

**Report of the statutory auditor**

with financial statements as of 31 December 2016 of

**Fédération Internationale des Echecs (FIDE), Lausanne**

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

Lausanne, 16 June 2017  
mg/4.3

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

As statutory auditor, we have audited the accompanying financial statements of Fédération Internationale des Echecs (FIDE), which comprise the balance sheet, income statement and notes for the year ended 31 December 2016.

### **Committee's responsibility**

The Presidential Board and Treasurer are responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and FIDE Handbook. 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 Committee is 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 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 2016 comply with Swiss law (article 957 et seqq. Code of Obligations) and FIDE Handbook Financial regulations.

Ernst & Young Ltd



Serge Clément  
Licensed audit expert  
(Auditor in charge)



Emilie Guillaume  
Licensed audit expert

**Enclosure**

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

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
BALANCE SHEET AS AT 31st DECEMBER 2016**

	Ref. Notes	31st Dec 16 Actual EUR	31st Dec 15 Actual EUR	31st Dec 16 Actual CHF	31st Dec 15 Actual CHF
<b>CURRENT ASSETS</b>					
CASH	4	3	58	3	63
BANK ACCOUNTS	4				
- UBS CHF Account		102'054	2'742	109'406	2'982
- UBS US \$ Account		514'245	5'498	551'292	5'979
- UBS EUR Account		324'778	56'715	348'176	61'672
- NBG EUR Account		5'857	12'374	6'279	13'455
- UBS EUR Visa		24'813	24'888	26'600	27'063
SECURITIES HELD					
- UBS Investments		101'529	152'099	108'843	165'392
DEBTORS FEDERATIONS		733'544	678'122	786'390	737'389
- net of provision for bad debts (55'007€ in 2016 / 54'485€ in 2015)					
OTHER DEBTORS	7	431'334	284'568	462'408	309'445
PREPAID EXPENSES		0	481	0	520
ACCRUED INCOME		2'265	23'531	2'428	25'585
<b>TOTAL CURRENT ASSETS</b>		<b>2'240'420</b>	<b>1'241'076</b>	<b>2'401'824</b>	<b>1'349'546</b>
<b>LESS CURRENT LIABILITIES</b>					
UPCOMING YEAR'S EVENTS		204'941	663'929	219'705	721'956
OTHER CREDITORS		877'199	187'031	940'393	203'378
PROVISION FOR INCOME TAX		7'197	7'332	7'715	7'973
PREPAYMENTS BY FEDERATIONS		10'023	15'019	10'745	16'332
<b>TOTAL CURRENT LIABILITIES</b>		<b>1'099'359</b>	<b>873'311</b>	<b>1'178'558</b>	<b>949'639</b>
<b>NET CURRENT ASSETS</b>		<b>1'141'061</b>	<b>367'764</b>	<b>1'223'266</b>	<b>399'907</b>
<b>FIXED ASSETS, at Cost</b>					
- Office Furniture	5	14'716	14'716	15'776	16'002
- Machines & Equipment		455'620	362'031	488'443	393'673
		470'336	376'747	504'220	409'675
<b>LESS ACCUMULATED DEPRECIATION</b>	5	<b>320'470</b>	<b>276'210</b>	<b>343'557</b>	<b>300'351</b>
		149'866	100'537	160'663	109'324
<b>LESS NON CURRENT LIABILITIES</b>					
Upcoming year's events		110'000	110'000	117'925	119'614
Staff retirement indemnities	6	30'982	25'958	33'214	28'227
Currency translation difference				-56'641	-36'825
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>140'982</b>	<b>135'958</b>	<b>94'498</b>	<b>111'016</b>
<b>NET ASSETS</b>		<b>1'149'945</b>	<b>332'343</b>	<b>1'289'431</b>	<b>398'215</b>
<b>NET ASSETS REPRESENTED BY:</b>					
FIDE RESERVE FUND		<b>1'149'945</b>	<b>332'343</b>	<b>1'289'431</b>	<b>398'215</b>

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
STATEMENT of INCOME & EXPENDITURE  
PERIOD ENDED 31st DECEMBER 2016**

