

Report of the auditor

with financial statements as of 31 December 2017 of

Fédération Internationale des Echecs (FIDE), Lausanne

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

Lausanne, 28 June 2018
th2/4.2

Report of the auditor on the financial statements

As auditor and in accordance with your instructions, we have audited the accompanying financial statements of Fédération Internationale des Echecs (FIDE), which comprise the balance sheet, income and expenditure statement and notes, for the year ended 31 December 2017.

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 comply with ethical requirements and 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 existence and 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 2017 comply with Swiss law 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 and expenditure statement and notes)

FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
BALANCE SHEET AS AT 31st DECEMBER 2017

	Ref. Notes	31st Dec 17 Actual EUR	31st Dec 16 Actual EUR	31st Dec 17 Actual CHF	31st Dec 16 Actual CHF
CURRENT ASSETS					
CASH	4	83	3	97	3
BANK ACCOUNTS	4				
- UBS CHF Account		59'438	102'054	69'600	109'406
- UBS US \$ Account		1'994'656	514'245	2'335'662	551'292
- UBS EUR Account		866'795	324'778	1'014'983	348'176
- NBG EUR Account		7'660	5'857	8'970	6'279
- Paypal account		11'399	0	13'348	0
- UBS EUR Visa		29'740	24'813	34'824	26'600
SECURITIES HELD					
- UBS Investments		100'669	101'529	117'879	108'843
DEBTORS FEDERATIONS					
- net of provision for bad debts (55'007€ in 2016 / 54'485€ in 2015)		839'211	733'544	982'682	786'390
OTHER DEBTORS					
ACCRUED INCOME		91'581	431'334	107'238	462'408
		45'708	2'265	53'522	2'428
TOTAL CURRENT ASSETS		4'046'939	2'240'420	4'738'805	2'401'824
LESS CURRENT LIABILITIES					
UPCOMING YEAR'S EVENTS					
OTHER CREDITORS		164'941	204'941	193'139	219'705
PROVISION FOR INCOME TAX		2'092'809	800'785	2'450'596	858'474
PREPAYMENTS BY FEDERATIONS		60'616	7'197	70'979	7'715
TOTAL CURRENT LIABILITIES		2'341'092	1'022'945	2'741'325	1'096'639
NET CURRENT ASSETS		1'705'847	1'217'475	1'997'480	1'305'185
FIXED ASSETS, at Cost					
- Office Furniture	5	14'716	14'716	17'232	15'776
- Machines & Equipment		462'984	455'620	542'136	488'443
		477'700	470'336	559'368	504'220
LESS ACCUMULATED DEPRECIATION					
	5	367'198	320'470	429'974	343'557
		110'502	149'866	129'393	160'663
LESS NON CURRENT LIABILITIES					
Upcoming year's events		90'000	110'000	105'386	117'925
Staff retirement indemnities	6	36'293	30'982	42'497	33'214
Permanent Fund	7	76'414	76'414	89'478	81'919
Currency translation difference				84'288	-56'641
TOTAL NON CURRENT LIABILITIES		202'707	217'396	321'649	176'416
NET ASSETS		1'613'642	1'149'945	1'805'224	1'289'431
NET ASSETS REPRESENTED BY:					
FIDE RESERVE FUND		1'613'642	1'149'945	1'805'224	1'289'431

FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE
PERIOD ENDED 31st DECEMBER 2017

