



Verification Commission

FIDE 2024 Financial Statements

VER Report to the 2025 General Assembly

The Verification Commission (Referred to as VER) met via Zoom with the Ernst and Young auditors (referred to as EY) prior to the start of the audit. All members were present.

The VER met at the FIDE offices in Lausanne 30-31 May 2025. VER members present in person were Chair Allen Priest, Panu Laine, Gulmira Dauletova, Eric Bopala, and Malcolm Powell. Present in person from FIDE was Financial Advisor Alexander Volzhin. Also joining the meeting on via Zoom was Treasurer Zhu Chen.

1 – NEW MEMBER ORIENTATION

After the Commission elections in Budapest, the VER met to start the process to orient the three new VER members. That process continued with a Zoom meeting and e-mails so the new members would understand the scope of the VERs work, the processes we use, the recent history of our recommendations and the FIDE team responses, and the scheduling of future work.

2 - PRE-AUDIT ZOOM MEETING

The VER met with the Ernst and Young auditors prior to the start of the audit via Zoom. The VER members were able to ask EY questions and emphasize areas of member's concerns.

Areas of continued concern from 2023 included the timing of revenue recognition related to events and sponsorships. Discussions included the FIDE for-profit subsidiary, and it was noted there was little activity in that entity. The audit scope did not extend to the subsidiary.

The VER discussed changes to the EY audit team. The partner in charge of the engagement remains the same as will most of the members of the audit team. This will be the last year for the partner in charge as he will have mandatory rotation off the engagement after the 2024 audit is completed. He will introduce a new partner in charge to us when it is confirmed. We reviewed the schedule and noted preliminary work had already begun. This will help to meet the needed completion date. We were assured they would complete their work and issue reports on time as they had already scheduled the audit field work.

3 - INTERIM PERIOD

The VER now has direct access to the FIDE QuickBooks accounting program. Therefore, the VER did not need the FIDE finance team to supply its internal reports. The VER was able to access the general ledger and review it for any unusual items or items for which we desired additional explanation. We noted a few items and obtained satisfactory explanations for each question we raised. The VER received the draft EY audit reports before our meeting in Switzerland. That allowed VER members time to consider the information received and were not rushed to complete its work before the General Assembly.

4 – MAY LAUSANNE MEETING

To open the meeting the FIDE team reviewed the financial results for 2024. The VER reviewed the various reports from EY. These included the report on the audited financial statements and the comprehensive report as required under Swiss law.

The VER noted the last several years there was a receivable on the FIDE balance sheet from 2021 for a tax refund due from the Russian government. That remained uncollected at the end of 2024. We again asked about the collectability of that refund given the current situation. As they told us last year, the FIDE team indicated the refund from a value-added tax paid to Russia on a 2020 sponsorship contract. The FIDE claims this still should be refundable but there is still no timeline as to when the government might make the refund. Since there has been such a delay the valuation reserve was increased in 2024 to 100% to account for the possibility the refund may not be received.

The auditor's note 7 addresses the status of the for-profit wholly owned subsidiary which is a holding company formed to allow for joint ventures with other entities. These activities would not be allowed under the non-profit status of FIDE. As we have previously reported the first venture for this subsidiary is a partnership with the Tech Mahindra Global Chess League. As of the end of 2024 FIDE had not realized a profit from this subsidiary. Although the activity of the subsidiary cannot be consolidated into the FIDE financial statements under Swiss law, we have suggested for several years that the subsidiary should be subject to audit and separate financial statements should be prepared and submitted to the General Assembly in the interest of transparency. This has never been done as there has been little activity to report. The footnote to the financial statements was deemed by management to be adequate. The subsidiary was not audited by EY. The VER still believes when the subsidiary has more economic activity our prior recommendation to extend the audit and prepare a consolidated statement, even if not in compliance with Swiss law, should be done.

The VER continued to ask about exposure to Russian banks and about the adequacy of FIDE ruble holdings to meet the obligations to FIDE team members who reside in Russia given current restrictions on funds transfers to and from Russia. There are limited amounts of FIDE money in Russian banks so the need to repatriate funds from Russia is not an issue. Last year the FIDE team, at the end of 2022 FIDE had enough rubles to satisfy expected Russian expenses through the second quarter of 2024. There are ways to transfer funds to Russia when needed to make sure the team gets paid. The auditor verified the FIDE team's assertion that FIDE does not have much other exposure to Russian banks and international payment restrictions.

