

CHESS FOR SUCCESS
FINANCIAL STATEMENTS
Year Ended June 30, 2018



CHESS *for*
SUCCESS[®]

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

CHESS FOR SUCCESS
FINANCIAL STATEMENTS
Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chess for Success
Portland, Oregon

We have audited the accompanying financial statements of Chess for Success (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 internal control relevant to the entity's preparation and fair presentation 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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 referred to above present fairly, in all material respects, the financial position of Chess for Success as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Chess for Success's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KERN & THOMPSON, LLC

Portland, Oregon
December 17, 2018

CHESS FOR SUCCESS

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals as of June 30, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 154,117	\$ 106,727
Contributions and grants receivable	826	37,664
Prepaid expenses and other current assets	14,568	18,189
Furniture and equipment, net	<u>5,654</u>	<u>3,097</u>
Total assets	<u>\$ 175,165</u>	<u>\$ 165,677</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 30,108	\$ 18,374
Accrued expenses	<u>11,661</u>	<u>10,052</u>
Total liabilities	<u>41,769</u>	<u>28,426</u>
Net assets		
Without donor restrictions	73,396	92,251
With donor restrictions	<u>60,000</u>	<u>45,000</u>
Total net assets	<u>133,396</u>	<u>137,251</u>
Total liabilities and net assets	<u>\$ 175,165</u>	<u>\$ 165,677</u>

See notes to financial statements.

CHESS FOR SUCCESS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Support and revenues				
Contributions and grants	\$ 309,430	\$ 60,000	\$ 369,430	\$ 401,628
Special event revenues, less direct costs of \$40,377 and \$35,926	105,690	-	105,690	85,633
In-kind revenue	32,824	-	32,824	18,038
Net assets released from restrictions	45,000	(45,000)	-	-
Total support and revenues	492,944	15,000	507,944	505,299
Expenses				
Program services	417,362	-	417,362	377,194
Supporting services				
Management and general	46,626	-	46,626	37,522
Fundraising	47,811	-	47,811	42,944
Total expenses	511,799	-	511,799	457,660
Change in net assets	(18,855)	15,000	(3,855)	47,639
Net assets, beginning of year	92,251	45,000	137,251	89,612
Net assets, end of year	\$ 73,396	\$ 60,000	\$ 133,396	\$ 137,251

See notes to financial statements.

CHESS FOR SUCCESS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Manage- ment and General	Fund- raising	2018	2017
Expenses					
Salaries	\$ 204,335	\$ 14,789	\$ 34,111	\$ 253,235	\$ 246,846
Payroll taxes	17,575	1,241	1,861	20,677	21,225
Employee benefits	13,856	11,553	729	26,138	10,152
Chess coaches	51,842	-	-	51,842	45,955
Chess equipment and supplies	45,839	-	-	45,839	41,327
Occupancy	17,776	1,255	1,882	20,913	16,562
Printing and reproduction	8,854	-	2,603	11,457	8,310
Office expenses	15,974	141	1,567	17,682	21,778
Professional fees	12,197	16,707	635	29,539	28,330
Depreciation	2,123	-	-	2,123	1,934
Insurance	7,446	877	-	8,323	1,145
Automobile	8,232	-	-	8,232	7,962
Meeting expenses	3,267	-	-	3,267	1,647
Miscellaneous	8,046	63	4,423	12,532	4,487
	\$ 417,362	\$ 46,626	\$ 47,811	\$ 511,799	\$ 457,660

See notes to financial statements.

CHESS FOR SUCCESS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,855)	\$ 47,639
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,123	1,934
Changes in assets and liabilities:		
Contributions and grants receivable	36,838	(1,567)
Prepaid expenses and other current assets	3,621	(3,580)
Accounts payable	11,734	4,141
Accrued expenses	1,609	(12,427)
Deferred rent	-	(1,660)
Net cash provided by (used in) operating activities	<u>52,070</u>	<u>34,480</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(4,680)</u>	<u>(893)</u>
Net cash provided by (used in) investing activities	<u>(4,680)</u>	<u>(893)</u>
Change in cash and cash equivalents	47,390	33,587
Cash and cash equivalents, beginning of year	<u>106,727</u>	<u>73,140</u>
Cash and cash equivalents, end of year	<u>\$ 154,117</u>	<u>\$ 106,727</u>

See notes to financial statements.

