



## **CHESS FOR SUCCESS**

Financial Statements  
Year Ended June 30, 2015  
With Independent Auditor's Report

**CHESS FOR SUCCESS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Chess for Success  
Portland, Oregon

### **Report on Financial Statements**

We have audited the accompanying financial statements of Chess for Success (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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.

#### ***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 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 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 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, 2015, 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.

**Report on Summarized Comparative Information**

We have previously audited the Chess for Success 2014 financial statements, and our report dated May 1, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent in all material respects with the audited financial statements from which it has been derived.

*Perkins & Company P.C.*

October 3, 2016

**CHES FOR SUCCESS**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**  
**(with comparative totals for 2014)**

	2015	2014
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 66,077	\$ 118,709
Contributions and grants receivable	49,818	12,917
Prepaid expenses and other current assets	8,398	12,517
Deposit	1,640	1,640
Furniture and equipment, net	6,352	4,064
Total assets	\$ 132,285	\$ 149,847
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 14,146	\$ 7,278
Accrued expenses	8,244	7,383
Deferred rent	1,373	546
Total liabilities	23,763	15,207
 <b>NET ASSETS:</b>		
Unrestricted	51,589	121,723
Temporarily restricted	56,933	12,917
Total net assets	108,522	134,640
	\$ 132,285	\$ 149,847

See notes to financial statements

**CHESS FOR SUCCESS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(with comparative totals for 2014)**

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
<b>OPERATING REVENUES AND OTHER SUPPORT:</b>				
Contributions and grants	\$ 288,178	\$ 49,818	\$ 337,996	\$ 276,106
Special event revenues	92,948	-	92,948	146,381
Program services	-	-	-	1,532
Interest income	85	-	85	45
In-kind revenue	15,066	-	15,066	674
Net assets released from restrictions	5,802	(5,802)	-	-
Total revenue and support	<u>402,079</u>	<u>44,016</u>	<u>446,095</u>	<u>424,738</u>
<b>COSTS AND EXPENSES:</b>				
Cost of direct benefits to donors	22,981	-	22,981	32,648
Program services	374,297	-	374,297	298,613
Management and general	37,952	-	37,952	20,274
Fundraising	36,983	-	36,983	41,739
Total costs and expenses	<u>472,213</u>	<u>-</u>	<u>472,213</u>	<u>393,274</u>
<b>CHANGES IN NET ASSETS</b>	(70,134)	44,016	(26,118)	31,464
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<u>121,723</u>	<u>12,917</u>	<u>134,640</u>	<u>103,176</u>
<b>NET ASSETS AT END OF PERIOD</b>	<u>\$ 51,589</u>	<u>\$ 56,933</u>	<u>\$ 108,522</u>	<u>\$ 134,640</u>

See notes to financial statements

**CHESS FOR SUCCESS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(with comparative totals for 2014)**

	Program Services	Management and General	Fundraising	Total	
				2015	2014
<b>COST OF DIRECT BENEFITS TO DONORS:</b>					
Facility rental and catering	\$ 15,609	\$ -	\$ 7,372	\$ 22,981	\$ 32,648
<b>EXPENSES:</b>					
Salaries	183,671	13,963	24,305	221,939	157,514
Payroll taxes	17,252	1,247	2,286	20,785	15,704
Employee benefits	21,011	-	4,127	25,138	8,923
Chess coaches	63,029	-	-	63,029	60,568
Chess equipment & supplies	24,140	-	-	24,140	19,775
Occupancy	18,424	1,035	1,242	20,701	17,413
Printing & reproductions	3,174	-	1,578	4,752	3,165
Office Expenses	17,552	1,302	1,752	20,606	15,563
Professional fees	5,063	20,169	-	25,232	42,268
Depreciation	2,546	-	-	2,546	2,352
Insurance	5,947	-	567	6,514	7,131
Automobile	6,700	-	-	6,700	4,298
Miscellaneous	5,788	236	1,126	7,150	5,952
	<u>374,297</u>	<u>37,952</u>	<u>36,983</u>	<u>449,232</u>	<u>360,626</u>
	<u>\$ 389,906</u>	<u>\$ 37,952</u>	<u>\$ 44,355</u>	<u>\$ 472,213</u>	<u>\$ 393,274</u>

See notes to financial statements

**CHESS FOR SUCCESS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(with comparative totals for 2014)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (26,118)	\$ 31,464
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,546	2,122
Changes in operating assets and liabilities:		
Contributions and grants receivable	(36,901)	42,033
Prepaid expenses and other current assets	4,119	(11,044)
Accounts payable	6,868	(10,354)
Accrued expenses	861	1,730
Deferred rent	827	(860)
Net cash (used in) provided by operating activities	(47,798)	55,091
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(4,834)	(1,080)
Net cash used in investing activities	(4,834)	(1,080)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(52,632)	54,011
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	118,709	64,698
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 66,077	\$ 118,709

See notes to financial statements

**CHES FOR SUCCESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(With comparative totals for 2014)

**NOTE 1 – SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** - 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. 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.

**Basis of Accounting** - The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CFS and changes therein are classified as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CFS and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by CFS. Generally, the donors of these assets permit CFS to use all of, or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2015 and 2014.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Contribution Recognition** - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate, commensurate with the risks involved. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. No long-term contributions requiring discounting were received during the years ended June 30, 2015 or 2014.

