

Entrepreneurs' Organization and Subsidiary

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

June 30, 2018 and 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Entrepreneurs' Organization and Subsidiary

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Entrepreneurs' Organization and Subsidiary ("EO"), which comprise the consolidated statement of financial position as of June 30, 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entrepreneurs' Organization and Subsidiary as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Entrepreneurs' Organization 2017 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 14, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CohnReznick LLP

Bethesda, Maryland
December 6, 2018

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Financial Position
June 30, 2018 (with Comparative Totals for June 30, 2017)

Assets

	June 30,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 27,271,894	\$ 36,904,967
Short-term investments - Note 4	28,803,031	5,305,350
Accounts and contributions receivable, net	471,131	693,328
Prepaid expenses - Note 5	754,792	803,860
Property and equipment, net - Note 6	242,108	477,391
Security deposits	104,077	104,077
	<u>\$ 57,647,033</u>	<u>\$ 44,288,973</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 10,576,431	\$ 6,072,271
Accrued expenses	1,897,544	2,485,296
Deferred revenue - Note 7	34,501,854	28,251,899
Deferred lease incentives	147,427	245,712
	<u>47,123,256</u>	<u>37,055,178</u>
Net assets		
Unrestricted		
Board designated - Note 8	2,292,550	1,428,526
Undesignated - Note 8	8,131,227	5,523,682
	<u>10,423,777</u>	<u>6,952,208</u>
Total unrestricted	10,423,777	6,952,208
Temporarily restricted - Note 9	100,000	243,587
Permanently restricted - Note 10	-	38,000
	<u>10,523,777</u>	<u>7,233,795</u>
Total net assets	10,523,777	7,233,795
	<u>\$ 57,647,033</u>	<u>\$ 44,288,973</u>
Total liabilities and net assets	<u>\$ 57,647,033</u>	<u>\$ 44,288,973</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Activities and Change in Net Assets Year Ended June 30, 2018 (With Summarized Comparative Totals for Year Ended June 30, 2017)

	2018			Total	2017 total
	Unrestricted	Temporarily restricted	Permanently restricted		
Revenue					
Membership dues	\$ 30,659,891	\$ -	\$ -	\$ 30,659,891	\$ 23,772,575
Conferences and forums	7,374,432	-	-	7,374,432	8,793,875
Contributions	-	-	-	-	100,000
Other income - Note 11	444,348	-	-	444,348	230,098
Investment income - Note 4	257,812	-	-	257,812	44,196
Net assets released from restriction	100,000	(100,000)	-	-	-
Total revenue	38,836,483	(100,000)	-	38,736,483	32,940,744
Expenses					
Program services					
Conferences and forums	7,620,247	-	-	7,620,247	7,455,859
Learning and leadership	3,706,528	-	-	3,706,528	3,379,691
Executive education	1,916,672	-	-	1,916,672	1,605,471
Global leadership conference	3,710,617	-	-	3,710,617	3,222,998
Chapter development	9,093,277	-	-	9,093,277	6,500,399
Communications	3,082,416	-	-	3,082,416	3,033,746
Information systems development	1,655,815	-	-	1,655,815	1,645,768
Supporting services					
Management and general	4,660,929	-	-	4,660,929	5,135,380
Total expenses	35,446,501	-	-	35,446,501	31,979,312
Change in net assets, before reclassification of net assets	3,389,982	(100,000)	-	3,289,982	961,432
Reclassification of net assets	81,587	(43,587)	(38,000)	-	-
Change in net assets, after reclassification of net assets	3,471,569	(143,587)	(38,000)	3,289,982	961,432
Net assets, beginning of year	6,952,208	243,587	38,000	7,233,795	6,272,363
Net assets, end of year	\$ 10,423,777	\$ 100,000	\$ -	\$ 10,523,777	\$ 7,233,795

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statement of Functional Expenses Year Ended June 30, 2018 (With Summarized Comparative Totals for Year Ended June 30, 2017)