<b>INCOME</b>	<b>31st Dec 16 Actual EUR</b>	<b>31st Dec 16 Budget EUR</b>	<b>31st Dec 15 Actual EUR</b>	<b>31st Dec 16 Actual CHF</b>	<b>31st Dec 15 Actual CHF</b>
<b><i>Fees from Federations</i></b>					
Membership Fees	134'620	132'500	133'100	146'741	142'166
Entry Fees	285'400	300'000	247'210	311'097	264'049
Registered Tournaments	485'937	475'000	471'548	529'689	503'667
Late Tournament report charges	2'170	1'500	2'240	2'365	2'393
Change of Federation	13'750	30'000	31'750	14'988	33'913
FIDE Title Application Fees	176'450	200'000	227'975	192'337	243'503
Restoration of ratings	0	0	450	-	481
<b>Federation fees</b>	<b>1'098'327</b>	<b>1'139'000</b>	<b>1'114'273</b>	<b>1'197'217</b>	<b>1'190'172</b>
<b><i>Net Income from FIDE Events</i></b>					
Candidates Matches	95'899	80'000	0	104'533	-
World Cup	0	0	412'352	-	440'439
World Rapid and Blitz Championship	66'418	70'000	0	72'398	-
Olympiad	788'356	600'000	0	859'337	-
World Championship Match	195'384	300'000	0	212'976	-
Grand Prix series	0	0	57'256	-	61'156
Womens' Grand Prix	100'799	30'000	16'159	109'874	17'260
Womens' World Championship	105'900	31'000	91'154	115'435	97'363
Tournament Income	58'559	100'000	0	63'832	-
<b>Net income from FIDE events</b>	<b>1'411'315</b>	<b>1'211'000</b>	<b>576'920</b>	<b>1'538'385</b>	<b>616'218</b>
<b><i>Income from Commissions</i></b>					
Arbiters seminar fees	5'380	35'000	13'780	5'864	14'719
Arbiters licence fees	38'115	-	43'750	41'547	46'730
Trainers licence fees	29'220	50'000	23'570	31'851	25'175
Trainers seminars	12'700	-	25'800	13'843	27'557
Trainers academy annual and registration fees	14'800	0	13'600	16'133	14'526
Organisers seminar fees	1'500	1'000	540	1'635	577
School Instructor seminar fees	2'000	0	0	2'180	-
Chess in Schools Online	2'353	3'000	402	2'565	429
Journalist's membership fees	700	0	0	763	-
World Championship Olympiad Commission	165'000	186'000	85'905	179'856	91'756
Event bidding fees	13'491	5'000	7'000	14'706	7'477
CNC web FIDE online arena	21'853	25'000	21'299	23'821	22'750
FIDE flag licence fees	2'030	0	0	2'212	-
Clock testing fees	0	1'000	2'700	-	2'884
<b>Income from Commissions</b>	<b>309'142</b>	<b>306'000</b>	<b>238'345</b>	<b>336'976</b>	<b>254'580</b>
<b><i>Other Income</i></b>					
ARISF	5'875	5'000	5'581	6'404	5'961
International Olympic Committee	22'225	20'000	22'325	24'226	23'846
Rental of software/ boards/ anti cheating devices	0	0	3'000	-	3'204
Interest from bank /Investment income	1'152	0	5'079	1'256	5'425
Royalties - DGT	50'000	50'000	50'000	54'502	53'406
Gain on investments / currency conversion	11'223	0	9'258	12'233	9'888
Release of general provision	1'635	0	0	1'782	-
Reduced in 2year arrears provision	0	0	5'921	-	6'324
<b>Miscellaneous income</b>	<b>92'110</b>	<b>75'000</b>	<b>101'164</b>	<b>100'403</b>	<b>108'054</b>
<b>TOTAL INCOME:</b>	<b>2'910'893</b>	<b>2'731'000</b>	<b>2'030'703</b>	<b>3'172'982</b>	<b>2'169'023</b>

**FEDERATION INTERNATIONALE DES ECHECS**  
**LAUSANNE**  
**ANNUAL STATEMENT OF INCOME & EXPENSES**  
**PERIOD ENDED 31st DECEMBER 2016**

