

CHESS FEDERATION OF CANADA GOVERNORS' LETTER FIVE 1998-1999



Responses may be mailed, faxed or E-mailed to the Chess Federation of Canada, E-1 2212
Gladwin Crescent, Ottawa, ON, K1B 5N1, fax: 613-733-5209, E-Mail: info@chess.ca

ATTENTION ALL GOVERNORS: Anyone with an E-Mail address can have their
Governors' Letter sent to them via E-Mail and save the CFC paper and postage costs.

Please E-Mail info@chess.ca if interested.

Deadline for next Governors' Letter is June 20, 1999

KEEPING GOVERNORS INFORMED

Herb Langer has resigned as Rating Auditor and Governor. Both positions will remain vacant until the Annual Meeting in July.

The Executive has unanimously approved the appointment of Neil Sutherland as Governor of Nunavut.

Maurice Smith
President
Chess Federation of Canada

General Comments

(Gordon Taylor) I feel I need to respond to the "General Comments" made by Mr. Cabanas at the beginning of GL #4, if only because he explicitly mentions me. Mr. Cabanas asks if I have ever asked the OCA for a copy of its financial statements. The answer is no, but the OCA has begun sending them to me, which is a nice service. I have before me their statement for the fiscal year ended at March 31, 1998. It is actually very good but there are a couple of items that go begging. There is a "Travel Reimbursement" of \$1,518.31, which should have been explained by a note. And there are the "Rebates to Leagues" totalling \$2,423.41. These two account for 43% of Total Expenses. The OCA is perhaps unique in having five Leagues which each receive a portion of the Provincial membership revenues. What is lacking is further detail as to how the Leagues disburse their rebates. However, it was not my intent to drag the OCA over the carpet but only to raise the question of fiscal accountability. The real intent was, as I wrote: "Ask yourself the same question: how has your Provincial Association used its revenues this past year?" I trust that each Governor has now satisfied himself as to the answer. Mr. Cabanas attempts to argue that the same standards of accountability should apply to the AEM. He would like to see a "level playing field," to use the modern idiom. While there may be many similarities between the two, there are also some significant differences. For one, the CFC is a registered charity while the AEM is not. Also, the AEM is principally a business, while the CFC is principally a service organization. So while Mr. Cabanas may ask for an equal degree of accountability, I don't think his arguments quite valid. Also, I fear that many of the CFC's present problems have nothing to do with the AEM, and my concern is that the AEM is being used as a scapegoat.

Constitutional Amendment

(Gordon Taylor)

1) The proposed motion has a serious flaw: it says that the Board of Directors shall be "constituted by seven persons" and then lists eight. Apart from the fact that the Movers cannot count, it's surprising to see Mr. Smith propose a Board having an even number. He did not think this a good idea at the last Annual Meeting, though personally I don't think it a big concern. Still, seven or eight, which is it?

2) The "current wording" is in error. Section 10 of Bylaw 2 was amended at the last Annual Meeting. I direct your attention to page 20 of this year's GL #1 where it states that the wording was changed: "(Taylor/Haley) the immediate past president will serve only for the first year of the new president's term." While the Minutes do not state exactly where these words were to be inserted into section 10, the motion did pass and accordingly is now part of our Constitution. The above wording should be part of Section 10. Thus, the "current wording", as given, is wrong. I suggest that the Movers withdraw this Motion and get it right!

3) Apart from the above two objections, there is yet another. In 1997, I was a Mover to a Motion proposing that the term of the Past President be restricted to one year. It passed. (25 For, 1 Against, 2 Abstain) but failed to meet a Quorum (not enough Governors voted - sigh!) It was then presented at the 1998 Annual Meeting and passed again: 24 in favour, 5 opposed, 6 abstentions. This is much closer than you might think: an abstention is effectively the same as a No, so $24/35 = 68.6\%$. Had one of those in favour abstained then the vote would have been $23/35 = 65.7\%$ and the Motion would have failed.

The Motion moved by Messrs. Smith and Cabanas would reverse this Motion, that I fought so long and hard for, since it mentions no restrictions as to how long the Past President may serve on the Executive. Apart from my personal outrage, I

think all Governors should feel offended that their clear decision in this matter, as witnessed by two clear majorities, is now being flouted.

Moved Bunning/Smith

That section 10 of By-law 2 of the Constitution be amended by replacing it with the following:

Board of Directors

The Board of Directors shall be elected at the Annual Meeting of the Assembly and shall be constituted by a maximum of seven persons, namely, the President, Vice-President, Immediate Past President, Secretary, Treasurer, FIDE Representative, and Junior Coordinator unless these titles are changed by ordinary resolution of the Assembly pursuant to section 8(f) at the annual meeting. The position of Past President shall not be elected but shall be occupied by the immediate Past President for one term, until the annual meeting in the year following which he became Past President, unless he resigns or the Assembly, by ordinary resolution, at the Annual Meeting dispenses with the position of Past President for that year. Upon election at an Annual Meeting of the Assembly or until the Director(s) resign(s) or their successors are elected or appointed in their stead unless replaced by a vote of the Assembly prior to that time.

