Verification Commission (VER)

FIDE 2025 Financial Statements

VER Report to the 2026 General Assembly

EXECUTIVE SUMMARY

AUDITORS OPINION

The Ernst and Young (EY) audit report dated 6 August 2026 opinion stated, "In our opinion, the financial statements comply with Swiss law and the Federation's articles of incorporation."

The Verification Commission (VER) found the auditors 'opinion to be acceptable. However, this opinion is not a guarantee that the financial statements are perfect. Throughout their audit process, the auditors ' test transactions and perform other procedures to develop a reasonable assurance that the financial statements are free from material misstatement. Reasonable assurance though is not absolute, and misstatements could still exist in the financial statements. This is a limitation of any audit.

AUDITORS COMPREHENSIVE REPORT

As is customary, EY also issued their comprehensive report dated 6 August 2026. This report lists the misstatements they found during their audit, and which were all corrected before the final version of the financial statements were issued. None of the misstatements were significant. This report also explains issues EY found when doing their testing and makes certain recommendations for improvements to FIDE financial practices. The VER found several of these matters to be of concern.

EY noted multiple event documents may not have been signed correctly. EY was provided with digital copies of these documents and found the image of the FIDE President's signature and the FIDE stamp were able to be moved within the documents. This indicates that FIDE failed to use a secure digital signature platform to affix these items to the contracts. Such could create a serious problem if these contracts are ever disputed. The VER provided the FIDE Council with the list of the documents from EY and recommended that proper signatures be made to make sure the documents are valid. In the future, documents either need to have a "wet signature" or FIDE needs to adopt a secure digital signature platform.

EY noted several instances where expenses were requested to be paid by email with no supporting documentation. Many of these were associated with events FIDE was running. This practice must be changed and procedures adopted to require adequate documentation and approval for all expenditures.

The current procedure forces the accounting staff to follow up multiple times and to make some payment decisions with limited documentation.

EY also noted issues with monitoring vacation usage and with properly recording compensation and social insurance costs. This is a repeat item from the prior year. The VER is concerned that steps have not been taken to remedy this situation.

OTHER VER CONCERNS:

For three years the Verification Commission (VER) has expressed concerns that the finances of FIDE were on an unsustainable path. From 2018-2020, the President raised significant new general sponsorship money. Under that leadership, FIDE increased spending and built a significant reserve fund. That sponsorship money has decreased. Spending has not. That reserve fund is now gone. Budgets for the last several years have projected large general sponsorship revenue. Some of that has been received as event sponsorship. But the total received is less than budgeted. Payroll has continued to grow in spite of our call for a comprehensive payroll review. We warned the General Assembly last year that the largest flexibility in the budget was to cut the Development Fund. This is exactly what happened in 2025. The Development Fund expenditure was only 60% of the original budget.

There must be a change in the approach to FIDE finances. There is now no margin for error. Budgets cannot be built on hope. Events must produce the expected results. Spending must be reviewed to focus on the essential priorities.

CURRENT RECOMMENDATIONS:

Recommendation 1. The auditor noted issues with signatures on certain documents that appeared to be affixed by simply copying into a pdf document. This is not a valid way to sign documents. FIDE must adopt a secure signing platform to ensure that contracts and other critical documents are signed in a way which cannot be challenged in court.

Recommendation 2. The auditor has recommended for three years that FIDE develop 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. The FIDE finance team has resorted to making rough estimate of their best guess of the liability. Absent any other method this at least gets a liability on the books, but FIDE should do better.

Recommendation 3. The auditor has recommended for two years that all salaries are recorded at the gross amount and recording the employer's 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 4. The VER continues to be 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 the VER should have unvetted access to all such 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 5. Last year the VER recommended a staffing review 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 expected growth and investment areas as well as areas for potential efficiencies. We strongly encourage the new administration to conduct such a review.

Recommendation 6. The audit noted several cases of event expenses being submitted without complete documentation. This forces the accounting staff to track down proper receipts or delay payment. In some case small payments were authorized without complete receipts. An accounting policy needs to be adopted that requires more than just an email request to authorize any payment. A bill, contract, or other agreement needs to be presented to justify payment. The enforcement of the policy must come from management; it cannot be solely the responsibility of the accounting staff.

VER work process:

The Verification Commission met via Zoom with EY prior to the start of the audit. All members were present.