CHESS FOR SUCCESS

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Chess for Success (“CFS”) is a nonprofit organization which was organized in the state of Oregon in 1996 and later combined with the Portland Chess Project. Its mission is to help children develop skills necessary for success in school and life by learning chess. Primarily funded by grants and contributions, CFS provides after-school chess clubs for children in elementary and middle schools in Oregon. CFS also organizes annual elementary, middle and high school chess tournaments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CFS reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of CFS and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of CFS and/or the passage of time, or net assets with restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent deposits in checking, savings, and money market accounts. CFS considers any investment securities with an original maturity of three months or less to be cash equivalents.

CHESS FOR SUCCESS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts Receivable

Grants and contracts receivable are recorded monthly as the related services are provided and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection.

Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms. It is CFS's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2018. Grants and contracts receivable older than 90 days as of June 30, 2018 were insignificant.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$750 are capitalized. Capitalized items are recorded at cost if purchased or at fair value at the date received as a donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

CFS has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. CFS has no unrecognized tax benefits and does not believe it has unrelated trade or business income in excess of \$1,000.

Contributions

Contributions are recognized when the donor makes a promise to give to CFS that is, in substance, unconditional. Contributions are classified as without donor restrictions unless the contribution has been restricted to a specific purpose by the donor. Non-cash contributions are valued at their fair value at the time of donation.

Contributed Services and Materials

The value of contributed services and materials meeting the requirements for recognition are recorded in the financial statements at their estimated fair value as support without donor restrictions, unless the donor restricts the donated asset to a specific purpose. Additionally, a number of volunteers have donated a significant number of hours to CFS. Although these services do not meet the criteria for recognition under generally accepted accounting principles, they are integral to the mission of CFS.

CHESS FOR SUCCESS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing various programs and activities has been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited based upon management's best estimate. Costs which are readily identifiable are charged directly to each functional area.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CFS's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE C – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CFS to concentrations of credit risk consist principally of cash and receivables.

CFS maintains bank deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured balances at June 30, 2018. CFS has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

CFS's receivables consist primarily of contractual billings with two government agencies and are unsecured. Such receivables are generally due within 30 days. CFS has not experienced any losses on these accounts.

Contract revenues from the government agencies totaled approximately \$129,000 in the year ended June 30, 2018, which constitutes approximately 25% of total revenues.

NOTE D – RELATED PARTY TRANSACTIONS

As of June 30, 2018, contributions from employees and board members of CFS for the year totaled \$35,439.

CHESS FOR SUCCESS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E – LIQUIDITY

The following chart represents CFS's financial assets available to meet cash needs for general expenditures within one year of June 30, 2018.

Financial assets at year-end*	
Cash and cash equivalents	\$ 154,117
Other receivables	<u>826</u>
Total financial assets	<u>154,943</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restriction	<u>30,000</u>
Total unavailable financial assets	<u>30,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 124,943</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Equipment	\$ 30,751
Less accumulated depreciation	<u>(25,097)</u>
Net property and equipment	<u>\$ 5,654</u>

Depreciation and amortization totaled \$2,123 for the year ending June 30, 2018.

NOTE G – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are subject to the following purpose or time restrictions as follows:

Subject to purpose restrictions:	
Oregon Community Foundation - Epping	\$ 30,000
Subject to time restrictions:	
Spirit Mountain	<u>30,000</u>
Total net assets with donor restrictions	<u>\$ 60,000</u>

CHESS FOR SUCCESS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE H – IN-KIND CONTRIBUTIONS

In-kind contributions of services that require special skills, that are provided by individuals possessing those skills, and that would need to be purchased if not contributed, are recognized in the financial statements.

In-kind contributions consisted of the following for the year ended June 30, 2018:

Professional services and labor	\$	10,000
Equipment, supplies, and materials		<u>22,824</u>
Total included in contributions revenue	\$	<u><u>32,824</u></u>

NOTE I – RETIREMENT PLAN

CFS maintains a defined contribution retirement plan for the benefit of eligible employees. Contributions to the plan are discretionary and determined by the Board of Directors. Contributions made by CFS to the plan for the year ending June 30, 2018 was \$7,932.

NOTE J – OPERATING LEASE

CFS rents office space under an agreement expiring December 31, 2019.

Future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2019	\$ <u>9,939</u>
	\$ <u><u>9,939</u></u>

For the year ended June 30, 2018, CFS recognized lease expense of \$20,913.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 17, 2018, which is the date the financial statements were available to be issued.