel expenses	27,962
<b>Total</b>	<b>149'200</b>

## 18. CEO Travel

This account includes the travel expenses incurred by the former FIDE CEO Geoffrey Borg.

## 19. Presidential Boards and Congress

	<u>EUR</u>
Expenses related to 2018 FIDE Congress in Batumi, Georgia	26,459
Expenses on Presidential Board meetings	84,445
Expenses on other meetings	8,852
Provisions for 2019 General Assembly***	233,250
<b>Total</b>	<b>353'006</b>

\*\*\* An Extraordinary FIDE Congress is planned for 2019. For regular Congresses held in even years during Olympiads, the costs of organization of Congresses are normally born by the Olympiad organizers. Since no Olympiad takes place in 2019, FIDE will likely face full costs of organizing the 2019 Congress, which are estimated to be EUR 466,500. Half of this amount has been provided for in 2018.

## 20. Legal Costs

During 2018, FIDE incurred significant legal costs (EUR 233,960). Most of these expenses are related to CAS cases, in which FIDE was defendant (EUR 112,288 fees to an external law firm that represented FIDE at CAS hearings, and EUR 28,527 to CAS Arbitrators Panel). The remaining money were spent on legal firms and consultants that provided advice on tax, contract and corporate law matters.

## 21. Consultants

In addition to permanent staff, FIDE hires consultants to assist with a number of back-office functions, such as financial reports preparation, tax reporting, and similar professional services. FIDE expenses incurred on consultants' fees and business expenses are recorded under this line. During 2018, FIDE had 4 consultants providing services on a regular basis.

## 22. Bank Charges

During 2018, FIDE incurred extraordinary high financial transaction costs. As discussed in note 4.3, FIDE, being unable to operate a normal bank account, had to open an account with a fiduciary. The fees charged by the fiduciary for executing payments on FIDE behalf were significantly higher than charges levied by conventional banks. The situation was exacerbated by high volume of payments that FIDE had to execute in relation to the Olympiad, Women World Championship Tournament and World Rapid and Blitz Championship held in 2018.

The above circumstances resulted in charges of EUR 118,676. Since FIDE opened regular bank accounts (see note 4.4) and discontinued relationship with the high-cost provider, we believe that outsized transaction costs incurred by FIDE in 2018 is a one-off event, and going forward bank charges will be significantly lower than those incurred in 2018.

### **23. Depreciation**

Please refer to notes 3.3 and 8 for calculation of depreciation expense.

### **24. Discounts allowed for early payments**

According to Paragraph 7.1 of FIDE the Financial Regulations, "In January and July each year, the Secretariat shall invoice all the federations for the services of the previous six months and additionally in January shall include the annual membership fees. Any Federation settling all outstanding amounts by the following 15 March or 15 September respectively shall be entitled to deduct 5% from the amount due." The line "Discounts allowed for early payments" represents total amount of such deductions.

### **25. Grand Prix Series**

Shortly after the elections held on October 3, 2018, FIDE new management team lead by the President started negotiations with World Chess Events Ltd., the exclusive holder of the right to organize the World Championship Match and Grand Prix, with the aim to bring the control over these most important events of chess calendar back to FIDE. As a part of restructuring the agreement with World Chess Events Ltd., FIDE agreed to pay prize fund of EUR 280,000 for the 2019 Grand Prix cumulative results, whereas FIDE income from Grand Prix tournaments is expected to be EUR 104,000 (4 tournaments x EUR 26,000). The resulting net loss of EUR 176,000 was recorded as an expense in the Statement of Income and Expenses and as current liability on the Balance Sheet (Upcoming Year Events).

### **26. Continental Championships**

This expense represents support provided by FIDE for prize funds and organizational expenses of continental championships in America, Asia and Africa.

### **27. Electronic Boards (storage & transportation)**

FIDE owns a large stock of electronic chess sets (see note 8), which are used for online broadcast of major chess events throughout the world. Expenses recorded under this line represent FIDE costs associated with storage (warehouse rent and utilities), management, transportation (including custom duties) of these electronic chess sets.

### **28. Number of employees**

FIDE has less than 50 employees.