<b>EXPENSES</b>	<b>31st Dec 16 Actual EUR</b>	<b>31st Dec 16 Budget EUR</b>	<b>31st Dec 15 Actual EUR</b>	<b>31st Dec 16 Actual CHF</b>	<b>31st Dec 15 Actual CHF</b>
<b>SECRETARIAT</b>					
Staff Costs	354'813	310'000	338'300	386'759	361'343
Staff Travel	10'581	20'000	13'675	11'533	14'607
Staff Retirement Annuities	5'024	0	4'807	5'476	5'134
Office Cleaning	6'000	6'000	6'500	6'540	6'943
Photocopying & Printing	5'194	10'000	1'910	5'661	2'040
Postage & Carriage	3'536	10'000	3'287	3'854	3'511
Rent	16'466	18'000	16'660	17'949	17'795
Repairs, Maintenance & Renewals	801	2'000	375	873	401
Secretariat Hospitality	14'091	20'000	16'183	15'359	17'286
Office Supplies / Stationery	5'313	6'000	5'898	5'792	6'300
Telecommunications	12'818	13'000	13'401	13'972	14'313
Utilities	4'070	4'000	4'701	4'437	5'021
<b>Athens office</b>	<b>438'706</b>	<b>419'000</b>	<b>425'696</b>	<b>478'206</b>	<b>454'694</b>
<b>ELISTA</b>					
Staff and office costs	128'072	120'000	137'359	139'604	146'715
<b>Elista office</b>	<b>128'072</b>	<b>120'000</b>	<b>137'359</b>	<b>139'604</b>	<b>146'715</b>
<b>MOSCOW</b>					
Staff Costs and office expenses	74'543	85'000	82'132	81'255	87'726
Staff travel	30'560	50'000	72'045	33'311	76'953
<b>Moscow office</b>	<b>105'103</b>	<b>135'000</b>	<b>154'177</b>	<b>114'566</b>	<b>164'679</b>
<b>GENERAL EXPENSES</b>					
Accountancy /Accreditation Software	25'368	25'000	38'166	27'652	40'766
Audit & Tax Accountant	26'563	25'000	31'255	28'954	33'384
Bad Debts & Write offs	17'685	0	5'050	19'277	5'394
Bank Charges / Six payment services AG	27'585	30'000	35'077	30'068	37'466
Consultants	29'988	30'000	30'052	32'688	32'099
Depreciation	44'200	25'000	36'363	48'180	38'840
Discounts Allowed for Early Payment	30'523	30'000	37'088	33'271	39'614
Electronic Boards & Sets (storage & transportation)	21'752	20'000	38'082	23'710	40'676
Expenses omitted	15'888	0	0	17'319	0
FIDE website	9'000	6'000	22'700	9'810	24'246
Insurance	44'421	45'000	43'266	48'421	46'213
Journalists awards	0	0	46'910	0	50'105
Legal Costs	73'533	50'000	187'883	80'153	200'681
Loss on currency conversion	0	0	63'129	0	191'688
Medals & Badges	4'725	7'500	11'185	5'150	11'947
Increase in provision for 2years arrears	522	0	0	569	0
Entry Fees Refund to Organising Federations	42'804	50'000	49'554	46'658	52'929
Special projects	30'497	20'000	0	33'243	0
SportAccord	2'372	5'000	37'371	2'585	39'916
Subscriptions	5'745	5'000	6'374	6'262	6'808
Income/Asset tax	11'186	6'000	7'332	12'193	7'831
Veterans' support	26'774	30'000	25'525	29'185	27'264
Securities/Bonds at market value	272	0	329	296	351
Loss on capital redemption	0	0	46'854	0	50'045
Chesscast	0	0	5'641	0	6'026
Agon: expenses	200	0	638	218	681
<b>General Expenses</b>	<b>491'603</b>	<b>409'500</b>	<b>805'825</b>	<b>535'865</b>	<b>984'970</b>
<b>OFFICIALS' EXPENSES</b>					
President's travel	29'945	120'000	183'204	32'641	195'683
Deputy President's travel	0	0	5'832	0	6'229
Treasurer Expenses	50'975	35'000	42'259	55'564	45'137
Presidential advisers	38'029	36'000	46'079	41'453	49'218
Vice Presidents and Subcommittees	22'719	20'000	24'655	24'764	26'334
Travel Americas President	30'000	30'000	30'400	32'701	32'471
Travel Africa President	5'244	20'000	20'932	5'716	22'358
<b>Officials' Expenses</b>	<b>176'911</b>	<b>261'000</b>	<b>353'360</b>	<b>192'839</b>	<b>377'430</b>

