

Entrepreneurs' Organization and Subsidiary

**Consolidated Financial Statements
and Independent Auditor's Report**

June 30, 2022 and 2021

Entrepreneurs' Organization and Subsidiary

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Independent Auditor's Report on Consolidated Financial Statements

To the Board of Directors
Entrepreneurs' Organization and Subsidiary
Alexandria, Virginia

Opinion

We have audited the consolidated financial statements of Entrepreneurs' Organization and Subsidiary ("EO"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Entrepreneurs' Organization and Subsidiary as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of EO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EO's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

CohnReznick LLP

Bethesda, Maryland
March 24, 2023

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 39,000,866	\$ 26,875,771
Investments - Note 5	30,986,892	33,475,248
Accounts and contributions receivable, net	57,698	129,718
Prepaid expenses - Note 6	707,543	491,055
Operating lease right of use asset - Note 12	353,829	739,821
Deposits	388,787	153,082
	<u>388,787</u>	<u>153,082</u>
Total assets	<u>\$ 71,495,615</u>	<u>\$ 61,864,695</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 12,881,982	\$ 6,249,058
Deferred revenue - Note 8	40,712,955	33,789,140
Operating lease obligation - Note 12	452,403	906,911
	<u>452,403</u>	<u>906,911</u>
Total liabilities	<u>54,047,340</u>	<u>40,945,109</u>
Net assets		
Without donor restrictions		
Board designated - Note 9	1,714,687	4,453,914
Undesignated - Note 9	15,733,588	16,465,672
	<u>15,733,588</u>	<u>16,465,672</u>
Total net assets	<u>17,448,275</u>	<u>20,919,586</u>
Total liabilities and net assets	<u>\$ 71,495,615</u>	<u>\$ 61,864,695</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Activities and Change in Net Assets Years Ended June 30, 2022 and 2021

	2022	2021
Revenue		
Membership dues	\$ 37,993,031	\$ 26,461,632
Initiation fees	5,087,527	3,409,500
Conferences and forums	7,014,390	1,736,254
Other income - Note 10	297,693	373,267
Gain on extinguishment of debt - Note 11	-	1,377,752
Investment income (loss) - Note 5	(1,496,231)	468,869
	<u>48,896,410</u>	<u>33,827,274</u>
 Expenses		
Program services		
Member delivery	16,657,036	13,383,494
Brand and growth	4,242,554	2,537,216
Products and programs	10,248,028	8,674,551
Conferences and executive education programs	5,136,687	1,800,798
Information systems development	4,448,918	4,071,295
Global leadership conference	6,023,046	3,147,478
	<u>46,756,269</u>	<u>33,614,832</u>
Supporting services		
Management and general	5,611,452	4,666,311
	<u>52,367,721</u>	<u>38,281,143</u>
 Change in net assets	 (3,471,311)	 (4,453,869)
Net assets - without donor restrictions, beginning of year	<u>20,919,586</u>	<u>25,373,455</u>
Net assets - without donor restrictions, end of year	<u>\$ 17,448,275</u>	<u>\$ 20,919,586</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program services						Total program services	Management and general	Total
	Member delivery	Brand and growth	Products and programs	Conferences and executive education programs	Information systems development	Global leadership conference			
Chapter and regional growth and support	\$ 5,369,895	\$ 46,500	\$ 1,016,818	\$ -	\$ -	\$ 312	\$ 6,433,525	\$ 13,999	\$ 6,447,524
Computer systems	40,157	120	17,594	609	2,098,648	495	2,157,623	17,633	2,175,256
Credit card and bank charges	133	-	3,946	-	167	60	4,306	1,484,745	1,489,051
Facilitator/speaker fees and travel	64,583	-	548,993	1,095	-	89,083	703,754	259	704,013
Gifts and awards	113,772	46,217	201,232	1,347	-	3,751	366,319	26,586	392,905
Audit and legal fees	721	-	-	-	-	-	721	150,119	150,840
Meeting	3,060,833	12,623	3,488,738	2,980,297	242	4,086,608	13,629,341	616,922	14,246,263
Operating expenses	44,623	3,550	25,283	111	7,524	6,747	87,838	191,231	279,069
Professional services	156,052	867,181	328,563	-	957,519	63,620	2,372,935	233,722	2,606,657
Postage and mailing	15,244	566	33,269	1,140	39	7,697	57,955	31,906	89,861
Printing and design	7,890	10,797	5,768	26	2,928	5,006	32,415	1,291	33,706
PR/Ads/Marketing	844,903	516,397	716,928	12,699	8,400	331,757	2,431,084	41,616	2,472,700
Rent, repairs and maintenance	137,145	64,148	87,153	44,240	33,180	27,871	393,737	48,666	442,403
Staffing	5,413,217	2,531,989	3,440,012	1,746,199	1,309,649	1,100,105	15,541,171	1,920,821	17,461,992
Taxes	1,999	935	1,270	645	484	406	5,739	709	6,448
Telephone and internet	74,510	34,851	47,350	24,036	18,027	15,142	213,916	26,439	240,355
Travel and transportation	1,311,359	106,680	285,111	324,243	12,111	284,386	2,323,890	804,788	3,128,678
Total expenses	\$ 16,657,036	\$ 4,242,554	\$ 10,248,028	\$ 5,136,687	\$ 4,448,918	\$ 6,023,046	\$ 46,756,269	\$ 5,611,452	\$ 52,367,721