The VER met 8-9 May 2026 members present in person were Chair Allen Priest, Panu Laine, Eric Bopala, and Malcolm Powell. Present in person from FIDE were Financial Advisor Alexander Volzhin and Treasurer Zhu Chen.

1 - PRE-AUDIT ZOOM MEETING

The VER met with the EY partner and manager prior to the start of the audit via Zoom. The VER members were able to ask EY questions and emphasize areas of concern by the members. This is very important as the EY audit team had a new partner in charge due to mandatory partner rotation rules.

An area of concern in the most recent several audits has been the timing of revenue recognition related to events and sponsorships. We agreed with EY this would be an area of focus for 2025 as well. We mentioned to EY our understanding that the FIDE for-profit subsidiary still had little activity in that entity. We agreed that the audit scope did not extend to the for-profit entity itself.

We knew the partner in charge of the engagement would be rotated. We were introduced to the new PIC at the conclusion of the prior year audit. We were pleased that most of the remaining members of the audit team were to be the same. We reviewed the schedule and noted preliminary work was done in December 2025. EY committed to meeting our 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.

2 – MAY MEETING

The VER expected to have the EY audit report completed when we scheduled our in-person meeting for May. Unfortunately, there were delays in the confirmation process in two areas. There is a significant receivable form the Indian Chess Federation related to the World Cup which they did not confirm in a timely manner. And the confirmation of the cash balances in Russian banks was also not received when expected. The VER was told to expect an unqualified opinion from EY, but the delay required the VER to meet later via Zoom to go over the actual report and the management letter.

As required by the FIDE Charter, the VER reviewed the Federations in arrears. The VER is charged with reviewing this list and recommending to the FIDE Council which national federations should be suspended for non-compliance with the FIDE Financial Regulations. We did this for the first time in 2024. Most of the federations we recommended to be considered for suspension ended up clearing their debts, but two federations did not and were suspended. The VER recommended to the FIDE Council that 22 national federations be considered for suspensions. Each of these federations had large amounts due. Some have made no payments on clearing their debts in as long as six years. Some have made a few payments but made little progress in reducing the debt. We are aware that some of these federations have had leadership disputes, but that is not our concern. The VER asked the FIDE financial team to inform these federations of our recommendation. It is our hope that all will clear their debts and that no suspensions will be necessary.

The VER discussed any changes to the financial regulations that may be needed. We discussed at some length a revision of member dues which have not been adjusted since 2004. These dues are still an important source of dependable FIDE income. The current dues structure had a complex formula based on several different factors. But even then, there appear to have been random adjustments made which reduced certain federations dues from the calculated amount. The FIDE financial team's research indicates most international sports federations charge a fixed amount for national federation dues. This approach made sense to us, and we are proposing revision to create a flat dues structure and to adjust the dues to reflect the last 22 years of inflation.

The auditor's note 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 2025 FIDE had not realized a profit from this subsidiary. The second venture is FIDE Enterprises Sarl which was formed in 2023 and has no activity. 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 has reported for several years its concerns about the employee bonus program. Some bonuses are 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. Nothing appears to have changed in bonus management in 2025.

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.

3 - COMISSION REVIEW OF AUDIT REPORT

The VER expected the audit report to be issued in May or early June. However, the auditors reported they experienced delays in obtaining confirmations of balances in Russian banks as well as an issue with incomplete accounting for activity in some of those accounts. This delay made our work very difficult as it left us with little time before our deadline.

The date of the auditor’s opinion is 6 August 2026. EY 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 that 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 EY Comprehensive Report of the auditor which was also dated 6 August 2026. 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 2025 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 2025 net income by 34,538 EUR. There were two adjustments. 1. Adjusting the revenue recognized from the Total Energie contract for the 2025 World Rapid and Blitz 2. Recomputed the deferred income exchange rate for Upcoming Year Event and the recognition of unrealized foreign exchange gain in the liability section of the balance sheet with no impact on 2025 net earnings.

The comprehensive report noted issues with five event sponsorship reconciliation statements that do not appear to have secure electronic signatures. The VER brought these to the attention of the FIDE Council and requested proper signatures be attached to these documents. This also raised concerns about a proper secure signature system for all FIDE matters.

The report repeated concerns expressed for 2023 and 2024 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 previously indicated they had taken steps to make this change, but it appears this has not been fully implemented in 2025.

The report repeated a 2024 recommendation for the implementation of 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 continuing 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. The expansion of FIDE managed events has created more of these situations. The VER brought this issue to the attention of the FIDE Council.