	Program services							Management and general	2018 total	Summarized 2017 Total	
	Conferences and Forums	Learning and Leadership	Executive Education	Global Leadership Conference	Chapter Development	Communications	Information Systems Development				Total
Accelerator program	\$ -	\$ -	\$ -	\$ 161,538	\$ 1,535,986	\$ -	\$ -	\$ 1,697,524	\$ -	\$ 1,697,524	\$ 1,140,420
Catering/AV/meeting space	1,897,278	105,552	777,132	1,405,097	95,458	-	-	4,280,517	-	4,280,517	4,199,810
Chapter and regional growth and support	-	268,743	-	307,923	2,093,251	120,000	-	2,789,917	-	2,789,917	2,051,049
Computer systems	-	72,591	-	14,465	5,400	-	194,579	287,035	-	287,035	280,361
Credit card and bank charges	72,000	-	39,750	2,869	-	-	-	114,619	710,219	824,838	713,707
Depreciation	43,644	29,510	6,200	15,623	76,378	33,229	16,119	220,703	27,277	247,980	315,694
Digital media	45,650	80,571	-	100,421	-	35,000	-	261,642	-	261,642	240,139
Facilitator training fees	1,233,643	70,195	-	121,062	311,600	4,662	-	1,741,162	-	1,741,162	1,441,727
Facilitator travel expenses	494,875	74,147	-	40,421	379,885	908	-	990,236	-	990,236	876,675
Gifts and awards	42,204	5,618	-	24,066	310,100	35,230	-	417,218	33,556	450,774	471,707
Governance	49,505	145,637	-	-	-	-	-	195,142	984,662	1,179,804	1,206,062
GSEA	-	-	-	80,791	-	617,880	-	698,671	-	698,671	644,597
Healthnet and EOconnect	-	290,000	-	-	-	-	-	290,000	-	290,000	286,667
Legal fees	800	-	-	-	2,280	-	-	3,080	197,186	200,266	413,528
Meetings	243,850	-	-	-	483,036	40,878	-	767,764	911,841	1,679,605	1,335,341
Mentor program	-	263,105	-	-	-	-	-	263,105	-	263,105	202,142
Operating supplies	85,275	44,560	14,260	33,726	52,142	18,450	-	248,413	64,302	312,715	309,823
Optional activities	125,448	-	-	20,000	-	-	-	145,448	-	145,448	144,917
Professional services	243,972	255,632	8,042	154,373	112,680	306,579	756,457	1,837,735	418,607	2,256,342	1,525,063
Personalizations	-	581,335	-	-	-	-	-	581,335	-	581,335	483,540
Postage and mailing	17,808	20,860	2,070	18,301	15,475	2,814	-	77,328	58,887	136,215	230,931
Printing and design	21,003	-	-	-	-	-	-	21,003	41,113	62,116	144,913
PR/Ads/Marketing	125,000	10,013	-	22,000	-	407,811	-	564,824	-	564,824	638,570
Rent/repairs and maintenance	108,490	73,354	15,410	38,834	189,857	82,600	40,067	548,612	67,806	616,418	716,889
Speaker fees/travel	250,002	-	448,160	74,560	-	-	-	772,722	-	772,722	647,576
Staffing	1,729,884	1,169,637	245,722	619,220	3,027,297	1,317,071	638,878	8,747,709	1,081,177	9,828,886	9,279,215
Taxes	1,276	863	181	457	2,233	972	471	6,453	798	7,251	13,935
Telephone and fax	25,322	16,924	3,555	8,960	43,802	19,057	9,244	126,864	63,498	190,362	169,831
Travel and transportation	763,318	127,681	356,190	445,910	356,417	39,275	-	2,088,791	-	2,088,791	1,854,483
Total expenses	\$ 7,620,247	\$ 3,706,528	\$ 1,916,672	\$ 3,710,617	\$ 9,093,277	\$ 3,082,416	\$ 1,655,815	\$ 30,785,572	\$ 4,660,929	\$ 35,446,501	\$ 31,979,312