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program services						Total program services	Management and general	Total
	Member delivery	Brand and growth	Products and programs	Conferences and executive education programs	Information systems development	Global leadership conference			
Chapter and regional growth and support	\$ 5,239,711	\$ 39,750	\$ 782,931	\$ -	\$ -	\$ -	\$ 6,062,392	\$ 122,000	\$ 6,184,392
Computer systems	26,923	3,867	37,816	-	2,228,789	3,604	2,300,999	44,676	2,345,675
Credit card and bank charges	16,206	11,873	65,782	8,000	3,334	-	105,195	768,311	873,506
Depreciation	1,869	874	1,188	603	452	380	5,366	662	6,028
Facilitator/speaker fees and travel	4,167	618	99,861	-	-	50	104,696	492	105,188
Gifts and awards	607,529	8,611	188,735	4,006	-	342,844	1,151,725	31,870	1,183,595
Audit and legal fees	1,072	-	-	-	-	-	1,072	249,814	250,886
Meeting	1,206,771	10,953	3,959,238	308,037	-	1,712,430	7,197,429	141,758	7,339,187
Operating expenses	4,484	21	7,068	-	-	358	11,931	84,493	96,424
Professional services	695,035	187,165	19,401	-	744,211	69,220	1,715,032	1,386,858	3,101,890
Postage and mailing	8,416	2,571	21,974	2,276	593	4,251	40,081	23,307	63,388
Printing and design	20,358	764	1,025	118	-	194	22,459	6,544	29,003
PR/Ads/Marketing	789,653	157,550	617,798	20,715	-	90,033	1,675,749	140,226	1,815,975
Rent, repairs and maintenance	147,673	69,073	93,844	47,636	35,727	30,011	423,964	52,400	476,364
Staffing	4,298,034	2,010,371	2,731,331	1,386,463	1,039,847	873,471	12,339,517	1,525,109	13,864,626
Taxes	2,173	1,016	1,381	701	526	442	6,239	770	7,009
Telephone and internet	57,705	26,991	36,671	18,615	13,961	11,727	165,670	20,476	186,146
Travel and transportation	255,715	5,148	8,507	3,628	3,855	8,463	285,316	66,545	351,861
Total expenses	\$ 13,383,494	\$ 2,537,216	\$ 8,674,551	\$ 1,800,798	\$ 4,071,295	\$ 3,147,478	\$ 33,614,832	\$ 4,666,311	\$ 38,281,143