**Revenue Recognition** - All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Special event revenues are recognized when the event occurs. Program service revenue is recognized upon delivery of service.

**In-Kind Contributions** - Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

CFS recognizes donated services only when one of the following is met:

- The donated services create and/or enhance nonfinancial assets, or
- The donated services require specialized skills by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2015 and 2014, CFS recorded donated professional services of \$10,654 and \$674, respectively, which are reflected as professional fees within the statement of activities. Other in-kind donations totaled \$4,412 and \$0 for the years ended June 30, 2015 and 2014.

While many individuals, including board members, volunteer their time and perform a variety of tasks that assist CFS, these services do not meet the criteria for recognition as in-kind contributions.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentrations** - One of the fundraising events generated 15% and 28% of revenues for the year ended June 30, 2015 and 2014, respectively. Contributions and grants receivable from three and four donors or grantors accounted for 89% and 82% of total contributions and grants receivable as of June 30, 2015 and 2014, respectively.

**Income Taxes** - CFS is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501 (c)(3) of the Internal Revenue Code. In addition, CFS qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

CFS applies the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10, *Income Taxes*, relating to accounting for uncertain tax and recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. CFS recognizes interest and penalties related to income tax matters in income taxes.

CFS has no unrecognized tax benefits at June 30, 2015 and 2014. No interest and penalties have been accrued for the years ended June 30, 2015 and 2014. CFS files an exempt organization return and an unrelated business income tax return in the U.S. federal jurisdiction and with the Oregon charities division and Oregon Department of Revenue.

**Cash and Cash Equivalents** - CFS maintains cash in checking and money market accounts. For purposes of the statement of cash flows, cash and cash equivalents include short-term, highly liquid investments including investments with initial maturities of three months or less.

**Credit Risk** - The financial instruments presented on the accompanying statement of financial position that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable. CFS intends to limit its exposure to credit risk associated with cash by placing their cash with federally insured financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”). At June 30, 2015 and 2014, cash and cash equivalents did not exceed federally insured limits.

**Contributions and Grants Receivable** - CFS uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years’ experience and management's analysis of specific promises made. For the years ended June 30, 2015 and 2014, CFS incurred no bad debts. CFS determined that no allowance was necessary as of June 30, 2015 and 2014.

**Furniture and Equipment, Net** - Furniture and equipment, including additions and improvements that add to productive capacity or extend useful life, are capitalized, while maintenance and repairs are expensed as incurred. Purchased furniture and equipment is capitalized at cost. Donations of furniture and equipment are recorded as contributions at their estimated fair value. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from their respective accounts and any gain or loss is recognized. Depreciation of furniture and equipment is calculated using the straight-line method over estimated useful lives of five to seven years.

**Functional Allocation of Expenses** - The cost of providing the various programs and other activities of CFS have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses by natural classification are presented in the statement of functional expenses.

**Allocation of Joint Costs That Include Fundraising** - Certain joint costs are allocated based on the estimates of management. CFS allocated salaries and wages, payroll taxes, employee benefits, occupancy, depreciation and insurance to program services, management and general and fundraising expense.

**Comparative Financial Information** - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of CFS for the year ended June 30, 2014, from which the summarized information was derived.

**Evaluation of Subsequent Events** - CFS has evaluated subsequent events through October 3, 2016, the date which the financial statements were available to be issued.

**Reclassifications** - Certain prior year amounts have been reclassified to conform with the current year presentation.

**Recent Accounting Standards** - In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CFS has not yet evaluated the impact of adopting these standards.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard simplifies and improves the presentation of the financial statements and enhances the disclosures in the notes. The new standard, among other things, decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. CFS has not yet evaluated the impact of adopting these standards.

## NOTE 2 – RELATED PARTY TRANSACTIONS

As of June 30, 2015 and 2014, contributions and grants receivable included \$6,200 and \$1,595, respectively, relating to pledges and contributions receivable from employees and board members of CFS. Contributions from employees and board members of CFS for the years ended June 30, 2015 and 2014 totaled \$28,934 and \$41,160, respectively.

## NOTE 3 – FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net, consisted of the following:

	2015	2014
Equipment	\$ 20,351	\$ 15,517
Furniture	4,827	4,827
	25,178	20,344
Less accumulated depreciation	(18,826)	(16,280)
	\$ 6,352	\$ 4,064

Depreciation and amortization totaled \$2,546 and \$2,122 for the years ended June 30, 2015 and 2014, respectively.

## NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets resulted from gifts from donors who specified that monies must be used to support certain programs or schools. These net assets can be released from restrictions by making applicable expenditures. Net assets released from restriction during 2015 were done so after meeting the requirements to use those temporarily restricted funds.

**NOTE 5 – DEFINED CONTRIBUTION 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 years ending June 30, 2015 and 2014 were \$14,546 and \$2,643, respectively.

**NOTE 6 – OPERATING LEASES**

CFS rents office space under an agreement expiring December 31, 2019. Minimum future lease payments are as follows:

Years ending June 30:	<u>Amount</u>
2016	\$ 18,465
2017	19,015
2018	19,585
2019	9,939
	<u>\$ 67,004</u>

For the years ended June 30, 2015 and 2014, CFS recognized lease expense of \$20,701 and \$17,413, respectively.