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Year ended June 30,	
	2018	2017
Cash flows from operating activities		
Membership dues received	\$ 34,610,868	\$ 28,258,430
Contributions and grant payments received	-	100,000
Conferences and forums revenue received	9,895,607	12,279,830
Other income received	688,811	274,294
Payments to vendors, suppliers and employees	<u>(31,331,330)</u>	<u>(28,545,816)</u>
Net cash provided by operating activities	<u>13,863,956</u>	<u>12,366,738</u>
Cash flows from investing activities		
Purchase of short-term investments	(51,965,285)	(6,200,250)
Proceeds from sales of short-term investments	28,480,953	2,500,000
Purchase of property and equipment	<u>(12,697)</u>	<u>-</u>
Net cash used in investing activities	<u>(23,497,029)</u>	<u>(3,700,250)</u>
Net increase (decrease) in cash and cash equivalents	(9,633,073)	8,666,488
Cash and cash equivalents, beginning of year	<u>36,904,967</u>	<u>28,238,479</u>
Cash and cash equivalents, end of year	<u>\$ 27,271,894</u>	<u>\$ 36,904,967</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 3,289,982	\$ 961,432
Adjustments		
Depreciation	247,980	315,694
Realized and unrealized gain on investments	(13,349)	-
(Increase) decrease in assets		
Accounts and contributions receivable	222,197	40,374
Prepaid expenses	49,068	767,496
Security deposits	-	(52,877)
Increase (decrease) in liabilities		
Accounts payable	4,504,160	1,633,109
Accrued expenses	(587,752)	868,359
Deferred revenue	6,249,955	7,931,436
Deferred lease incentives	<u>(98,285)</u>	<u>(98,285)</u>
Net cash provided by operating activities	<u>\$ 13,863,956</u>	<u>\$ 12,366,738</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

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. EO is a global community enriching members' lives through dynamic peer-to-peer learning and once-in-a-lifetime experiences. EO 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 - Boldly Go, Thirst for Learning, Make a Mark, Trust and Respect and Cool - EO is working to build the world's most influential community of entrepreneurs. By engaging leading entrepreneurs to learn and grow, EO is fueling the entrepreneurial engine.

With members in more than 179 chapters, spanning 57 countries, EO's rapidly expanding membership includes entrepreneurs from every size and type of business. EO membership continues to increase on an annual basis and is now over 13,500 members. Membership in EO is by invitation only and is subject to approval by both Global Support Services and the sponsoring local chapter. Prospective EO 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 EO 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 United Kingdom in March 2016 and EO is the sole Global Member of the organization. As a global member, EO 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 EO.

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 EO and Entrepreneurs Organisation Europe Limited (collectively referred to as the "EO"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Prior year information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional reporting area for the year ended June 30, 2017. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with EO's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

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.

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, such as money funds, are considered to be cash equivalents.

Short-term investments

Short-term investments consist of corporate obligations, government obligations, and certificates of deposit measured at fair value. Fair values are determined by reference to market interest rates and other relevant information generated by market transactions. Entrepreneurs' Organization records unrealized gains and losses in the consolidated statements of activities and change in net assets as increases or decreases in unrestricted net assets, unless the income or loss is restricted temporarily or permanently by donor restrictions or law. Entrepreneurs' Organization 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

Entrepreneurs' Organization records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of conferences and forums receivables. 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, 2018 and 2017.

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 are 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 on pledges receivable for the years ended June 30, 2018 and 2017 was \$0. A payment of \$200,000 is due for the year ending June 30, 2019.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

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 statements 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, 2018 and 2017, all acquisitions of property and equipment greater than \$5,000 with an expected useful life greater than one year were capitalized.

Net asset classification

Entrepreneurs' Organization's net assets are classified into three categories: unrestricted, temporarily restricted and permanently restricted.

All revenue is considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Board designated: Board designated net assets represent amounts designated to be used by the nine regions to pursue organizational priorities and enhance member value and net assets designated for future infrastructure needs of Entrepreneurs' Organization.

Temporarily restricted net assets: EO reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Permanently restricted net assets represent resources whose use by EO is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled. The income generated by these assets may be unrestricted or restricted according to donor stipulations.

EO established a Lifetime Trustee Program. Under the terms of the program, a maximum of 10 individuals may donate up to \$15,000 each to EO with the stipulation that the principal amounts donated be held in perpetuity while the income generated from the principal be used for the general purposes of EO. During the year ended June 30, 2018, the amount held in perpetuity was reclassified as unrestricted. As of June 30, 2018 and 2017, \$0 and \$38,000, respectively, had been contributed to EO under the Lifetime Trustee Program.