In prior years there was royalty income from a contract for a Non-Fungible Token (NFT) arrangement. This contract expired in early 2024 and was not renewed. There was no income from this contract in 2024.

As previously reported any FIDE obligation to World Chess/Agon for the return of tournament rights was satisfied. World Chess/Agon is making payments to FIDE for the online Arena rights until the end of that contract. Other royalty income consists of broadcast rights to various FIDE events.

The VER has reported for several years its concerns about the employee bonus program. Some are basically commissions paid for fund raising either through donations or event sponsorships that are written into the individual employee's employment contract and have specific criteria to determine how much bonus is to be paid. Other bonuses are not so well defined. In 2022 the VER recommended the establishment of a formal bonus plan with written goals and a budget for potential payments. The FIDE team indicated in 2023 that proposal had been implemented. However, the criteria for bonuses for management team members is not as well defined as the VER had hoped. Much is left to the discretion of the President without clear benchmarks set out to determine bonus eligibility the timing of payments. We remain concerned that bonuses have been paid before FIDE's financial situation for the year had been finalized.

The VER has the responsibility under the FIDE Charter to make a recommendation to the Council to suspend the membership of debtor federations. The VER reviewed the list of debtor nations and the FIDE team's efforts to collect. We noted the concerns expressed by the auditor in this area, but felt the actions of the FIDE team was adequate. The VER chose not to recommend any additional action be taken against debtor federations at this time. We will review the list in January 2026 to make recommendations far in advance of the 2026 General Assembly and Olympiad. That will give the FIDE team time to make every effort to makes another effort to collect these debts and allow delinquent member federations to avoid suspension before the Olympiad.

The VER noted that donation and general sponsorship revenue has declined sharply from 2021 to 2024. The 2024 budget was EUR 3 million while the actual was only EUR 166,000. We recognize that since FIDE is now directly organizing more events marketing efforts have concentrated on developing event sponsors. While that makes sense, the 2024 and 2025 budgets still relied heavily on general sponsorship income. That was not realized for 2024, and we lack confidence it can be realized for 2025. Setting large amounts for sponsorships in budgets without a clear source for this money is problematic. As we have stated before, FIDE cannot spend money it does not receive. And the easiest place to cut the budget is in the Development Fund. The VER remains very concerned that the revenue projection is too optimistic and that spending plans are being based on unrealistic projections.

The growth in FIDE staff and the increase in other contractual expenditures increases the risk that discretionary spending will be cut. The largest amount of discretionary spending is the Development Fund. As we noted last year, the increase in events income has not offset the reduction in general contribution income. The increase in staff costs is hard to reverse as the costs are set by contract. Applicable local law can require substantial payments to make any staff reductions. If income falters, the shortfall can only be made up through reductions in the Development Fund. The VER is very concerned that the Development Fund may be significantly reduced because FIDE is setting its non-discretionary spending at a level that is too high because the revenue projection is too optimistic.

5 - COMISSION REVIEW OF AUDIT REPORT

The date of the auditor's opinion is 22 April 2025. E&Y issued an unqualified opinion. That is often called a "clean opinion" and is what you want the auditors to find. It means they found no uncorrected material errors. This does not mean the financial statements are perfect, just there are no material errors. The opinion states the financial statements comply with Swiss law and the FIDE articles of association.

The VER also received the Comprehensive Report of the auditor which was also dated 22 April 2025. This is the Swiss statutory equivalent to the management letter that one would receive in an IFRS based audit. That report noted there were no uncorrected misstatements in the 2024 financial statements. That means any material items noted by the auditor were adjusted before the financial statements were finalized. The report listed adjustments that the auditor proposed for misstatements they noted. These changes

increased the 2024 net income by 112,597. There were three adjustments. 1. Increasing a provision for the cost of future bonuses under current bonus plans which reduced income by 78,000. 2. Reduction of the allowance for doubtful accounts due to a math error in the original computation by management which increased income by 132,838. 3. Recording accrued income from the Fantasy Chess contract which increased income by 57,759.

