

**THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS**

UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2007

Watson Folkins Corey LLP

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NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of the Chess Federation of Canada / La Fédération canadienne des échecs as at April 30, 2007 and the statements of changes in net assets and revenue and expenses for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Watson Folkins Corey LLP

WATSON FOLKINS COREY LLP

Licensed Public Accountants

Ottawa, Ontario
November 9, 2007.

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

BALANCE SHEET
AS AT APRIL 30, 2007
UNAUDITED

	2007	2006
CURRENT ASSETS		
Cash	\$ 20,141	\$ 25,015
Accounts receivable	16,322	18,989
Inventory	41,317	67,347
Prepaid expenses	4,262	6,456
	<hr/> 82,042	<hr/> 117,807
CAPITAL ASSETS (note 2)	88,846	92,465
	<hr/> \$ 170,888	<hr/> \$ 210,272
CURRENT LIABILITIES		
Accounts payable	\$ 28,856	\$ 14,976
Entry fees payable	8,855	8,415
Deferred membership revenue	24,300	30,017
	<hr/> 62,011	<hr/> 53,408
DEFERRED CONTRIBUTIONS (note 3)	20,011	19,797
NET ASSETS		
Invested in capital assets	88,846	91,989
Unrestricted	20	45,078
	<hr/> 88,866	<hr/> 137,067
	<hr/> \$ 170,888	<hr/> \$ 210,272

Approved on behalf of the Board:

Director

Director

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2007
UNAUDITED

	2007	2006
INVESTED IN CAPITAL ASSETS		
Balance - beginning of year, as previously reported	\$ 91,989	\$ 96,022
Correction of prior year's balance	476	-
<u>Balance - beginning of year, as previously reported</u>	<u>92,465</u>	<u>96,022</u>
Amortization of capital assets	(3,619)	(4,033)
<u>Balance - end of year</u>	<u>\$ 88,846</u>	<u>\$ 91,989</u>
 UNRESTRICTED		
Balance - beginning of year	\$ 45,078	\$ 68,916
Excess of revenue over expenses for the year	(48,677)	(27,871)
Amortization of capital assets	3,619	4,033
<u>Balance - end of year</u>	<u>\$ 20</u>	<u>\$ 45,078</u>

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED APRIL 30, 2007
UNAUDITED

	2007	2006
REVENUE		
Sales of books, equipment and software	\$ 103,151	\$ 141,883
Shipping and handling charges	6,824	7,999
Membership fees	51,565	64,687
Contribution from related party (note 4)	5,252	4,806
Rating fees	23,486	24,019
Publication sales and advertising	2,378	2,348
Donations	24,168	12,807
Other programs (note 3)	64,681	165,659
Other revenue	3,516	414
	<u>285,021</u>	<u>424,622</u>
EXPENSES		
Cost of sales	78,829	102,611
General and administrative		
Salaries, benefits and staff travel	62,500	62,159
Building and equipment expenses	30,175	21,375
Bad debts	5,319	-
Office	28,510	33,071
	<u>126,504</u>	<u>116,605</u>
Programs		
Publications	31,773	49,183
International	13,904	8,975
Contributions to clubs, provincial affiliates and the Foundation	18,007	9,460
Other programs (note 3)	64,681	165,659
	<u>128,365</u>	<u>233,277</u>
	<u>333,698</u>	<u>452,493</u>
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	\$ (48,677)	\$ (27,871)

THE CHESS FEDERATION OF CANADA LA FÉDÉRATION CANADIENNE DES ÉCHECS

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2007 UNAUDITED

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

The Chess Federation of Canada / La Fédération canadienne des échecs was incorporated as a not-for-profit organization under the Canada Corporations Act and is a registered charity under the Income Tax Act. The Federation's mission is to promote and encourage generally in Canada, the knowledge, study and playing of the game of chess.

These financial statements do not include the accounts of the Chess Foundation of Canada as detailed in note 4.

(b) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the average cost basis.

(c) Amortization

Amortization is provided on the reducing balance basis as follows:

Building	4%
Furniture and equipment	20%
Computer equipment	33%
National library	20%

(d) Revenue recognition

The organization follows the deferral method of accounting for revenues. Membership fees are recorded as revenues in the period to which they relate. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable only if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Statement of cash flows

A statement of cash flows has not been prepared as it would not provide significant additional information.

(f) Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from those estimates.

THE CHESS FEDERATION OF CANADA
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NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2007
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2. CAPITAL ASSETS

					2007		2006
		Cost	Accumulated Amortization	Net		Net	
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000			
Building	145,502	79,443	66,059	68,812			
Furniture and equipment	5,000	4,548	452	565			
Computer equipment	9,224	8,524	700	1,044			
National library	8,240	6,605	1,635	2,043			
	\$ 187,966	\$ 99,120	\$ 88,846	\$ 92,465			

3. DEFERRED CONTRIBUTIONS

	Patron Program	Olympic Donations	CYCC Program	Kalev Pugi Program	TOTAL
Balance - beginning of year	\$ 2,416	\$ 889	\$ 14,779	\$ 1,713	\$ 19,797
Add: contributions	-	740	63,130	1,025	64,895
Less: amount recognized as revenue	(2,416)	(1,189)	(61,076)	-	(64,681)
Balance - end of year	\$ -	\$ 440	\$ 16,833	\$ 2,738	\$ 20,011

Olympic donations are designated to provide financial support for participation of Canadian representatives in the International Chess Olympiads. The Canadian Youth Chess Championships (CYCC) entry fees and donations cover the cost of sending players to the world championships. The Kalev Pugi Fund was established as a bequest in the Chess Foundation of Canada. Each year interest earned by this fund is transferred from the Foundation to the Federation to provide travel assistance for junior players.

Contributions to these programs are recognized as revenue in the year in which the related expenditures are incurred.

4. RELATED PARTY TRANSACTIONS

The Chess Foundation of Canada is effectively controlled by The Chess Federation of Canada since the Federation appoints the Foundation's Board of Trustees. The Foundation was established as a trust to financially help the Federation promote and develop chess. Donations of nil (2006 - \$ 750) and life membership fees of nil (2006 - nil) have been paid into the Foundation from the Federation. The Foundation has contributed \$5,252 (2006 - \$4,806) in support of the Federation's general operations and \$1,025 (2006 - \$1,025) towards the Kalev Pugi junior program.

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NOTES TO FINANCIAL STATEMENTS
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4. RELATED PARTY TRANSACTIONS (continued)

The Foundation has not been consolidated with the Federation's financial statements. Unaudited and unconsolidated Chess Foundation of Canada financial summaries as at April 30, 2007 and 2006 and the years then ended are based on data provided by another firm of accountants, as follows:

	2007	2006
BALANCE SHEET		
Assets (investments)	\$ 155,055	\$ 155,149
Liabilities	-	-
Net assets	\$ 155,055	\$ 155,149

STATEMENT OF REVENUE AND EXPENSES

Revenue	\$ 6,307	\$ 11,216
Expenses	6,401	6,221
Net revenue (expenses) for the year	\$ (94)	\$ 4,995

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, accounts payable and entry fees payable approximates their fair value because of the relatively short period to maturity of the instruments. Management is of the opinion that the Federation is not exposed to significant interest, currency or credit risks arising from the above financial instruments.

6. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.