Discussion:

On consent of the previous movers, this constitutional amendment has now replaced the Smith/ Cabanas constitutional amendment published in the last governors' letter.

This amendment provides that instead of adding the Junior Coordinator as an addition to the Board of Directors, the Junior Coordinator now replaces the Rating Auditor on the Board Directors. The Rating Auditor's position is essentially defunct as the business office now performs this function. At the last Annual Meeting a constitutional amendment was passed limiting the term of the Past President to one year only. The above wording incorporates this amendment.

Second Discussion on 99-5

99-5 (Taylor, Hergott): To lift the sanction imposed upon IM Jean Hebert and IM Jan Teplitsky (announced in GL #1 of 1998), barring them from participation in the next Olympiad.

(Gordon Taylor) In the last GL I asserted that the Business Office had not informed the players invited to compete at the Olympiad in Elista of the sanction that was subsequently imposed on two of them when they had to withdraw. Let us now take this as fact. I consider this omission to be of great consequence and am heartened to see many Governors in agreement. To see Mr. Cabanas, our Past President, say "Maybe. Maybe not." is rather troubling. If the CFC is going to impose these kinds of sanctions then it had best mind its Ps and Qs. Assertions such as "They should have known!" or "They should have asked!" would delight the ears of many a litigation lawyer.

(Martin Jaeger) The notion that CFC rules are not enforceable where they are only in one of Canada's official languages is strange to say the least. We have a lawyer on the Executive. Mr. Cabanas and Mr. Bunning would better have sorted this out before the sanction was imposed.

Is Mr. Cabanas proposing a wholesale translation of the CFC rules? In the late 70's we introduced a rule that all motions would be translated but subsequent presidents did not explore this and it was eventually formally dropped.

Mr. Hebert writes in English perfectly. It is fair to conclude that he reads perfectly. I find the argument that the consequences of not withdrawing before a deadline were not known to be disingenuous.

Mr Teplitsky's case is a little different though the fact that he has not provided evidence of passport difficulties is troubling. I might vote to lift the sanction on Teplitsky if 99-5 were split. If not, I shall vote against.

Understandably we all want to retain options but we must understand that delay causes problems for others and to avoid those problems organizations have rules.

First Discussion on 99-6

99-6 Moved Francisco Cabañas, seconded **Joshua Keshet** : That section 711 of the CFC handbook be replaced with the following:

711. Rateable Tournaments. To be rated under the CFC "standard" rating system the maximum game time must be at least 120 minutes except in the case of Junior events where the maximum game time must be at least 50 minutes. An event is considered junior for the purposes of this section if all the players meet the age requirements of the World Junior of the year following the year in which the event ends. To be rated under the CFC Active rating system the maximum game time must be at least 50 minutes but less than 120 minutes. There may be many complicated time controls. The intention is to stick to the maximum game time. Non sudden death time controls shall not have a rate of play exceeding one move per minute. For both rating systems, all secondary time controls must be a minimum of 5 minutes long. All games in a tournament should fit the same category. All time controls of a tournament must be advertised and/or posted prior to the tournament. Any Active rated tournament must be advertised as such prior to the tournament. The Executive Director has discretion to accept or refuse any tournament for rating where the intent of this rule has not been followed.

The current wording reads:

711. Rateable Tournaments. To be rated under the CFC "standard" rating system the maximum game time must be at least 120 minutes. To be rated under the CFC Active rating system the maximum game time must be at least 50 minutes but less than 120 minutes. There may be many complicated time controls. The intention is to stick to the maximum game time. Non sudden death time controls shall not have a rate of play exceeding one move per minute. For both rating systems, all secondary time controls must be a minimum of 5 minutes long. All games in a tournament should fit the same category. All time controls of a tournament must be advertised and/or posted prior to the tournament. Any Active rated tournament must be advertised as such prior to the tournament. The Executive Director has discretion to accept or refuse any tournament for rating where the intent of this rule has not been followed.

The effect of this motion is to add:

"except in the case of Junior events where the maximum game time must be at least 50 minutes. An event is considered junior for the purposes of this section if all the players meet the age requirements of the World Junior of the year following the year in which the event ends."

(Gordon Taylor) Let us first clarify those players who would be affected by this Motion.

To compete in the World Junior a player must not be 20 years of age or over on January 2 of the year of the event (see Handbook section 1002.1 – I think I got it right). The motion speaks of the "age requirements of the World Junior of the year following the year in which the event ends".

This twisted wording means that a player could play in the World Junior (in 1999 say) but not in one of these events (he could be over 20 in year 2000). Whatever! There are at least two strong objections to Motion:

1) There are many serious young players, aged 19 and less, who truly know the difference between Active and Normal chess. Even if they are only competing against their peers, these serious players will not welcome this Motion. It might be favoured by some Organizers. But I object to the kind of flippant remark made by Mr. Cabanas: "It reflects the fact that in many of these events the vast majority of the games are over in an hour regardless what time control is used."