The comprehensive report noted increases in some Federation debtors' balances. The VER noted that most of the increase was in current obligations of member federations and most of those amounts were collected in a timely manner in early 2025. The VER was not concerned about these increases but is committed to early consideration of its recommendation to suspend the membership of some federations in 2026. The FIDE team noted that most nations in arrears had a payment plan in place and were following that plan.

The report repeated concerns expressed for 2023 that FIDE needs to be careful to conform its employment practices to the country of residence of the various employees. Social insurance program obligations were the primary concern of the auditor. The auditor also again shared concerns about the inconsistent reporting of compensation costs as some salary is reported net of withholdings while others are reported at gross amounts. The auditors' comment that all should be reported at gross amounts. This does not change the bottom line but reallocates costs between compensation and tax accounts. The FIDE team indicated they have taken steps to make this change.

The report recommended implementing a vacation tracking process. Current FIDE systems do not include any monitoring and reporting of unused vacation days. There are some unique challenges for FIDE in this area as many employees work remotely and are in roles that require significant travel.

Significantly, the auditors did note a few issues with the documentation of expenditures. This has been a consistent problem for FIDE over the years. The amounts are minor but are indicative of internal control issues. However, the results are a significant improvement over the situation that existed 8 years ago.

6 - PRIOR YEAR RECOMMENDATIONS AND RESPONSES

The VER reviewed our 2023 recommendations with FIDE staff. The specific recommendations from our report on the 2022 financial statements and the FIDE responses are listed below.

Recommendation 1. The VER continues to recommend the cash flow statement should be prepared on the direct method. While the direct method would take more time to prepare, it would provide more information to the financial statement users.

Response 1. FIDE continues to prepare a cash flow statement, but on the indirect method. The FIDE team indicates they do not believe the additional time and cost to prepare the cash flow statement on the direct method will add value to the readers of the financial statements.

Recommendation 2. When the new for-profit FIDE subsidiary begins to generate auditable financial information, it needs to be audited in addition to the regular FIDE financial statements. This will require a separate set of financial statements for that subsidiary, and additional time and cost for the auditors. But transparency into these arrangements is critical.

Response 2. The subsidiary had one active contract in 2024, and FIDE has still not yet received any financial reports from the joint venture partner. There was nothing to audit in 2024 and nothing to add to a separate financial statement.

Recommendation 3. Though not permitted for statutory reporting under Swiss law, FIDE should prepare consolidated financial statements with the non-profit subsidiary to reflect the full scope of FIDE operations more accurately. These separate financial statements of each entity should be audited, while we recognize the consolidated statement might not be audited.

Response 3. As noted in the response to recommendation 2, the for-profit subsidiary had limited activity in 2024, and no information was available to create a meaningful financial statement for the subsidiary.

Recommendation 4. The FIDE budget should not include sponsorship income that does not have an identified source and a high likelihood of receipt within the budget period. FIDE should not budget to spend speculative sponsorship money on hard-programmed costs that are difficult to cut if the projected income is not realized. Our concern is the Development Fund may be cut significantly because there are few contractual commitments to break with this Fund so cutting it is easier, even though harmful to the FIDE mission.

Response 4. The 2024 budget was prepared before the VER made its recommendation. The sponsorship amounts in the 2025 budget will be lower.

Recommendation 5. The FIDE Council should take more aggressive steps to collect past due obligations from debtor federations, including the suspension of membership as called for in the FIDE charter.

Response 5. The FIDE Council; suspended two member federations before the 2024 Olympiad upon recommendation of the VER. The FIDE Treasurer is continuing efforts to work with member federations to develop payment plans so all federations will be in compliance with the financial regulations.

Recommendation 6. FIDE needs to consider the development of alternative revenue sources. The current Online Arena revenue is 400,000 EUR (but offset by payments FIDE has owed to World Chess), and there may be other opportunities to generate revenue from technology based online platforms. General contributions have declined. Many of those were made by Russian entities and it does not appear likely that such will be restored anytime soon. This decline has not been offset by net event revenue. FIDE will need additional revenue to fund the current staff levels and to continue to maximize amounts available for the worldwide development of chess through the Development Fund.

Response 6. FIDE has not yet developed additional alternative revenue sources.

Recommendation 7. As we have recommended in prior years, goals and terms for bonus payments need to be established before the year starts. Those terms should include waiting until the end of the fiscal year to determine if FIDE has adequate funds to make any bonus payments.