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Membership dues received	\$ 46,873,752	\$ 49,425,384
Conferences and forums revenue received	10,217,052	2,909,221
Other income received	902,455	1,265,232
Payments to vendors, suppliers and employees	(46,255,506)	(36,023,343)
Net cash provided by operating activities	11,737,753	17,576,494
Cash flows from investing activities		
Purchase of investments	(8,528,571)	(21,872,526)
Proceeds from sales of investments	8,915,913	23,819,779
Net cash provided by investing activities	387,342	1,947,253
Net increase in cash and cash equivalents	12,125,095	19,523,747
Cash and cash equivalents, beginning of year	26,875,771	7,352,024
Cash and cash equivalents, end of year	\$ 39,000,866	\$ 26,875,771
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ (3,471,311)	\$ (4,453,869)
Adjustments		
Bad debt expense	50,000	-
Depreciation	-	6,028
Amortization of operating lease right of use asset	385,992	385,993
Realized and unrealized loss on investments	2,100,993	423,096
Paycheck Protection Program loan forgiveness	-	(1,377,752)
(Increase) decrease in assets		
Accounts and contributions receivable	22,041	(9,068)
Prepaid expenses	(216,488)	(419,106)
Deposits	(235,705)	38,401
Increase (decrease) in liabilities		
Accounts payable	6,632,924	2,662,815
Operating lease obligation	(454,508)	(416,331)
Deferred revenue	6,923,815	20,736,287
Net cash provided by operating activities	\$ 11,737,753	\$ 17,576,494
Noncash financing activity		
Paycheck Protection Program loan forgiveness	\$ -	\$ 1,377,752

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 1 - Organizations

Entrepreneurs' Organization - for entrepreneurs only - is a membership organization founded in 1987 and designed to help business owners from around the world on their path to greater business and personal fulfillment. Entrepreneurs' Organization is a global community enriching members' lives through dynamic peer-to-peer learning and once-in-a-lifetime experiences. Entrepreneurs' Organization is the catalyst that enables entrepreneurs to learn from each other, leading to greater business success and an enriched personal life. Through its core values - Thirst for Learning, Think Big, Be Bold, Trust and Respect, Together We Grow - Entrepreneurs' Organization is working to build the world's most influential community of entrepreneurs. By engaging leading entrepreneurs to learn and grow, Entrepreneurs' Organization is fueling the entrepreneurial engine.

With members in 215 chapters, spanning 63 countries, Entrepreneurs' Organization's rapidly expanding membership includes entrepreneurs from every size and type of business. Entrepreneurs' Organization membership continues to increase on an annual basis and is now 17,235 members. Membership in Entrepreneurs' Organization is by invitation only and is subject to approval by both Global Support Services and the sponsoring local chapter. Prospective Entrepreneurs' Organization members must be a founder, co-founder, owner or controlling shareholder of a business with gross annual revenue exceeding US \$1 million.

Entrepreneurs Organisation Europe Limited is a for-profit entity formed by Entrepreneurs' Organization to organize, promote and hold previously contemplated events that as a primary focus deliver high standards of entrepreneurial education and/or that promote personal growth and networking amongst attendees. Entrepreneurs Organisation Europe Limited was incorporated in the United Kingdom in March 2016 and Entrepreneurs' Organization is the sole Global Member of the organization. As a global member, Entrepreneurs' Organization has an economic interest in Entrepreneurs Organisation Europe Limited as well as control of the board of directors and therefore, Entrepreneurs Organisation Europe Limited is consolidated with Entrepreneurs' Organization. Entrepreneurs Organisation Europe Limited was dissolved on August 3, 2022 and as of June 30, 2022 there was no financial activity.

Note 2 - Summary of significant accounting policies

Basis of accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligation is incurred.

Principles of consolidation

The consolidated financial statements include the accounts of Entrepreneurs Organization and Entrepreneurs Organisation Europe Limited (collectively referred to as the "EO"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of the consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash in checking accounts and amounts invested in accounts subject to immediate withdrawal with original maturity of 3 months or less, such as money funds, are considered to be cash equivalents.