Must the serious young player be dragged down to some lower, common level? Remember how Judit Polgar would not

play in women's events because she felt them too casual? I can imagine the really good young players refusing to play in these "junior only" events for the same reason.

2) So long as qualification to national youth championships depends on ratings I don't think we can have juniors with "mixed up" ratings. Some, with access to these proposed events (regional discrimination?), could see explosive rating growth but then crash and burn when they play in the adult events. Other juniors might only get to play in these once or twice a year, but mostly they would play in the much more demanding senior circuit. Two players could have the same rating but, depending how their ratings were "constructed", their real chess strength could be miles apart. Mess with the standards and this is what will happen!

NEW MOTION

99-7 (Jaeger-Langen) "That as a matter of policy the CFC should make available to affiliated provincial associations En Passant space for communication to association members.

The aggregate of such space shall be decided annually by the CFC executive and its allocation among associations be proportionate to the square root of CFC provincial ordinary memberships equivalents. (Example: if Province A has 400 CFC ordinary members' equivalents it shall be entitled to twice the space of a province that has 100 membership equivalents).

Where there is no affiliated provincial association the use of space shall be made available to an association in that province/territory from among associations applying for the use of the space".

(Martin Jaeger) This motion is self-explanatory I believe. We need to have available a cheap, efficient, effective method by which all provincial associations may communicate to chess players. An aggregate of six pages annually in En Passant would not be burdensome. Fine print may be used in this day of computers.

CHESS FEDERATION OF CANADA
Balance Sheet
For the year ended April 30, 1999

ASSETS		
CURRENT ASSETS	1999	1998
Cash	\$28,910	\$ 9,454
Cash in Special Funds	1,091	6,429
Cash in Funds Held-in-Trust	<u>14,527</u>	
Total Cash	\$44,528	\$15,883
Accounts Receivable (Note 3)	\$ 6,869	\$ 7,752
Inventories (Note 4)	<u>79,930</u>	<u>93,819</u>
Total Current Assets	<u>\$131,327</u>	<u>\$117,454</u>
OTHER ASSETS		
Membership Cards	\$3,839	
Library Donation	<u>2,790</u>	<u>\$ 2,790</u>
Total Other Assets	\$6,629	\$ 2,790
FIXED ASSETS		
Land & Building (Note 5)	\$106,183	\$110,607
Furniture & Equipment (Note 5)	<u>8,628</u>	<u>10,521</u>
Total Depreciable Assets	<u>\$114,811</u>	<u>\$121,128</u>
TOTAL ASSETS	<u>\$252,767</u>	<u>\$241,372</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$8,191	\$17,016
Special Funds (Note 6)	1,091	6,429
Funds Held-in-Trust (Note 6)	14,527	
Unearned Revenue	<u>41,695</u>	<u>43,472</u>
Total Current Liabilities	\$65,504	\$66,917
EQUITY		
Retained Earnings	<u>\$187,263</u>	<u>\$174,455</u>
TOTAL LIABILITIES AND EQUITY	<u>\$252,767</u>	<u>\$241,372</u>

CHESS FEDERATION OF CANADA
Income Statement and Statement of Retained Earnings
For the Year Ended April 30, 1999

REVENUE	1999	1998
Sales of Books and Equipment	\$183,006	\$206,967
Less: Cost of Goods Sold	<u>124,879</u>	<u>141,408</u>
Gross Profit	\$ 58,127	\$ 65,559
Membership Revenue	\$ 83,212	\$ 85,622
Interest from Foundation	8,069	7,142
Rating Fees	21,721	21,487
Other Revenue	<u>10,614</u>	<u>13,651</u>
TOTAL REVENUE	\$181,743	\$193,461
EXPENSES		
General & Administrative:		
Salaries & Benefits	\$ 67,911	\$ 79,438
Building & Equipment Expense	17,359	20,240
Office Expense	34,373	48,932
Other Executive & Admin. Expenses	<u>756</u>	<u>2,836</u>
Total General & Admin. Expenses	\$120,399	\$151,446
Program Expenses		
Publications	\$ 37,662	\$ 36,373
International Programs	9,883	11,372
National Programs	<u>991</u>	<u>16,907</u>
Total Program Expenses	\$ 48,536	\$ 64,652
TOTAL EXPENSES	\$168,935	\$216,098
NET INCOME (LOSS) FOR THE PERIOD	\$ 12,808	\$(22,637)
RETAINED EARNINGS BEGINNING OF PERIOD	<u>\$174,455</u>	<u>\$ 197,092</u>
RETAINED EARNINGS END OF PERIOD	<u>\$187,263</u>	<u>\$174,455</u>

Notes to the Financial Statements
April 30, 1999

1. BACKGROUND

The Chess Federation of Canada was Incorporated without Share Capital under part II of the Canada Corporations act. The Chess Federation of Canada is registered with Revenue Canada as a Charitable Organization.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

INVENTORY

Inventories are valued at the lower of cost and realizable value.