4 - PRIOR YEAR RECOMMENDATIONS AND RESPONSES

The VER reviewed our 2025 recommendations with FIDE staff. The specific recommendations from our report on the 2024 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 2025, and FIDE has still not yet received any financial reports from the joint venture partner. There was nothing to audit in 2025 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 2025, and no information was available to create a meaningful financial statement for the subsidiary.

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.

Response 4. The 2025 budget included much lower sponsorship amounts reflecting our recommendation.

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.

Response 5. This was not implemented. Absent such an accounting procedure, the FIDE finance team estimated a provision of approximately 80,000 Euros, which was their best guess of the potential liability.

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.

Response 6. This was not implemented.

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.

Response 7. As we reported last year, some bonus plans are written into contracts. Others remain largely at the discretion of the FIDE President as to amount and timing of payment. This recommendation has largely not been implemented.

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 expected growth and investment areas as well as areas for potential efficiencies.

Response 8. No such review has occurred.

5 – TRENDS OF FIDE INCOME/EXPENSES

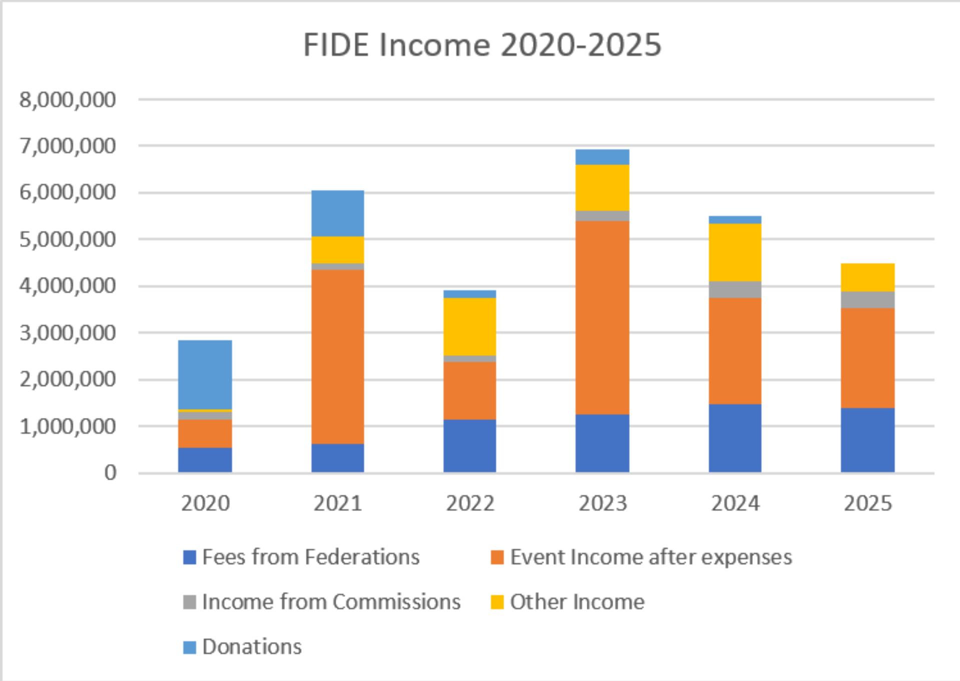
The VER has the following comments on the trend of income/expenses from 2020 to 2025. (All figures are expressed in Euro) Please note that the events' income after expenses are netted in the income section and the graph in 5.1, and the total figures do not correspond with the FIDE budget or financial report. The bottom-line total does agree.

INCOME	2020	2021	2022	2023	2024	2025
Fees from Federations	539,025	606,955	1,137,968	1,238,499	1,474,290	1,386,300
Event Income after expenses	607,460	3,742,598	1,234,573	4,143,633	2,279,644	2,147,297
Income from Commissions	146,824	124,968	132,849	239,753	357,162	355,172
Other Income	69,946	602,954	1,249,250	970,220	1,217,304	603,955
Donations	1,469,083	981,545	144,676	326,817	166,000	0
	2,832,338	6,059,020	3,899,316	6,918,922	5,494,400	4,492,724