Investments

Investments consist of corporate obligations, government obligations, mutual funds - fixed income, stocks and exchange traded funds, foreign bonds, and corporate mortgage/asset backed securities at fair value. Fair values are determined by reference to market interest rates and other relevant information generated by market transactions. EO records unrealized gains and losses in the consolidated statements of activities and change in net assets as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. EO invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect the investment balances and amounts reported in the accompanying consolidated financial statements.

Accounts and contributions receivable, net

EO records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of conferences receivable. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible accounts once management determines an account, or a portion thereof, to be worthless. The allowance was \$27,000 at June 30, 2022 and 2021, respectively.

Contributions receivable represents unconditional promises to give cash to EO. The need for an allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value, using risk-adjusted interest rates. Amortization of the present value discount on contributions receivable is reflected as contributions income on the consolidated statements of activities and change in net assets. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines a pledge, or a portion thereof, to be uncollectible. Management considers all pledges receivable to be fully collectible. Bad debt expense was \$50,000 and \$0 for the years ended June 30, 2022 and 2021.

Property and equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of the donation. Equipment under capital leases is recorded at the fair value of the equipment at the inception of the lease. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation of purchased assets and amortization of leasehold improvements are computed by the straight-line method over the lesser of the estimated useful lives or lease term. Amortization expense on leasehold improvements is included in depreciation expense in the consolidated statement of functional expenses. Certain costs of internally developed software and website development are capitalized and amortized over the estimated useful lives of the software and website. For the years ended June 30, 2022 and 2021, all acquisitions of property and equipment greater than \$5,000 with an expected useful life greater than one year were capitalized.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Net asset classification

EO's net assets are classified into two categories: with donor restrictions and without donor restrictions.

All revenue is considered to be available without donor restriction unless specifically restricted by the donor or by law.

Board designated: Board designated net assets represent amounts designated to be used to pursue organizational priorities and enhance member value. At June 30, 2022 and June 30, 2021, board designated net assets are to be used for the following areas: The Ten regions, Infrastructure, Accelerator, and Regional Covid Funds. In addition, a transfer of realized investment income was made into the Innovation Fund from undesignated funds as per our policy on reserves.

With donor restrictions: EO reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, these are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. As of June 30, 2022 and 2021, EO had no net assets with donor restrictions.

Resources whose use by EO is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled are also classified as net assets with donor restrictions. The income generated by these assets may be with or without donor restrictions according to donor stipulations.

Revenue recognition

Membership dues, whose term is generally one year, include various benefits and are generally satisfied throughout the term and considered one performance obligation. Revenues are therefore recognized straight-line over the applicable membership period as the benefits are typically provided evenly over the term of the membership. Membership dues received in advance, that are applicable to future periods, are included in deferred revenue in the accompanying consolidated statements of financial position.

Initiation fees were \$3,000 during the year ended June 30, 2022, and \$2,500 during the year ended June 30, 2021. The initiation fees contain three performance obligations. \$500 is recorded as deferred revenue and applied to revenue when the member attends their training on forum. If the member does not go through forum training within two years, the \$500 is recorded as revenue. An additional \$500 of the initiation fee is recorded as deferred revenue for conference registrations. The balance of the initiation fees is recognized upon admittance, which represents the satisfaction of the performance obligation.

Conference registrations are recognized as revenue in the period in which the event takes place, which is when the performance obligation is satisfied. Conference registrations received in advance are included in deferred revenue in the accompanying consolidated statements of financial position.

Contributions are classified as either conditional or unconditional. Revenue is recognized on a conditional contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from obligation to fund or has the right of return of any advanced funding if EO fails to overcome the barrier. Unconditional contributions are recognized as revenue when the commitment to contribute is received. Contributions are recorded as net assets without

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions.

In-kind contributions

In-kind contributions are reported at fair value and recognized as revenue in the accounting period when they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported at their fair value in the period received.