MEMBERSHIP CARDS

Membership cards are carried at cost and expensed in the year of issue.

FIXED ASSETS

Fixed assets are valued at cost, net of accumulated depreciation, calculated on a declining balance.

UNEARNED REVENUE

Unearned revenue represents the unexpired portion of membership fee paid during the fiscal period.

3. ACCOUNTS RECEIVABLE

	1999	1998
Total Receivable	\$7,270	\$8,153
Less: Allowance for Doubtful Accounts	<u>(401)</u>	<u>(401)</u>
Net Receivables	<u>\$6,869</u>	<u>\$ 7,752</u>

4. INVENTORY

	1999	1998
Books	\$23,391	\$29,843
Equipment	\$56,053	\$60,614
Computer & Software	<u>\$ 486</u>	<u>\$ 3,362</u>
	<u>\$79,930</u>	<u>\$93,819</u>

5. FIXED ASSETS

	Cost	Accumulated Depreciation	Rate	1999 Net Capital Cost	1998 Net Capital Cost
Building	\$162,852	\$56,669	4%	\$106,183	\$110,607
Furniture & Equipment	19,845	17,149	20%	2,696	3,370
Computer Equipment	<u>46,973</u>	<u>41,041</u>	33%	<u>5,932</u>	<u>7,151</u>
Total Furniture & Computer	<u>66,818</u>	<u>58,190</u>		<u>8,628</u>	<u>10,521</u>
	<u>\$229,670</u>	<u>\$114,859</u>		<u>\$114,811</u>	<u>\$121,128</u>

6. FUNDS HELD-IN-TRUST AND SPECIAL FUNDS

	1999	1998
Funds Held-in-Trust:		
Canadian Open Entry Fees	\$ 7,777	
Canadian Junior Entry Fees	<u>6,750</u>	
	<u>\$14,527</u>	
Special Funds:		
General Donations	\$ 570	\$ 770
Olympic Fund	339	5,580
Pugi Fund	<u>182</u>	<u>79</u>
	<u>\$1,091</u>	<u>\$6,429</u>

The CFC is holding entry fees on behalf of tournament organizers. These funds will be returned to the organizers when the tournaments are held.

The Olympic Fund was established to raise monies to provide financial support for participation of Canadian representatives in the International Chess Olympiads. The Pugi Fund was established to provide travel assistance for juniors to improve their chess skills.

7. CHESS FOUNDATION OF CANADA

The Chess Foundation of Canada was organized in 1960 as a mechanism to generate a stable source of revenue for the Chess Federation of Canada. Its capital comes from life memberships in the Federation. Money accumulated is never spent. However, all interest earned from investments is turned over to the Federation at the end of each fiscal year, April 30th. The Unearned Revenue portion represents an estimate of the liability of the Federation to its current members.

Auditor's Report
May 12, 1999

To the Governors of the CFC:

1. Opinion on Financial Statements

I am satisfied that the financial statements present fairly the financial position of the CFC.

This opinion is based on testing and reviews that I considered necessary in the circumstances. Once again I have left my original working papers at the office for reference purposes. One test that is normally done is to have bank confirmations done. I have rejected this because I considered a review of the bank reconciliations adequate.

I attended the inventory count this year and was satisfied that the count was taken accurately.

Overall I was very happy with the state of the records and had a trouble-free audit. I would like to bring the following matters to your attention and discuss certain items in more detail.

2. Report on Other Matters

Overall financial health

Overview: 1998-99 went well, but we are not out of the woods yet. Our financial position improved a lot compared to last year. We have more free cash and have less working capital tied up in inventories.

	1998-99	1997-98
	\$	\$
Olympiad	ELISTA	None
Assets		
Free Cash	28,910	9,454
Cash in Special Funds	1,091	6,429
Cash-in-trust	<u>14,527</u>	<u>-</u>
Total Cash	44,528	15,883
Accounts Receivable	6,869	7,752
Inventory	79,930	93,819
Membership cards	3,839	-
Library Donation	2,790	2,790
Fixed Assets	<u>114,811</u>	<u>121,128</u>
Total Assets	<u>252,767</u>	<u>241,372</u>
Liabilities and Retained Earnings		
Accounts Payable	8,191	17,016
Special Funds and Entry fees in trust	15,618	6,429
Unearned Membership Revenue	41,695	43,472
Retained Earnings	<u>187,263</u>	<u>174,455</u>
Total Liabilities and Retained Earnings	<u>252,767</u>	<u>241,372</u>
Net Income/(Loss)	<u>\$ 12,808</u>	<u>\$ (22,637)</u>

Suggestion: We need to plan more and budget regularly. Peter Stockhausen has already raised the need for planning and budgeting in the Governors Letters (and I have in previous audit reports). I support him fully in this matter. Planning and budgeting should be a regular part of the CFC's normal operating cycle, and not just something we do when faced with a crisis. We should,

(1) Prepare a one-year forecast of cash needs. This forecast should be used to identify the minimum cash balance that the CFC needs to get through the next year. After setting aside an operating reserve (for unforeseen emergencies), any surplus funds can be set aside for future use (namely the Olympiads).