INCOME	31st Dec 17 Actual EUR	31st Dec 17 Budget EUR	31st Dec 16 Actual EUR	31st Dec 17 Actual CHF	31st Dec 16 Actual CHF
Fees from Federations					
Membership Fees	135'380	135'000	134'620	150'590	146'741
Entry Fees	188'440	240'000	285'400	209'611	311'097
Registered Tournaments	515'349	500'000	485'937	573'247	529'689
Late Tournament report charges	1'260	1'000	2'170	1'402	2'365
Change of Federation	24'500	20'000	13'750	27'253	14'988
FIDE Title Application Fees	247'513	220'000	176'450	275'320	192'337
Restoration of ratings	0	500	0	0	0
Federation fees	1'112'442	1'116'500	1'098'327	1'237'421	1'197'217
Net Income from FIDE Events					
Candidates Matches	0	0	95'899	0	104'533
World Cup	429'468	280'000	0	477'717	0
World Rapid and Blitz Championship	441'073	160'000	66'418	490'626	72'398
Olympiad	0	50'000	788'356	0	859'337
World Championship Match	0	0	195'384	0	212'976
Grand Prix series	124'131	96'000	0	138'077	0
Womens' Grand Prix	0	30'000	100'799	-	109'874
Womens' World Championship	78'926	80'000	105'900	87'793	115'435
Tournament Income	42'774	0	58'559	47'580	63'832
Net income from FIDE events	1'116'372	696'000	1'411'315	1'241'793	1'538'385
Income from Commissions					
Arbiters seminar fees	19'303	12'500	5'380	21'471	5'864
Arbiters licence fees	42'990	40'000	38'115	47'820	41'547
Arbiters' manual	500	0	0	556	0
Trainers licence fees	42'915	25'000	29'220	47'736	31'851
Trainers seminars	19'600	25'000	12'700	21'802	13'843
Trainers academy annual and registration fees	19'500	10'000	14'800	21'691	16'133
Organisers seminar fees	2'220	1'000	1'500	2'469	1'635
School Instructor seminar fees	5'558	2'000	2'000	6'182	2'180
Chess in Schools Online	1'435	500	2'353	1'596	2'565
Journalist's membership fees	80	0	700	89	763
World Championship Olympiad Commission	62'560	66'000	165'000	69'588	179'856
Event bidding fees	16'500	7'000	13'491	18'354	14'706
CNC web FIDE online arena	22'220	25'000	21'853	24'716	23'821
FIDE flag licence fees	5'201	0	2'030	5'786	2'212
Income from Commissions	260'582	214'000	309'142	289'857	336'976
Other Income					
ARISF	5'204	5'000	5'875	5'789	6'404
International Olympic Committee	20'800	20'000	22'225	23'137	24'226
Rental of software/ boards/ anti cheating devices	2'000	11'000	0	2'225	0
Interest from bank /Investment income	1'002	1'000	1'152	1'114	1'256
Royalties				0	
DGT royalties and sales	50'336	50'000	50'000	55'991	54'502
Chess evolution, book sales	2'996	0	0	3'333	0
Sponsorship	39'000	525'000	0	43'382	0
Special Projects	0	125'000	0	0	0
Gain on investments / currency conversion	0	0	11'223	0	12'233
Release of general provision	5'007	0	1'635	5'570	1'782
Miscellaneous income	126'345	737'000	92'110	140'539	100'403
TOTAL INCOME:	2'615'740	2'763'500	2'910'893	2'909'610	3'172'982

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE
PERIOD ENDED 31st DECEMBER 2017**