Functional expenses

The costs of providing the various programs of EO have been summarized on a functional basis in the consolidated statements of activities and change in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Staffing costs and other indirect expenses have been allocated among program and support departments based on management's estimate of time related to each activity.

Advertising costs

EO expenses advertising costs when incurred. Advertising expense was \$623,571 and \$924,799 for the years ended June 30, 2022 and 2021, respectively.

Income tax status

EO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Due to its tax-exempt status, EO is not subject to income taxes on revenue that is generated related to its exempt purpose. EO is required to file and does file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Income from certain activities not directly related to EO's tax-exempt purpose is subject to taxation as unrelated business income. During the years ended June 30, 2022 and 2021, EO did not earn any unrelated business income from its activities.

EO believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. EO recognizes interest and penalties expense related to uncertain tax positions in management and general expenses on the consolidated statements of activities and change in net assets. EO reported no penalties and interest related to uncertain tax positions for the years ended June 30, 2022 and 2021. Income tax returns filed by EO are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2018 remain open.

Adoption of new accounting pronouncement

During the year ended June 30, 2022, EO adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and change in net assets and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. EO has implemented the provisions of ASU-2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented. Adopting the new standard did not have a material effect on the presentation of the consolidated financial statements.

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Notes to Consolidated Financial Statements June 30, 2022 and 2021

Reclassifications

Certain amounts in the prior period have been reclassified to conform to the current year's presentation.

Subsequent events

EO has evaluated subsequent events for potential recognition or disclosure through March 24, 2023, the date the consolidated financial statements were available to be issued. See Note 12 for subsequent event disclosure.

Note 3 - Liquidity and availability of financial assets

Under EO's liquidity management plan, cash in excess of daily requirements is invested in investments under EO's investment policy statement and guidelines.

The following table reflects EO's financial assets at June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date because of donor restrictions. Amounts not available include board designated funds, which may become available for use only upon approval from the board of directors.

	June 30,	
	2022	2021
Financial assets		
Cash and cash equivalents	\$ 39,000,866	\$ 26,875,771
Investments	30,986,892	33,475,248
Accounts receivable	57,698	129,718
	<u>70,045,456</u>	<u>60,480,737</u>
Less: Those unavailable for general expenditure within one year due to:		
Board-designated funds	<u>1,714,687</u>	<u>4,453,914</u>
	<u>1,714,687</u>	<u>4,453,914</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 68,330,769</u>	<u>\$ 56,026,823</u>

Note 4 - Concentration of credit risk

EO maintains its cash in bank accounts and certain investments which at times may exceed the federally insured limit of \$250,000 per financial institution. EO had balances on deposit at June 30, 2022 that exceeded the federally insured limit by approximately \$34,716,000.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 5 - Investments

Investments consist of the following:

	June 30,	
	2022	2021
Stocks and exchange traded funds	\$ 1,337,917	\$ 406,583
Corporate obligations	11,986,363	13,905,395
Government obligations	7,771,265	5,784,429
Corporate mortgage/asset backed securities	270,597	537,733
Mutual funds - fixed income	7,038,688	9,487,347
Foreign bonds	2,582,062	3,353,761
	<u>\$ 30,986,892</u>	<u>\$ 33,475,248</u>

Investment income (loss) consists of:

	Year ended June 30,	
	2022	2021
Interest income	\$ 604,762	\$ 891,965
Unrealized gain (loss) on investments	(2,176,591)	130,346
Realized gain (loss) on investments	75,598	(553,442)
	<u>\$ (1,496,231)</u>	<u>\$ 468,869</u>

Note 6 - Prepaid expenses

Prepaid expenses consist of the following:

	June 30,	
	2022	2021
Nerve	\$ 335,252	\$ -
Xcentric	176,361	-
GLC hotel	-	362,699
Other prepaid expenses	195,930	128,356
	<u>\$ 707,543</u>	<u>\$ 491,055</u>

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 7 - Property and equipment

Property and equipment consist of the following:

	June 30,	
	2022	2021
Computer equipment	\$ 255,661	\$ 255,661
Computer software	509,047	509,047
Furniture, fixtures and other equipment	34,937	34,937
Leasehold improvements	885,768	885,768
	1,685,413	1,685,413
Less accumulated depreciation and amortization	<u>(1,685,413)</u>	<u>(1,685,413)</u>
Net property and equipment	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense totaled \$0 and \$6,028 for the years ended June 30, 2022 and 2021, respectively.