(2) Prepare a rough 2-year cash needs forecast. Here is an example forecast,

	Planning Information <u>1998-1999</u>	Current Year <u>1999-2000</u>	Next Year <u>2000-2001</u>
April 30 free cash balance			
Actual	\$29,000		
Estimated		\$xx,xxx	\$xx,xxx
Less: programs committed to		(\$x,xxx)	(\$x,xxx)
Less: short-term reserves		<u>(\$x,xxx)</u>	<u>(\$x,xxx)</u>
Free cash balance		\$xx,xxx	\$xx,xxx
Deductions			
Big Events:			
Olympiads:	Elista		"X"
	Olympiad		Olympiad
CFC contribution	\$3,300	\$3,000	\$3,000
New Initiatives and Programs:			
Some fictional examples;			
Project 1 (2-year project)		\$x,xxx	\$x,xxx
Project 2 etc (one-year project)			\$x,xxx
Etc			
Surplus		<u>\$x,xxx</u>	<u>\$x,xxx</u>

This planning process needs to:

- (1) Forecast our "free cash balance" - the amount not committed to for the current year.
- (2) Identify future funding needs, so that reserves can be set aside.
- (3) Estimate our final surplus.

Planning for the future-Funding the Olympiads

Background: Planning for the Olympiads looks haphazard at best. This was partly because of the CFC's poor financial position and limited information from FIDE. Still, planning was short-term. Our financial position has improved but long-term planning (2-years) is still needed.

Analysis: Long range cash planning is essential because of the large amount involved. It is critical that the CFC use a 2-year cash forecast as part of its planning cycle. Using a 2-year planning cycle would anticipate the costs of future Olympiads (one every two years is my basic assumption.).

We need to plan for the next Olympiad (already!) and address decisions like how many team members to send, how many teams to send etc. We should not delay in making these decisions because this will affect fund raising and cash allocation decisions for other projects. For planning purposes, the net cash outlay for the Elista Olympiad was \$3,300 (rounded to the \$'00s).

Gross costs	\$11,900
Less: Donations	<u>8,600</u>

Net cost for Elista Olympiad \$ 3,300

To be conservative, we should not count on getting so much in future donations.

Suggestion: We should set aside a modest amount for future Olympiads based on the assumption that they will again held in a distant location. I suggest putting aside \$3,000 as a minimum, based on this year's net cost.

Long range plans, goals and priorities (raised by P. Stockhausen and M. Smith)

Background: The CFC lacks official goals and a statement of priorities. There is no shortage of ideas, but what are the official goals and priorities of the CFC?

Many goals have been proposed, here is a summary of them:

Maurice Smith has proposed the following objectives in his president's message (GL 1, 1998-99):

1. Increase membership
2. Obtain sponsors
3. Balance our budget(completed in 1998-99)
4. Expand the junior program
5. Expand the presence of the CFC

Peter Stockhausen proposed (GL 1, 1998-99):

1. Increasing sales by entering the Quebec market
2. Enrolling 800-1000 new schools per year into the school program
3. Trying to enter the retail market through a major retailer
4. Contracting the magazine production out (Completed)
5. Eliminating the women's program
6. Using part-time help in peak period instead of hiring additional full-time staff. (The staffing situation at the Business Office has been resolved as far as I can tell.)
7. Drafting a business plan (in January each year) and a budget (in February each year). We would allocate funds to "discretionary programs" where feasible based on the annual budget.

Analysis: We need to sort out everyone's ideas into major categories and analyze and discuss them in an objective manner. One of the good things about having so many people involved is that there seems to be no shortage of ideas. What is needed is some organized and systematic way of dealing with all the ideas. I have sorted the above ideas into the following major categories for the sake of discussion.

Policy decisions

Eliminating the women's program

General goals

1. Increase membership
2. Balance our budget (every year)
3. Expand the junior program
4. Expand the presence of the CFC
5. Obtain sponsors

Changes in operating procedure

Drafting a business plan (in January each year) and a budget (in February each year). We would allocate funds to "discretionary programs" where feasible based on the annual budget.

Project/Program decisions

1. Increasing sales by entering the Quebec market
2. Enrolling 800-1000 new schools per year into the school program

Suggestion: Policies and Goals:

The proposed objectives should be discussed, analyzed and approved (or rejected) as the CFC goals for 1999-2000 (or whatever period they were intended for). But no matter what, we need agreement on our policies and goals.

Changes in procedure:

The CFC should adopt Peter Stockhausen's proposal to use annual business plans and budgets. I encourage and support the use of these management tools to achieve efficiency, effectiveness and economy of operations.

Project/Program decisions:

Each project/program decision needs to be assessed, as a minimum, for

1. Revenue generating potential-How much can we make in gross and net revenues?
2. Internal funding needs-How much will be needed to do this project?
3. Manpower needs-How much Business Office time will be needed? How many volunteers do we need?
4. Other resource needs

Provincial rebates (raised by Maurice Smith)

Background: The provincial associations have asked for more information on dues collected for them by the business office.