EXPENSES	31st Dec 17 Actual EUR	31st Dec 17 Budget EUR	31st Dec 16 Actual EUR	31st Dec 17 Actual CHF	31st Dec 16 Actual CHF
SECRETARIAT					
Staff Costs	327'931	370'000	354'813	364'773	386'759
Staff Travel	8'701	15'000	10'581	9'679	11'533
Staff Retirement Annuities	5'311	0	5'024	5'907	5'476
Office Cleaning	4'200	4'000	6'000	4'672	6'540
Photocopying & Printing	8'983	3'000	5'194	9'992	5'661
Postage & Carriage	3'359	5'000	3'536	3'737	3'854
Rent	16'423	17'000	16'466	18'268	17'949
Repairs, Maintenance & Renewals	2'664	1'000	801	2'963	873
Secretariat Hospitality	10'323	10'000	14'091	11'483	15'359
Office Supplies / Stationery	4'897	6'000	5'313	5'447	5'792
Telecommunications	15'937	13'500	12'818	17'728	13'972
Utilities	3'862	6'000	4'070	4'296	4'437
Athens office	412'590	450'500	438'706	458'943	478'206
ELISTA					
Staff and office costs	120'001	120'000	128'072	133'483	139'604
Elista office	120'001	120'000	128'072	133'483	139'604
MOSCOW					
Staff Costs and office expenses	70'682	85'000	74'543	78'623	81'255
Staff travel	10'537	30'000	30'560	11'721	33'311
Moscow office	81'219	115'000	105'103	90'344	114'566
GENERAL EXPENSES					
Accountancy /Accreditation Software	9'922	10'000	25'368	11'037	27'652
Audit & Tax Accountant	26'756	35'000	26'563	29'762	28'954
Bad Debts & Write offs	2'920	5'000	17'685	3'248	19'277
Bank Charges / Six payment services AG / paypal charges	27'266	36'000	27'585	30'329	30'068
Depreciation	46'771	35'000	44'200	52'026	48'180
Discounts Allowed for Early Payment	33'274	40'000	30'523	37'012	33'271
Electronic Boards & Sets (storage & transportation)	17'309	40'000	21'752	19'253	23'710
FIDE website	6'500	6'000	9'000	7'230	9'810
Insurance	44'421	45'000	44'421	49'412	48'421
Legal Costs	209'503	100'000	73'533	233'040	80'153
Consultants	54'677	65'000	29'988	60'820	32'688
Loss on currency conversion	140'395	30'000	0	156'168	0
Medals & Badges	3'637	7'500	4'725	4'046	5'150
Increase in provision for 2years arrears	21'536	0	522	23'956	569
Publicity and Promotion	10'000	10'000	0	11'123	0
Entry Fees Refund to Organising Federations	37'688	46'000	42'804	41'922	46'658
Special projects	6'062	25'000	30'497	6'742	33'243
SportAccord	3'073	5'000	2'372	3'418	2'585
Subscriptions	5'740	6'000	5'745	6'385	6'262
Income/Asset tax	64'694	7'000	11'186	71'962	12'193
Veterans' support	19'976	20'000	26'774	22'220	29'185
Securities/Bonds at market value	860	0	272	957	296
Agon: expenses	0	0	200	0	218
Expenses omitted	0	0	15'888	0	17'319
General Expenses	792'979	573'500	491'603	882'067	535'865
OFFICIALS' EXPENSES					
President's travel	1920	80'000	29'945	2'136	32'641
Deputy President's travel	100	10'000	0	111	0
Treasurer Expenses	38'179	45'000	50'975	42'468	55'564
Presidential advisers	46'000	48'000	38'029	51'168	41'453
Vice Presidents and Subcommittees	4'259	15'000	22'719	4'737	24'764
CEO Travel	25'251	10'000	0	28'088	0
Travel Americas President	30'000	30'000	30'000	33'370	32'701
Travel Africa President	18'627	20'000	5'244	20'720	5'716
Officials' Expenses	164'336	258'000	176'911	182'799	192'839

COMMISSIONS & COMMITTEES

Arbiters	21'617	20'000	27'354	24'045	29'817
Anti Cheating	10'715	10'000	10'806	11'919	11'779
Chess Composition	3'000	3'000	4'825	3'337	5'260
Chess for the Disabled	6'957	8'000	17'598	7'739	19'183
Chess in Schools	17'849	28'000	37'713	19'854	41'109
Constitutional Commission	3'119	7'000	7'396	3'470	8'062
Chess Journalists	4'595	4'000	4'700	5'111	5'123
Development Commission & Activity Rebate	183'393	200'000	220'570	203'996	240'429
Ethics	19'028	20'000	15'190	21'165	16'558
Events	7'152	15'000	21'879	7'956	23'849
Medical	8'276	16'000	7'393	9'206	8'059
Online	4'239	5'000	5'655	4'715	6'164
Qualification	5'259	7'000	12'280	5'850	13'386
Rules and Tournaments regulations	5'450	7'000	9'926	6'062	10'820
Systems of Pairings and Programs	1'993	3'500	4'261	2'217	4'645
Technical	7'484	7'000	7'375	8'325	8'039
Trainers	23'419	30'000	54'000	26'050	58'862
Verification	17'212	18'000	11'814	19'146	12'878
Women's Chess	7'669	20'000	29'087	8'531	31'705
World Championship and Olympiad	40'066	40'000	69'683	44'567	75'957
Skills Management Committee	0	5'000	2'017	0	2'198
Central Board Commission	0	1'000	0	0	0
Social Projects	11'944	12'000	17'362	13'285	18'925
Social Action	12'305	12'000	20'000	13'688	21'801
Commissions & Committees	422'741	498'500	618'885	470'235	674'608