Note 8 - Deferred revenue

EO has deferred revenue related to its programs. The following represents revenue that was deferred as of the following:

	June 30,	
	2022	2021
Membership dues	\$ 30,972,395	\$ 26,171,945
Conferences and forums	5,931,534	3,611,169
Entrepreneurial Masters Program	226,000	306,750
Initiation fees	3,583,026	3,699,276
	<u>\$ 40,712,955</u>	<u>\$ 33,789,140</u>

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 9 - Net assets

Net assets without donor restrictions consist of the following at June 30:

	June 30,	
	2022	2021
Board designated		
Infrastructure	\$ -	\$ 517,825
Accelerator	-	251,600
Innovation Fund	1,025,390	1,198,607
Additional regional COVID funds	-	1,628,770
US east region	125,000	125,000
US central region	-	22,124
US west region	115,260	100,937
LAC region	65,940	112,727
Canada region	18,120	125,000
Europe region	74,798	111,380
MEPA region	20,865	7,887
South Asia region	31,338	75,176
APAC region	125,000	108,153
North Asia region	112,976	68,728
	1,714,687	4,453,914
Undesignated	15,733,588	16,465,672
Total net assets without donor restrictions	\$ 17,448,275	\$ 20,919,586

Note 10 - Other income

Other income consists of the following:

	Year ended June 30,	
	2022	2021
Royalties	\$ 213,998	\$ 231,441
Miscellaneous revenue	83,695	141,826
	\$ 297,693	\$ 373,267

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 11 - Gain on extinguishment of debt

On April 17, 2020, EO obtained a promissory note of \$1,377,752 from its bank under the Small Business Administration ("SBA")'s Paycheck Protection Program ("PPP") that is part of the CARES Act stimulus relief. The note bears interest at 1 percent and requires monthly payments of principal and interest on the outstanding principal balance, unless forgiven in whole or part by the SBA under the CARES Act. In December 2020, EO submitted its application for PPP loan forgiveness and received notice from its lender in April 2021 that the SBA approved forgiveness of EO's loan. EO recorded gain on extinguishment of debt of \$1,377,752 on the consolidated statements of activities and change in net assets for the year ended June 30, 2021. There is a six-year period during which the SBA can review EO's forgiveness calculation.

Note 12 - Leasing activities

EO leases office space under a lease set to expire May 31, 2023. Rent is payable monthly with annual escalations of 2.50 percent as well as adjustment for increases in operating expenses and real estate taxes of the building. Under the lease agreement, EO was provided with five months of rent abatement and a lease incentive in the form of a tenant allowance of up to \$178,700. EO did not use any of the tenant allowance as of June 30, 2022 and 2021. The lease offers EO a renewal option to extend the lease for an additional three years. The agreement also provides right of first refusal options for expansion to the floor below the occupied space, and management also deems the right unlikely to be exercised.

In December 2022, EO signed an amendment to the lease agreement commencing June 1, 2023, extending the lease term five years through May 31, 2028. As part of the lease amendment, the lessor provided EO three months of rent abatement to be used in the first year of the amendment. Monthly payments under the lease amendment begin at \$14,418 and increase 2.75% annually.