Suggestion: The provincial associations should specify their reporting needs in detail so that Troy can write the additional programming code. The present accounting system does not detail provincial dues collected on a person-by-person basis so any form of detailed accounting information will need additional programming time.

Conflict of interest guidelines regarding Chess and Math (raised by Ron Langhill)

Background: We need to define what represents a conflict of interest (and an act of "disloyalty") in dealing with Chess and Math. This issue has been raised and discussed in the governors' letters and needs to be clarified. A clear definition and a supporting policy will save a lot of acrimony and confusion in the future.

Specifically, which of the following should be considered a conflict of interest if you are a governor or employee of the CFC?

1. Buying a book (or books) or other supplies from Chess and Math
2. Directing a children's tournament for Chess and Math
3. Teaching a chess class for Chess and Math
4. Performing other non-management contract work for Chess and Math
5. Working as a salaried employee for Chess and Math, but having no role in management
6. Working as an advisor/consultant on management related issues for Chess and Math
7. Working in an active management role (policy forming and decision making) for Chess and Math

Analysis: The key element used to identify a conflict should be whether the person (or act performed by the person) is a conscious attempt to direct the policies, procedures and management decisions of Chess and Math in a manner that is directly counter to and harmful to the CFC.

Therefore,

1 is not a conflict (real or perceived). I have bought many books (and other chess products) from both organizations (and also Chapters). My buying decisions were based on price, availability and random buying moods. I can't imagine how this could be a conflict or an act of "treason."

2-3 are not conflicts. Directing tournaments or teaching chess classes are not and should not be considered conflicts. They are entirely consistent with the CFC's goals of promoting chess to young players aren't they? Even receiving direct payment from Chess and Math should not make these acts a conflict. I don't see how having more players involved in chess is harmful to the CFC.

4-5 are not conflicts although they might be perceived as conflicts. Suppose you work for Chess and Math for \$7/hour packing and shipping chess sets and supplies. Why should you be considered to be in a conflict? You are not directing Chess and Math to do harm to the CFC, you are just filling and sending off boxes. The situation would be different if you were hired to devise and implement the Canada wide marketing plan with aim of crushing the CFC. The conflict is obvious because of the management and harm to the CFC elements of the job.

6-7 are definite conflicts of interest because you would be in a position to direct the policies and actions of Chess and Math against the CFC.

Suggestion: Any governor who is in a conflict position should declare himself/herself so that the executive can take the appropriate action.

Official policy and position on Chess and Math; Dissenting opinions on (raised by Grant Brown and others)

Background: Opinions vary on how to deal with Chess and Math (per the governors' letters). Some governors are for cooperating with Chess and Math and some are against. We need a coordinated policy on how to deal with Chess and Math in the following main business areas.

(1) Merchandising

- Mail-order. Can we reach a wider market? How can we compete better?
- On the Internet
- At tournaments
- In retail stores. Can we distribute products through a major retailer?

(2) School Development Program

- Education and player development
- Mail-order merchandising

(3) Tournaments

- Adult
- Scholastic

(4) Scholastic rating system.

Do we make a separate scholastic rating system similar to Chess and Math's? Do we use the current system for scholastic tournaments?

(5) New product development

The basic options are:

1. Cooperate
2. Compete
3. Coexist
4. Or some combination of options 1-3 for these business areas.

Discussion of cooperation with Chess and Math has aroused a lot of heated debate and emotional reaction.

Governors favoring cooperation should not be chastised. Cooperation should be objectively analyzed and judged on its own merits. Cooperation should not be brushed aside and labeled as a "treasonous" act.

Suggestion: The CFC should form an official position so we can plan for the future. We should first analyze the basic cooperate, compete or coexist options for our main business areas and decide on our approach. Second, we should include the decisions in the business plan and budget.

We need a united front else the CFC will look and act like a disjointed organization pulling in many directions at once. The result will be reduced operating efficiency and effectiveness, which is not good for anyone.

General method of operation: Decision-making process and division of duties

Background: The CFC's organization structure is inefficient. The decision-making process is painfully slow and generally unsuitable for a competitive business. We have fallen behind the Chess and Math Association (CMA) in developing young players and merchandising books and supplies.

There are 63 governors and countless volunteers working for the CFC (and for the good of chess). However, not everyone is working together as a single coordinated unit. The CFC needs to streamline operations (not downsize!)

and act as a single body. The CFC needs faster response times for the approval of new policies, programs and projects because we are in a competitive environment.

Analysis: Tasks and responsibilities should be allocated to the management level that is best suited to the task. We have three management levels,

(1) The Governors

This large body is best suited for slower long-term decisions like making policies and defining goals.

(2) The Executive

This small group is best suited for making faster decisions like approving projects or programs. The Executive need only verify whether the proposal/project is consistent with governor-approved goals and policies before proceeding with their analysis and decision.