**COMMISSIONS & COMMITTEES**

Honorariums	0	0	100'000	0	106'811
Arbiters	27'354	60'000	51'929	29'817	55'467
Anti Cheating	10'806	35'000	39'333	11'779	42'012
Chess Composition / WFCC	4'825	5'000	4'825	5'260	5'154
Chess for the Disabled	17'598	25'000	17'685	19'183	18'889
Chess in Schools	37'713	80'000	80'000	41'109	85'449
Constitutional Commission	7'396	10'000	4'448	8'062	4'751
Chess Journalists	4'700	10'000	5'893	5'123	6'294
Development Commission & Activity Rebate	220'570	300'000	220'975	240'429	236'027
Ethics	15'190	30'000	9'813	16'558	10'482
Events	21'879	50'000	25'714	23'849	27'465
Medical	7'393	18'000	10'766	8'059	11'499
Online	5'655	17'000	6'081	6'164	6'495
Qualification	12'280	25'000	10'181	13'386	10'874
Rules and Tournaments regulations	9'926	15'000	10'385	10'820	11'092
Systems of Pairings and Programs	4'261	5'000	4'228	4'645	4'516
Technical	7'375	10'000	14'546	8'039	15'536
Trainers	54'000	90'000	82'536	58'862	88'158
Verification	11'814	20'000	20'578	12'878	21'980
Women's Chess	29'087	60'000	49'812	31'705	53'205
World Championship and Olympiad	69'683	50'000	63'763	75'957	68'106
Skills Management Committee	2'017	10'000	5'053	2'198	5'398
Central Board Commission	0	10'000	0	0	0
Social Projects	17'362	40'000	26'103	18'925	27'881
Social Action	20'000	40'000	41'643	21'801	44'480
<b>Commissions &amp; Committees</b>	<b>618'885</b>	<b>1'015'000</b>	<b>906'289</b>	<b>674'608</b>	<b>968'021</b>

**EVENTS**

Women's World Chess Champ: expenses	0	0	9'150	0	9'774
World Youth: expenses	7'642	0	0	8'330	0
World Junior U20: expenses	0	0	5'628	0	6'011
World Rapid and Blitz: expenses	0	0	8'582	0	9'166
Grand Prix series	0	0	2'000	0	2'136
Peace and Sport	0	10'000	0	0	0
ARISF and IOC Events	28'037	10'000	11'414	30'562	12'191
Continental Championships	24'367	40'000	36'946	26'561	39'463
<b>Events</b>	<b>60'046</b>	<b>60'000</b>	<b>73'720</b>	<b>65'452</b>	<b>78'741</b>

**MEETINGS**

PBs and Congress	56'965	50'000	78'263	62'094	83'594
South Koreans Abu Dhabi Congress 2015	0	0	24'871	0	26'565
<b>Meetings</b>	<b>56'965</b>	<b>50'000</b>	<b>103'134</b>	<b>62'094</b>	<b>110'159</b>

Contingency

Contingency

	<b>17'000</b>	<b>40'000</b>	<b>26'349</b>	<b>18'531</b>	<b>28'144</b>
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**TOTAL EXPENSES:**

TOTAL INCOME:	<b>2'910'893</b>	<b>2'731'000</b>	<b>2'030'703</b>	<b>3'172'982</b>	<b>3'172'982</b>
TOTAL EXPENSES	<b>2'093'292</b>	<b>2'509'500</b>	<b>2'985'910</b>	<b>2'281'766</b>	<b>3'313'553</b>
INCOME against EXPENSES	<b>817'602</b>	<b>221'500</b>	<b>-955'208</b>	<b>891'216</b>	<b>-140'571</b>
FIDE Reserve Fund at beginning of period	<b>332'343</b>		<b>1'287'551</b>	<b>398'215</b>	<b>1'542'743</b>
FIDE Reserve Fund at end of period	<b>1'149'945</b>		<b>332'343</b>	<b>1'289'431</b>	<b>398'215</b>

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE**  
**Notes to the financial statements**  
**As at December 31, 2016**  
**(All amounts in Euro unless otherwise stated)**

## **1. FEDERATION'S FORMATION AND OPERATIONS**

The International Chess Federation or Fédération Internationale des Echecs (FIDE), (the 'Federation'), 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. The Federation unites national chess federations throughout the world and oversees all International 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 head-quarter is located in Athens, with other offices in Elista and Moscow.