The office lease is accounted for in accordance with FASB ASU No. 2016-02, Leases. An operating lease right-of-use asset and operating lease obligation are recognized based on the present value of lease payments over the lease term, where the initial term of the lease exceeds twelve months. The Organization uses an estimated organizational incremental borrowing rate of 6.00% because the lease does not have a readily determinable implicit discount rate. The operating lease obligation is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. The operating lease right-of-use asset is amortized over the lease term and are reflected as occupancy expense in the accompanying consolidated financial statements. Lease payments related to periods subject to renewal options are also excluded for purposes of calculating the operating right-of-use asset and operating lease obligation unless the Organization is reasonably certain to exercise the option to extend the lease. Certain leases contain options to renew beyond their original termination date with written intention of the Organization to the respective landlords prior to the termination of the original lease. There are no residual value guarantees. Occupancy expense for the years ended June 30, 2022 and 2021 at \$431,626 and \$463,580, respectively.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

The following table represents the reconciliation of the Operating lease right of use asset as of June 30, 2022:

Operating lease right of use asset, July 1, 2020	\$ 1,125,814
Amortization of operating lease right of use asset	<u>(385,993)</u>
Operating lease right of use asset, June 30, 2021	739,821
Amortization of operating lease right of use asset	<u>(385,992)</u>
Operating lease right of use asset, June 30, 2022	<u>\$ 353,829</u>
Other information	
Cash paid for amounts included in the measurement of lease obligations	
Operating cash flows for operating leases	\$ 486,639
Weighted-average remaining lease term	
Operating leases	.9 years

Future minimum lease payments under the lease are as follows at June 30, 2022:

<u>Year ending June 30,</u>	
2023	\$ 466,166
Amount representing interest	<u>(13,763)</u>
Total future lease obligation	<u>\$ 452,403</u>

Note 13 - Retirement plan

EO has established the Entrepreneurs' Organization 401(k) Plan (the "Plan"), which covers all full-time employees of EO who are over 21 on the date of hire or turn 21 at the time of employment as defined by the Plan. EO reserves the right to make matching and profit-sharing contributions into the Plan at contribution rates to be set annually. During the years ended June 30, 2022 and 2021, EO's contributions to the Plan totaled \$341,364 and \$275,687, respectively.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 14 - Fair value measurements

EO has determined the fair value of certain assets as required by the *Fair Value Measurement* topic of the FASB Accounting Standards Codification ("ASC"). Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

	Fair value measurement at reportable date using			
	Fair value	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>June 30, 2022</u>				
Assets				
Stocks and exchange traded funds	\$ 1,337,917	\$ 1,337,917	\$ -	\$ -
Corporate obligations	11,986,363	-	11,986,363	-
Government obligations	7,771,265	-	7,771,265	-
Corporate mortgage/asset backed securities	270,597	-	270,597	-
Mutual funds - Fixed Income	7,038,688	7,038,688	-	-
Foreign bonds	2,582,062	-	2,582,062	-
	<u>\$ 30,986,892</u>	<u>\$ 8,376,605</u>	<u>\$ 22,610,287</u>	<u>\$ -</u>
<u>June 30, 2021</u>				
Assets				
Stocks and exchange traded funds	\$ 406,583	\$ 406,583	\$ -	\$ -
Corporate obligations	13,905,395	-	13,905,395	-
Government obligations	5,784,429	-	5,784,429	-
Corporate mortgage/asset backed securities	537,733	-	537,733	-
Mutual funds - Fixed Income	9,487,347	9,487,347	-	-
Foreign bonds	3,353,761	-	3,353,761	-
	<u>\$ 33,475,248</u>	<u>\$ 9,893,930</u>	<u>\$ 23,581,318</u>	<u>\$ -</u>

This FASB ASC topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide the highest quality inputs; Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets or liabilities in active or inactive markets or other significant market-observable inputs; Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. EO uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, EO measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There have been no changes in the valuation methodologies used during the current year. All assets have been valued using a market approach. Certificates of deposit, corporate obligations, government obligations, and foreign bonds are not exchange-traded investments and are valued using a market approach based on quoted prices from pricing sources utilized by investment managers.

Note 15 - Risks and uncertainties

The spread of a novel strain of coronavirus ("COVID-19") has caused significant business disruptions in the United States beginning in the first quarter of 2020. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects these disruptions may have on the operations and financial position of EO will depend on future developments, which cannot be determined at this time.



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