(3) The Business Office

This is the front line of our operations. The Business Office is best suited for responding to competitive needs (dealing with Chess and Math). To work effectively, the Executive Director needs

- To know what the CFC policies are for competing with Chess and Math. There seems to be no official position yet, so the Office is working in a policy “vacuum.”
- Freedom and flexibility within defined policy and budget limits.

Suggestion: The Governors, Executive and the Business Office need to agree on a more efficient and effective division of duties. My proposal is based on the following premises:

1. The Governors should not be bogged down with day-to-day operating decisions or approving specific expenditures.
2. The Executive should not be bogged down with approving policy decisions or day-to-day operating decisions.
3. The Business Office should not be making policy and goal decisions. The Business Office should have freedom and flexibility to respond to competitive pressures.

Governors (via the governors’ letters)

Responsibilities:

Long-term or big picture topics

Policy-for example, establishing conflict of interest guidelines

General goals

Approvals:

Policies and Goals

Annual budget and supplementary budget needs.

Business plan

Comments:

The governors should not be debating day-to-day operating decisions or approving specific projects/programs that are within the annual budget.

How would this work for “Proposal X” from the idea-governor (Mr. Idea)?

A major change for Mr. Idea is that his proposal will not have to be discussed by all the governors. He won’t have to endure the lengthy delays, waiting for governors’ votes through the governors’ letters. He simply gathers up all the supporting information he needs and asks the Executive for approval (I suggest that all proposals submitted be published in the governors’ letters to keep everyone informed). However, only the Executive will be approving “Proposal X”. The rest of the governors (including Mr. Idea) have approved the annual budget and all that remains is to decide how it should be spent.

Executive

Responsibilities

Preparing the business plan, annual budget

Keeping the Governors informed.
Seeking approval for expenditures that exceed the annual budget.

Approvals:
Specific projects/programs and items that need spending approval that are within the annual budget.

Comments:
The approved annual budget is the Executive's authority to spend money. The Executive should not have to go back to the governors to get approval on how to spend the money once it is established that the project/program falls within approved goals and policies. The governors should expect a full and fair reporting on an interim (say quarterly) basis and at yearend.

How will Mr. Idea's "Project X" be handled?
Does the project fall within the Governors' policies and objectives? (Project X should not be a ski vacation!)
What is the impact on the budget?
"Project 'X' needs \$3,500!" says the \$-Boss
"We can't spare that"
"But Project 'X' is a good idea."
"But where is the M-O-N-E-Y coming from?"
"I don't know"
"We can't do this project"
"Mr. Idea will be '@#@#%' mad won't he?"
"Yup (Not really, Mr. Idea is really quite a reasonable guy)."
"Better him than the #%%\$#% auditor (also a reasonable guy)"
"OK let's vote"
"No. No. No....Are we all agreed?"
"Yup."
"Next item please."

Business Office

Responsibilities:
Day-to-day operations and all spending decisions incurred in the normal course of business.
Executing projects/programs approved by the Executive

Comments:
In order to improve response time in dealing with Chess and Math, the Executive and Business Office need a discretionary budget for School Programs and merchandising initiatives.

The ghost of "Project X"
Overheard at the Business Office one day
"Did you here about 'Project X'?"
"No."
"I heard the Executive killed it."
"Thank God for auditors"

Overall:

We should divide up the approval process according to what the item is, but we should use our strength in numbers when it comes to generating input. Responsibility for approval should be divided according to what group/level can best deal with it. The result should be a nimbler, more responsive organization (and shorter annual meetings?).

Examples:

	Whose can Do this?	Whose Approval Is needed
Old Stuff:		
1. Change to rating calculation method		Governors
2. Canadian Closed format		Governors

- | | |
|--|-----------|
| 3. Awarding of the Canadian Closed bid | Executive |
| 4. Awarding of the Canadian Open bid | Executive |

New Stuff:

- | | | |
|-----------------------------------|--------|---------------------|
| 1. Think of ideas and suggestions | Anyone | Depends on the idea |
| 2. Propose new programs | Anyone | Executive |
| 3. Propose new projects | Anyone | Executive |
| 4. Propose new goals | Anyone | Governors |
| 5. Propose new policies | Anyone | Governors |

Membership benefits-Competing with Chess and Math for merchandising sales

Background: CFC members get a 10% discount on books and supplies as a benefit. This may seem like substantial savings when comparing prices to Chess and Math's but it is not. Chess and Math routinely matches members' prices to win sales so the discount is just imaginary for the shopping public. Why would anyone pay to get a discount when they can get the discount for free when buying from Chess and Math? We are likely losing some sales because of this alone.

Suggestion: We should respond to competitive pressure by changing our pricing structure to a single tier system (of low prices!).

Wider reporting mandate

As a final point, I would like to be given a wider mandate for reporting to the Executive, Governors and Members. I have been making comments outside my official scope for some time now but I think it's time for this to be official.