EVENTS

Women's World Chess Champ: expenses	0	6'000	0	0	0
World Cup: expenses	0	6'000	0	0	0
World Youth: expenses	6'808	0	7'642	7'573	8'330
World Junior U20: expenses	0	5'000	0	0	0
World Rapid and Blitz: expenses	0	6'000	0	0	0
World Amateur: expenses	815	0	0	907	0
Grand Prix series	0	6'000	0	0	0
Women's Grand Prix series	0	6'000	0	0	0
ARISF and IOC Events	18'730	18'000	28'037	20'834	30'562
Continental Championships	40'000	40'000	24'367	44'494	26'561
Events	66'353	93'000	60'046	73'808	65'452

MEETINGS

PBs and Congress	83'222	85'000	56'965	92'572	62'094
Meetings	83'222	85'000	56'965	92'572	62'094

Contingency	Contingency	8'600	20'000	17'000	9'567	18'531
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TOTAL EXPENSES:	2'152'042	2'213'500	2'093'292	2'393'818	2'281'766
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TOTAL INCOME:	2'615'740	2'763'500	2'910'893	2'909'610	3'172'982
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TOTAL EXPENSES	2'152'042	2'213'500	2'093'292	2'393'818	2'281'766
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INCOME against EXPENSES	463'698	550'000	817'602	515'793	891'216
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FIDE Reserve Fund at beginning of period	1'149'945		332'343	1'289'431	398'215
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FIDE Reserve Fund at end of period	1'613'642		1'149'945	1'805'224	1'289'431
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**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE**
Notes to the financial statements
As at December 31, 2017
(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 € 0.854 (2016: 1 CHF for € 0.9328), 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 € 0.899 (2016: 1 CHF for € 0.9174). 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 31.12.2017 the market price is at 100.45% giving a 0.45% unrealized market gain.

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE**
Notes to the financial statements
As at December 31, 2017
(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 56'411.19 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 € 29'740 is called Visa Corporate Guarantee and it is a restricted cash account. The FIDE paypal account is presented with the other bank accounts. It refers to the online payments not yet transferred to bank accounts.

5. Fixed assets

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

Period ended 31st December 2017

FIXED ASSETS

<u>COST</u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	TOTAL
Balance b/f	14'716	455'620	470'336
Additions 2017		7'364	7'364
Sales 2017	0	0	0
<i>Total Cost</i>	14'716	462'984	477'700
 <u>DEPRECIATION</u>			
Balance b/f	14'573	305'897	320'470
Charge for the period	30	46'698	46'728
<i>Total Depreciation</i>	14'603	352'595	367'198
NAV 31.12.17	113	110'389	110'502

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE**
Notes to the financial statements
As at December 31, 2017
(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 31st December 2017, would have been € 36'292.67 (2016: € 30'982) for which a provision has been made. The current number of employees in the Athens office is six.

7. Permanent Fund

It represents the amount received in 2016 from the liquidation of the FIDE trust, valued at its historical value (€ 76'414.01 as CHF 82'165.60). The comparative figures in 2016 were changed.

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 28th, 2018 no events or transactions have occurred since December 31st, 2017.