Response 7. Some bonus plans are written into contracts. Others remain largely at the discretion of the FIDE President as to amount and timing of payment.

7 - CURRENT RECOMMENDATIONS

Recommendation 1. The VER continues to recommend the cash flow statement should be prepared on the direct method. While the direct method would take more time to prepare, it would provide more information to the financial statement users.

Recommendation 2. When the new for-profit FIDE subsidiary begins to generate auditable financial information, it needs to be audited in addition to the regular FIDE financial statements. This will require a separate set of financial statements for that subsidiary, and additional time and cost for the auditors. But transparency into these arrangements is critical.

Recommendation 3. Though not permitted for statutory reporting under Swiss law, FIDE should prepare consolidated financial statements with the non-profit subsidiary to reflect the full scope of FIDE operations more accurately. These separate financial statements of each entity should be audited, while we recognize the consolidated statement might not be audited.

Recommendation 4. The FIDE budget should only include sponsorship income that is under contract or that has a high expectation of success. FIDE should not budget to spend speculative sponsorship money on hard-programmed costs that are difficult to cut if the projected income is not realized. Our continued concern is the Development Fund may be cut significantly because there are few contractual commitments to break with this Fund so cutting it is easier, even though harmful to the FIDE mission.

Recommendation 5. The auditor has recommended developing a method of reporting and monitoring vacation and other paid time off. The VER supports this recommendation so a proper liability can be recognized and so that FIDE can have better assurance it is complying with local law in the team members' nation of residence/work.

Recommendation 6. The auditor has recommended that all salaries are recorded at the gross amount and recording the employers share of social insurance charges is made in separate expense accounts. The VER believes this is necessary for proper budgeting and to gain assurance that FIDE complies with local social insurance requirements.

Recommendation 7. We remain concerned about the lack of proper documentation of the goals and terms for general bonus payments. These need to be documented before the bonus period begins, and we need copies of those agreements. The terms of those agreements should make any payment of bonuses contingent on FIDE having adequate funds in reserve after any such payments are made. We believe the terms should also include should include waiting until the end of the fiscal year to determine if FIDE has adequate funds to make any bonus payments.

Recommendation 8. The FIDE staff levels have continued to increase while revenue has stagnated. We recommend that a staffing review take place to verify that staffing levels are consistent with FIDE needs and that projected costs fit within the approved FIDE budget. This review should culminate in a staffing plan which outlines the number of staff by department along with expended growth and investment areas as well as areas for potential efficiencies.