Revenue recognition

Membership dues are reported as revenue in the year to which they pertain. Initiation fees are currently \$2,200, of which \$500 is recorded as deferred revenue and applied to revenue when the member attends forum training. 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. Conference registrations are recognized in the year in which the conference is held.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

Unrestricted contributions, including unconditional promises, are reported as revenue when they are received. Unconditional promises are presumed to carry implied time restrictions unless otherwise specifically directed by the donor.

Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Revenue from grant awards considered to be exchange transactions is recognized as expenses are incurred. Amounts received in excess of revenue recognized are reported as deferred revenue.

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.

Advertising costs

EO expenses advertising costs when incurred. Advertising expense was \$135,377 and \$71,926 for the years ended June 30, 2018 and 2017, respectively.

Income tax status

EO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRS"). 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 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 years ended June 30, 2018 and 2017, 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, 2018 and 2017. 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 2014 remain open.

Reclassifications

Certain reclassifications have been made to the 2017 amounts to conform to the 2018 presentation.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

Subsequent events

EO has evaluated subsequent events for potential recognition or disclosure through December 6, 2018, the date the consolidated financial statements were available to be issued.

Note 3 - Concentration of credit risk

EO maintains its cash in bank accounts and certain short-term investments which at times may exceed the federally insured limit of \$250,000 per financial institution. EO had balances on deposit at June 30, 2018 that exceeded the federally insured limit by approximately \$28,700,000.

Note 4 - Short-term investments

Short-term investments consist of the following:

	June 30,	
	2018	2017
Certificates of deposit	\$ 16,328,075	\$ 5,305,350
Corporate obligations	11,092,227	-
Government obligations	1,382,729	-
	<u>\$ 28,803,031</u>	<u>\$ 5,305,350</u>

Investment income consists of:

	Year ended June 30,	
	2018	2017
Interest income	\$ 244,463	\$ 44,196
Unrealized gain on investments	13,176	-
Realized gain on investments	173	-
	<u>\$ 257,812</u>	<u>\$ 44,196</u>

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

Note 5 - Prepaid expenses

Prepaid expenses consist of the following:

	June 30,	
	2018	2017
Strategy Summit	\$ -	\$ 218,984
University One	333,903	122,273
Family Conference	-	20,594
Credit card fees on renewals	140,170	85,940
Global staff week	-	221,661
Rent	47,138	48,705
Singularity University Contract	150,000	-
Other prepaid expenses	83,581	85,703
	<u>\$ 754,792</u>	<u>\$ 803,860</u>

Note 6 - Property and equipment

Property and equipment consists of the following:

	June 30,	
	2018	2017
Computer equipment	\$ 255,661	\$ 240,594
Computer software	509,047	509,047
Furniture, fixtures and other equipment	34,937	34,937
Leasehold improvements	885,768	888,138
	1,685,413	1,672,716
Less accumulated depreciation and amortization	<u>(1,443,305)</u>	<u>(1,195,325)</u>
Net property and equipment	<u>\$ 242,108</u>	<u>\$ 477,391</u>

Depreciation expense totaled \$247,980 and \$315,694 for the years ended June 30, 2018 and 2017, respectively.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2018

Note 7 - Deferred revenue

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

	June 30,	
	2018	2017
Dues	\$ 27,002,855	\$ 22,924,128
Events	5,416,549	3,478,521
Entrepreneurial Masters Program	213,000	207,000
Initiation fees	1,869,450	1,642,250
	<u>\$ 34,501,854</u>	<u>\$ 28,251,899</u>

Note 8 - Unrestricted net assets

Unrestricted net assets consist of the following:

	June 30,	
	2018	2017
Board designated		
Infrastructure	\$ 700,000	\$ -
US east region	234,218	200,000
US central region	242,949	210,000
US west region	88,486	106,000
LAC region	79,805	75,000
Canada region	233,820	117,000
Europe region	121,225	190,000
MEPA region	90,969	77,000
South Asia region	176,966	182,526
APAC region	324,112	271,000
	<u>2,292,550</u>	<u>1,428,526</u>
Undesignated	<u>8,131,227</u>	<u>5,523,682</u>
Total unrestricted net assets	<u>\$ 10,423,777</u>	<u>\$ 6,952,208</u>