EXPENSES	2020	2021	2022	2023	2024	2025
Official's expenses	73,731	258,068	765,437	374,775	865,383	288,067
Secretariat / Lausanne, Athens	734,051	1,072,505	1,562,674	2,174,861	2,273,198	1,944,416
Secretariat / Elista, Moscow	276,127	257,078	115,384	51,761	42,133	42,286
General expenses	845,426	822,508	1,152,137	1,267,608	946,207	1,636,556
Commissions & Committees	277,847	308,245	371,285	618,413	715,581	747,288
FIDE Development Fund	818,725	1,240,527	1,839,046	1,386,912	1,347,308	868,945
	3,025,907	3,958,931	5,805,963	5,874,330	6,189,810	5,527,558
Balance	-193,569	2,100,089	-1,906,647	1,044,592	-695,410	-1,034,834

COVID-19 significantly impacted 2020 and 2021 results. Even numbered years are Olympiad years and should show net income. 2022 was the year the Olympiad was moved at a late date from Russia to India.

5.1 - INCOME

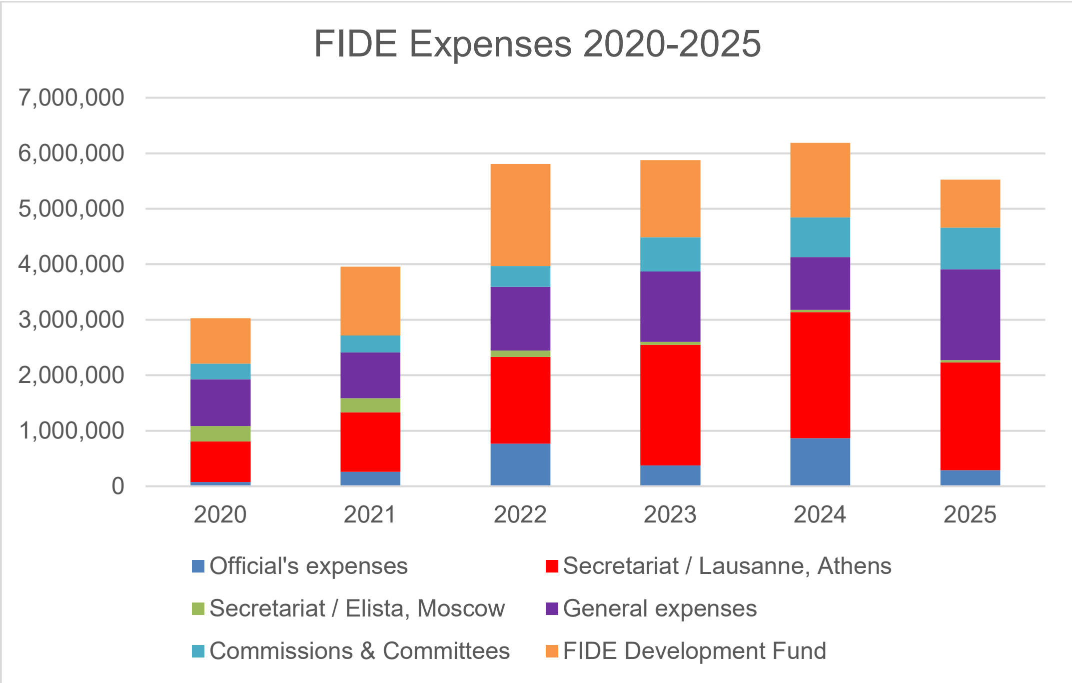


Income consists of:

1. **Fees from Federations** - mostly membership fees, entry fees, registered tournaments, change of federation fees, title fees.
2. **Net Income from FIDE Events -** income from events like World Championship Matches, Candidates, Online events, World Cup etc. less related event expenses
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 heavily on the net revenue derived from events. Donations declined sharply over the last several years, reaching $0 in 2025. Some of the prior donation income has become event sponsorship income.
FIDE revenue has fluctuated over the last several years. The even numbered years should be higher income years due to the Olympiad and World Championship cycles.
Definitions:
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.

5.2 - 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, travel, and stipends.
5. **FIDE Development Fund -** Development Fund for the 4 Continental Associations, for National Chess Federations and Social Projects and Reserves. Event expenses have been netted against event income in the income section.

Event expenses have been netted against event income in the income section.

Staff expenses have steadily increased before showing a drop in 2025. These costs include compensation, social insurance, bonuses, vacation payments, and related expenses.

FIDE development fund expenditures decreased significantly in 2025.

In 2025, the expenses exceeded revenues by 1,034,834 EURwhich slashed the amount in the reserve fund. This loss was not unexpected, however the failure of the 2022 and 2024 Olympiad and World Championship years to provide significant net income is a problem.