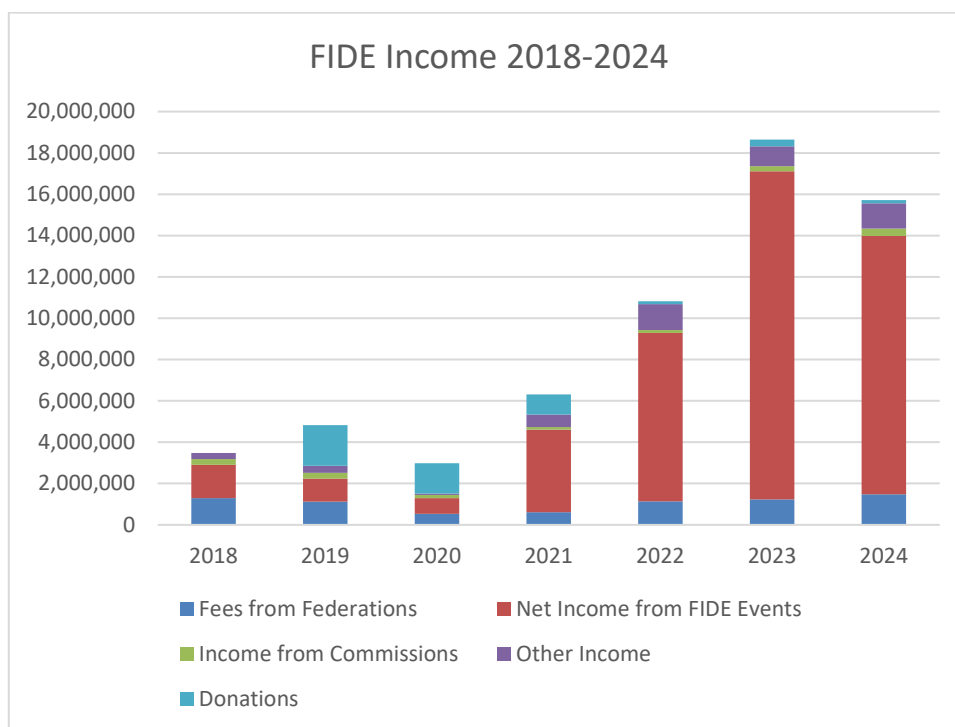
8 – TRENDS OF FIDE INCOME/EXPENSES

The VER has the following comments on the trend of income/expenses from 2018 to 2023. (All figures are expressed in Euro)

INCOME							
	2018	2019	2020	2021	2022	2023	2024
Fees from Federations	1,295,302	1,123,810	539,025	606,955	1,137,968	1,238,499	1,474,290
Net Income from FIDE Events	1,616,902	1,112,468	757,373	3,999,059	8,155,790	15,872,513	12,506,778
Income from Commissions	275,345	275,257	146,824	124,968	132,849	239,753	357,162
Other Income	286,582	340,633	69,946	602,954	1,249,250	970,220	1,217,304
Donations	0	1,981,656	1,469,083	981,545	144,676	326,817	166,000
	3,474,131	4,833,824	2,982,251	6,315,481	10,820,533	18,647,802	15,721,534
EXPENSES							
	2018	2019	2020	2021	2022	2023	2024
Official's expenses	629,186	366,639	73,731	258,068	765,437	374,775	865,383
Secretariat / Lausanne, Athens	469,053	730,781	734,051	1,072,505	1,562,674	2,174,861	2,273,198
Secretariat / Elista, Moscow	207,468	270,796	276,127	257,078	115,384	51,761	42,133
General expenses	1,127,392	958,142	845,426	822,508	1,152,137	1,267,608	946,207
Commissions & Committees	675,971	443,657	277,847	308,245	371,285	618,413	715,581
Event Expenses	376,167	483,256	149,913	256,461	6,921,217	11,728,880	10,227,134
FIDE Development Fund	0	1,893,213	818,725	1,240,527	1,839,046	1,386,912	1,347,308
	3,485,237	5,146,484	3,175,820	4,215,392	12,727,180	17,603,210	16,416,944

- Development funds also existed in the years before. They consisted of funds provided for the Development Commission and Activity rebate. For 2018 Development Funds were not separated in the same manner as they are today. According to the 2018 financial statements Development expenditures in that year were 300,040.

7.1 - INCOME



Income consists of:

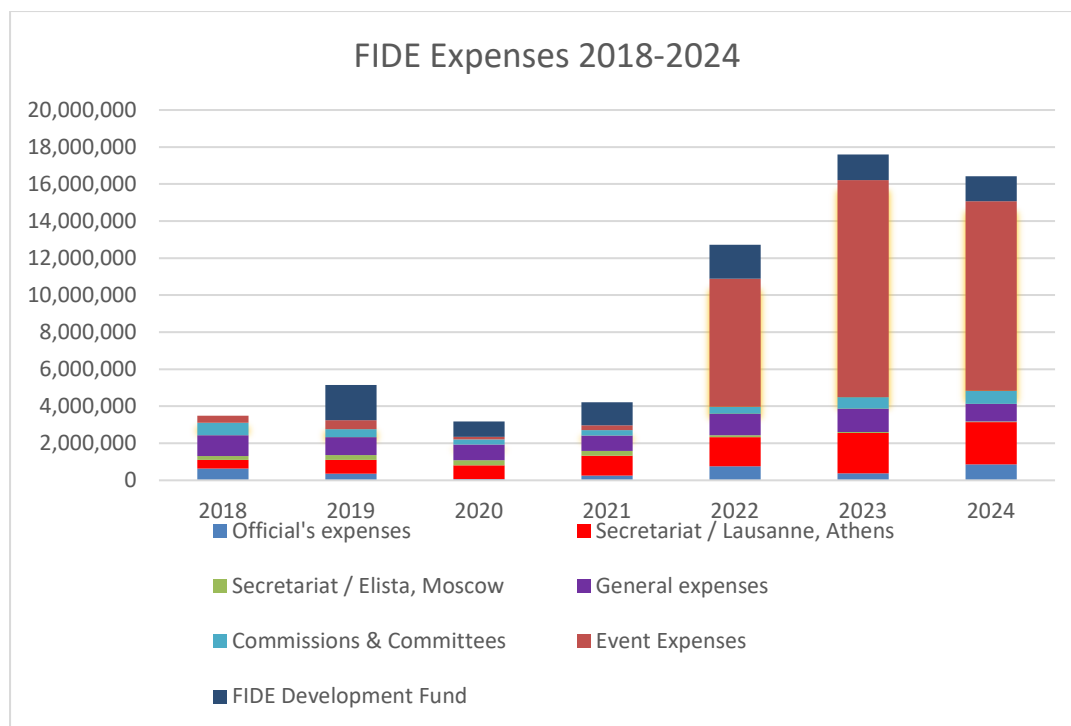
1. **Fees from Federations** - mostly membership fees, entry fees, registered tournaments, change of federation's fees, title fees.
2. **Net Income from FIDE Events** - income from events like World Championship Matches, Candidates, Online events, World Cup etc.
3. **Income from Commissions** - Various seminar and license fees, up to Event Bidding Fees
4. **Other Income** - Various income, e.g., International Olympic Committee, rental of boards, interest from bank, royalties, etc.
5. **Donations** - Donations and sponsorship. Event sponsorships are included in event income.