## **2. BASIS OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with the requirements of the Federation's statutes. The financial statements have been prepared on the historical cost basis.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

(a) **Foreign currency translation:** The Federation changed its functional currency in 2006 to Euro (€). Transactions denominated in other currencies are recorded in € at the actual exchange rate as of the date of the transaction. At the end of the financial year monetary assets and liabilities denominated in foreign currencies are translated and reported at the rates of exchange prevailing at the year end. Gains or losses resulting from such foreign currency conversions are reflected in the statement of income/expenses. All foreign currencies are converted into Euro on a weekly basis, on the going rate.

For purpose of statutory reporting under Swiss law, financial statements are translated from EUR to CHF at closing rate of 1 CHF for € 0.9328 (2015: 1 CHF for € 0.9196), except for FIDE reserve fund which is kept at historical rate. Items of the income statements are translated using the average rate of the period of 1 CHF for € 0.9174 (2015: 1 CHF for € 0.9362). Differences resulting from the translation process for presentation purpose are disclosed on income statement in the line currency translation difference when resulting in an expense and deferred to balance sheet as a provision for unrealized translation gain when resulting in an income.

(b) **Provisions:** Debtors are stated at nominal value, net of provision for doubtful debts, which cover in addition to known doubtful debts, all members in arrears in fulfillment of their financial obligations to FIDE. Based on the FIDE Handbook (A. Administrative Subjects point 0.3 Financial Regulations), a federation that is six months in arrears shall not receive services from the Secretariat and cannot bid for or organize any FIDE event, while a federation that is two years in arrears shall be temporarily excluded and therefore, fully provided against.

(c) **Fixed assets depreciation:** Depreciation rate used is 30% per annum on the reduced balance method.

(d) **Revenue recognition:** Membership, entry and other fees are recorded as income in the year they are earned.

(e) **Securities held:** As of 31.12.2016 the market price is at 101.31% giving a 1.31% unrealized market gain.



**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE**  
**Notes to the financial statements**  
**As at December 31, 2016**  
**(All amounts in Euro unless otherwise stated)**

**4. Cash and bank accounts**

The balance of cash at banks does not include an amount of USD 24'047.75 corresponding to one specific bank account at UBS bank. The aforementioned account, although it is reposted by the bank in its confirmation letters having FIDE as beneficiary, essentially beneficiaries are the America's chess federations. This account had been established for practical reasons, in order to enhance the transactions between various chess federations in the continent of America and as such transactions undertaken by the related federations do not pass through FIDE's accounting books. The account shown on the balance sheet with balance € 24'812.74 is called Visa Corporate Guarantee and it is a restricted cash account.

**5. Fixed assets**

The movement of cost and related accumulated depreciation of the fixed assets in the accompanying balance sheet is the following:

<u><b>COST</b></u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	TOTAL
Balance b/f	14,716	362,031	376,747
Additions 2016	0	93,589	93,589
<i>Total Cost 31.12.16</i>	14,716	455,620	470,336
 <u><b>DEPRECIATION</b></u>			
Balance b/f	14,573	261,697	276,270
Charge for the period	43	44,157	44,200
<i>Total Depreciation 31.12.16</i>	14,616	305,854	320,470
NAV 31.12.16	100	149,767	149,867

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
Notes to the financial statements  
As at December 31, 2016  
(All amounts in Euro unless otherwise stated)**

**6. Provision for Staff Retirement Benefits**

Under Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement, with the amount of payment varying in relation to the employee's compensation, length of service and manner (dismissed or retired) of termination, which if due to retirement is 40% of the amount payable upon dismissal. Employees who resign or are dismissed with cause are not entitled to termination payments. The number of employees who will eventually be dismissed or retired in subsequent years is not known; the maximum liability under the provisions of Greek labor law, if all employees had been dismissed at 31<sup>st</sup> December 2016, would have been € 30982 (2015: € 25958) for which a provision has been made. The current number of employees in the Athens office is six.

**7. Receivables and liabilities with direct or indirect participants and management bodies**

Concerning Receivables, as of 31.12.2016, there is an amount of 241.000 € related to the President of FIDE, which was received in full in March 31<sup>st</sup> 2017.

As far as Liabilities are concerned, there are no liabilities with direct or indirect participants and management bodies.

**8. Full-time equivalents**

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 10.

**9. Subsequent events**

At June 16th, 2017 no events or transactions have occurred since December 31st, 2016.