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2018

Note 9 - Temporarily restricted net assets

The following presents the detail of temporarily restricted net assets:

	June 30,	
	2018	2017
Endowment Fund	\$ -	\$ 39,377
Unexpended contributions		
Global Student Entrepreneur Awards	100,000	200,000
Unexpended Endowment Interest	-	4,210
	<u>\$ 100,000</u>	<u>\$ 243,587</u>

Note 10 - Endowment fund

During the year ended June 30, 2000, the Board of Directors of EO established a separate fund within EO called the Endowment Fund ("The Fund"), also referenced as the Lifetime Trustee Program. The assets of the Endowment Fund were to be used to financially support EO by funding specific projects in specific program areas such as communications, information systems development, member products, and conferences and forums. All contributions received to date had been reported as increases in restricted net assets. During the year ended June 30, 2018, EO determined that The Fund represented unrestricted net assets. Accordingly, The Fund has been reclassified to unrestricted net assets on the consolidated statement of activities for the year ended June 30, 2018.

Note 11 - Other income

Other income consists of the following:

	Year ended June 30,	
	2018	2017
Royalties	\$ 406,603	\$ 215,557
Marketplace	-	9,078
Miscellaneous revenue	37,745	5,463
	<u>\$ 444,348</u>	<u>\$ 230,098</u>

Note 12 - Leasing activities

EO leases office space under an eight-year lease ending December 31, 2019. Rent is payable monthly beginning at \$35,740, with annual escalations of 2.75 percent as well as adjustment for increases in operating expenses and real estate taxes of the building. EO received a six-month period of rent abatement at the beginning of the lease, and the lessor agreed to cover the cost of tenant improvements in the amount of \$786,280. EO also leases office equipment under various leasing arrangements.

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Notes to Consolidated Financial Statements June 30, 2018

The total future minimum lease payments for the above operating leases that have remaining non-cancelable lease terms in excess of one year are due as follows:

<u>Year ending June 30,</u>	
2019	\$ 511,868
2020	<u>259,401</u>
Total	<u>\$ 771,269</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, 2018 and 2017, EO's contributions to the Plan totaled \$143,384 and \$123,408, respectively.

Note 14 - Related party transactions

During the years ended June 30, 2018 and 2017, EO expended (net of revenues collected) \$0 and \$142,895, respectively, on behalf of Entrepreneurs Organisation Europe Limited for operating expenses. The outstanding receivable from Entrepreneurs Organisation Europe Limited to EO was \$642,414 and \$869,073 at June 30, 2018 and 2017, respectively. The amount to be reimbursed from Entrepreneurs Organisation Europe Limited has been eliminated in consolidation at June 30, 2018 and 2017.

Note 15 - Commitments

EO has contracted with hotels in various cities for meetings to be held in future years. Cancellation fees would apply if these conferences are not held. However, due to the numerous variables involved, the EO's ultimate liability under these contracts cannot be determined; however, the estimated costs range from \$0 to \$729,000, depending on the nature, timing and number of meeting cancellations. As of June 30, 2018, there are no plans to cancel any future conferences or meetings.

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Note 16 - 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 ("FASB ASC"). Fair Values of assets measured on a recurring basis at June 30, 2018 and 2017 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, 2018</u>				
Assets				
Certificates of deposit	\$ 16,328,075	\$ -	\$ 16,328,075	\$ -
Corporate obligations	11,092,227	-	11,092,227	-
Government obligations	1,382,729	-	1,382,729	-
	<u>\$ 28,803,031</u>	<u>\$ -</u>	<u>\$ 28,803,031</u>	<u>\$ -</u>
<u>June 30, 2017</u>				
Assets				
Certificates of deposit	\$ 5,305,350	\$ -	\$ 5,305,350	\$ -
	<u>\$ 5,305,350</u>	<u>\$ -</u>	<u>\$ 5,305,350</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 and government obligations are not exchange-traded investments and are valued using a market approach based on quoted prices from pricing sources utilized by investment managers.

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