FIDE income depends almost entirely on revenue derived from events; they represented 80% of the total income in 2024 and 85% in 2023. This is a recent change due to the return in 2021 of the rights to run major events from World Chess/ Agon. On the contrary, donations which made 40% of the total income in 2019, declined sharply, they represent around just 1% of total income in 2024.

As seen in the graphics, FIDE revenue is increasing sharply since 2021. It almost tripled in 2023, compared to 2021, but declined in 2024 due to a decline in both grow and net event revenue.

As we noted last year with the return of the events rights to FIDE, the sponsorship money is likely to continue to be more focused on event sponsorship rather than general donations. But attention should be made toward generating sponsorships for various FIDE programs in addition to events. As we have stated for several years, FIDE should continue to look for untapped resources to realize its ambitions for sustained worldwide chess activities. No effort should be spared towards this goal.

7.2 - EXPENSES



FIDE expenses consist of:

1. **Official's expenses** - Mostly Official's travel costs, Treasurer expenses, President advisers, council, and congress meetings.
2. **Secretariat costs** - Secretariat expenses in Lausanne/Athens and Moscow/Elista – (staff salaries & costs), office rent & costs.
3. **General expenses** – Costs related to accountancy, audits, professional services, bank charges, currency conversion, depreciations, press/PR/marketing, taxes.
4. **Commissions & Committees** - Costs of various Commissions and Committees mostly for meetings and travel.
5. **Event expenses** - Varies significantly from year to year. Includes World Championship matches, Olympiad, World Cup, various team events, electronic boards.
6. **FIDE Development Fund** - Development Fund for the 4 Continental Associations, for National Chess Federations and Social Projects and Reserves.

Excluding event income and expense, 2024 FIDE operating expenses grew at a slightly slower rate than did the income. Net event income declined from 4,143,633 in 2023 to 2,279,644 in 2024 in spite of 2024 being an Olympiad year.

Staff expenses continued to increase. 2024 Secretariat expenses increased 2.2% on top of a 32% increase in 2023. This includes the cost of regular employee compensation, bonuses, vacation payments, and office expenses. The number of employees and consultants is about 55.

FIDE development fund decreased by 2.86% in 2024 on top of a decrease of 24.6 % in 2023 which meant less chess activities in less developed continents and federations.

In 2024, expenses exceeded revenues by 4.4% compared to 2023 when the revenues exceeded expenses by about 6%.

Definitions:

Restricted grants – funds provided by an organization to FIDE that stipulates exactly how it will be spent. Unless the funds are spent as stipulated, they must be returned to the grantor.

Sponsorships – funds provided to support a specific FIDE event or program in exchange for publicity before, during and after the event or program.

Donations – funds provided to support FIDE not connected to any specific event with little or no expectation of much publicity or restrictions on the use of the funds.