The traditional auditor normally reports on matters that he finds during the normal course of an audit and plays no part in the evaluation of policies and programs of the client. Additional services are usually arranged as part of a separate contract. In my case, I have been giving additional advice while I am at the office during the audit. Feedback has so far been positive-at least from my reading of the Governors Letters-and I think I can contribute more based on my unique position.

I would like this to continue, but in an official capacity.

Motions for Discussion

Final discussion 99-5 Motion (Taylor, Hergott): To lift the sanction imposed upon IM Jean Hebert and IM Jan Teplitsky (announced in GL #1 of 1998), barring them from participation in the next Olympiad.

Second discussion 99-6 Motion (Cabañas,Keshet)

First discussion 99-7 Motion (Jaeger-Langen)

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

1999 Annual Meeting of the CFC
July 5th to July 7th, 1999
Vancouver, BC
AGENDA FOR OUTGOING ASSEMBLY OF GOVERNORS

1. Registration of Proxies
 2. Introduction and Opening Comments from the Chair
 3. Minutes of the 1998 Annual Meeting
 4. Reports:
 - A. President
 - B. Vice-President
 - C. Past President
 - D. Secretary
 - E. FIDE Representative
 - F. Treasurer
 - G. Rating Auditor
 - H. Junior Coordinator
 - I. Women's Coordinator
 - J. Masters' Representative
 - K. Auditor's Report
 - L. Executive Director
 - M. Office Manager
 - N. Chess Foundation
 - O. Kalev Pugi Fund
 - P. National Appeals Committee
 - Q. Canadian Correspondence Chess Association
 - R. Other Formal Reports
 - S. Canadian Youth Chess Championship
 5. Motions and straw vote topics for discussion and vote
- 99-6 Vote
6. Bids for 1999 Events
- 1999 Canadian U20 (Junior)
7. Any Other Business
 8. Decision of the Assembly as to a Donation to the Chess Foundation of Canada

1999 Annual Meeting of the CFC
Vancouver, BC
AGENDA FOR INCOMING ASSEMBLY OF GOVERNORS

1. Registration of Proxies
2. Election of Governors from Provinces (Territories) without an Affiliated Provincial (Territorial) Association
 - A. North West Territories (1)
 - B. Nunavut Territory (0)
 - C. Quebec (3)
 - D. Yukon Territory (1)
3. Re-Registration of Proxies
4. Introduction and Opening Comments from the Chair
5. Election of Officers
 - i) Board of Directors
 - A. President
 - B. Vice-President
 - C. Secretary
 - D. Treasurer
 - E. FIDE Representative
 - F. Rating Auditor/Junior Coordinator (Per 99-6)
 - ii) Officers not on the Board of Directors
 - A. Masters' Representative
 - B. Women's Coordinator
 - C. Junior Coordinator/Rating Auditor (Per 99-6)
 - D. Other Officers pursuant to section 18(f) Bylaw #2 of the Constitution
6. Appointment of Auditors
7. Appointment of Chess Foundation of Canada Trustee
8. Appointment of Committee Members
 - A. Kalev Pugi Fund
 - B. National Appeals Committee
9. Motion and/or discussion re proposed changes to Canadian Closed and Zonal Rules
10. Motion and/or discussion re proposed changes to Canadian Youth Championship Rules.
11. Bids for 1999 and later Events
 - A. Canadian Open
 - B. Canadian Closed and Zonal
 - C. Canadian Woman's Closed
 - D. Canadian U20 (Junior)
 - E. Canadian Youth (U10, U12, U14, U16, U18)
 - F. Canadian Senior
12. Any Other Business
13. Location and time of 2000 AGM
14. Adjournment

Proxy Form

Annual Meeting of the C.F.C. Ottawa 1998

I, _____ of _____,
a member of the **Incoming Assembly** of Governors of the Chess Federation of Canada, hereby appoint
“ _____ ”
as my proxy to vote for me and on my behalf in the same manner as I could if personally present at the Annual
Meeting to be held in Vancouver on the 5th to 7th of July, 1999, or at any adjournment thereof.

Dated at _____ this _____ day of _____ 1999.

Witness _____ Signature of Governor _____

Instructions to Proxy

Nominate For:	President	_____
	Vice-President	_____
	Treasurer	_____
	Secretary	_____
	FIDE Representative	_____
	Rating Auditor	_____
	Women's Coordinator	_____
Vote For:	President	_____
	Vice-President	_____
	Treasurer	_____
	Secretary	_____
	FIDE Representative	_____
	Rating Auditor	_____
	Junior Coordinator	_____
	Women's Coordinator	_____

Instructions to Proxy:

Proxy Form
Annual Meeting of the C.F.C. Vancouver 1999

I, _____ of _____,
a member of the **Outgoing Assembly** of Governors of the Chess Federation of Canada, hereby appoint
“ _____ ”
as my proxy to vote for me and on my behalf in the same manner as I could if personally present at the Annual
Meeting to be held in Vancouver on the 5th to 7th of July, 1999, or at any adjournment thereof.

Dated at _____ this _____ day of _____ 1999.

Witness _____ Signature of Governor _____

Instructions to Proxy: