

Entrepreneurs' Organization and Subsidiary

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

June 30, 2024 and 2023

CohnReznick 

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

Report on the Audit of the Consolidated Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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
May 7, 2025

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 14,504,604	\$ 16,751,638
Investments - Note 5	62,786,709	49,084,231
Accounts and contributions receivable, net	338,486	1,480,468
Prepaid expenses - Note 6	1,417,987	1,928,227
Operating lease right of use asset - Note 10	1,442,183	1,556,956
Deposits	81,952	331,861
	<u>80,571,921</u>	<u>71,133,381</u>
Total assets	<u>\$ 80,571,921</u>	<u>\$ 71,133,381</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 6,753,308	\$ 8,727,876
Deferred revenue - Note 7	47,576,857	43,895,856
Operating lease obligation - Note 10	1,505,505	1,561,657
	<u>55,835,670</u>	<u>54,185,389</u>
Total liabilities	<u>55,835,670</u>	<u>54,185,389</u>
Net assets		
Without donor restrictions		
Board designated - Note 8	2,130,039	1,533,063
Undesignated - Note 8	22,606,212	15,414,929
	<u>24,736,251</u>	<u>16,947,992</u>
Total net assets	<u>24,736,251</u>	<u>16,947,992</u>
Total liabilities and net assets	<u>\$ 80,571,921</u>	<u>\$ 71,133,381</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Activities and Change in Net Assets Years Ended June 30, 2024 and 2023

	2024	2023
Revenue		
Membership dues	\$ 48,796,664	\$ 45,089,292
Initiation fees	5,368,675	7,649,700
Conferences and forums	11,498,390	8,222,925
Other income - Note 9	1,933,261	762,965
Investment income - Note 5	2,773,729	721,413
Loss contingency - Note 13	-	(1,811,199)
	<u>70,370,719</u>	<u>60,635,096</u>
Total revenue		
Expenses		
Program services		
Member delivery	23,098,834	14,676,648
Brand and growth	3,550,263	5,633,367
Products and programs	6,821,539	13,760,968
Conferences and executive education programs	10,628,835	7,204,476
Information systems development	5,011,749	5,846,213
Global leadership conference	5,660,632	5,666,814
	<u>54,771,852</u>	<u>52,788,486</u>
Total program services		
Supporting services		
Management and general	7,810,608	8,346,893
	<u>7,810,608</u>	<u>8,346,893</u>
Total expenses		
	<u>62,582,460</u>	<u>61,135,379</u>
Change in net assets	7,788,259	(500,283)
Net assets - without donor restrictions, beginning of year	<u>16,947,992</u>	<u>17,448,275</u>
Net assets - without donor restrictions, end of year	<u>\$ 24,736,251</u>	<u>\$ 16,947,992</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program services							Total	
	Member delivery	Brand and growth	Products and programs	Conferences and executive education programs	Information systems development	Global leadership conference	Total program services		
Chapter and regional growth and support	\$ 5,360,452	\$ -	\$ -	\$ 234,185	\$ -	\$ 150	\$ 5,594,787	\$ 181,169	\$ 5,775,956
Computer systems	153,054	-	862	12,099	2,763,042	-	2,929,057	24,837	2,953,894
Credit card and bank charges	4,894	-	4,654	144,138	5	44	153,735	1,903,500	2,057,235
Facilitator/speaker fees and travel	772,725	-	38,846	64,666	-	79,010	955,247	9,690	964,936
Gifts and awards	391,168	37,439	1,216	82,603	-	139,807	652,233	12,359	664,593
Audit and legal fees	-	-	-	-	6,000	-	6,000	712,121	718,121
Meeting	4,758,270	238	2,354,616	7,602,157	-	3,229,502	17,944,783	554,817	18,499,600
Operating expenses	62,904	4,321	20,376	3,101	1,491	1,011	93,204	178,075	271,279
Professional services	430,016	294,973	51,844	38,351	685,369	-	1,500,553	391,539	1,892,092
Postage and mailing	105,444	295	1,022	2,492	4,896	14,365	128,514	15,055	143,569
Printing and design	23,167	-	12,557	-	985	283	36,992	1,901	38,892
PR/Ads/Marketing	1,398,998	248,251	31,929	170,485	594	539,658	2,389,915	27,491	2,417,407
Rent, repairs and maintenance	76,511	35,754	48,702	24,719	18,833	15,596	220,115	27,073	247,188
Staffing	6,196,519	2,895,681	3,944,323	2,001,952	1,525,297	1,263,137	17,826,909	2,192,609	20,019,518
Taxes	-	-	-	-	-	-	-	9,000	9,000
Telephone and internet	1,114	-	1,925	99	-	66,462	69,600	243,468	313,068
Travel and transportation	3,363,598	33,311	308,667	247,788	5,237	311,607	4,270,208	1,325,904	5,596,112
Total expenses	\$ 23,098,834	\$ 3,550,263	\$ 6,821,539	\$ 10,628,835	\$ 5,011,749	\$ 5,660,632	\$ 54,771,852	\$ 7,810,608	\$ 62,582,460

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program services							Total	
	Member delivery	Brand and growth	Products and programs	Conferences and executive education programs	Information systems development	Global leadership conference	Total program services		
Chapter and regional growth and support	\$ 1,929,630	\$ 1,098,187	\$ 1,894,214	\$ 234,106	\$ -	\$ -	\$ 5,156,137	\$ 8,589	\$ 5,164,726
Computer systems	85,993	-	8,738	18,576	2,871,538	-	2,984,845	15,577	3,000,422
Credit card and bank charges	520	-	78,705	144,904	-	17,509	241,638	1,866,859	2,108,497
Facilitator/speaker fees and travel	75,009	793	694,835	6,387	-	59,644	836,668	2,047	838,715
Gifts and awards	215,821	64,388	262,762	8,448	1,381	327,670	880,470	57,897	938,367
Audit and legal fees	-	-	-	-	-	-	-	322,760	322,760
Meeting	2,806,151	51,836	4,245,755	4,453,078	1,701	3,031,067	14,589,588	682,049	15,271,637
Operating expenses	89,866	5,807	18,612	-	(13,343)	602	101,544	248,439	349,983
Professional services	165,589	396,243	155,221	-	1,351,948	-	2,069,001	791,052	2,860,053
Postage and mailing	32,902	27,767	70,617	1,305	203	16,916	149,710	35,252	184,962
Printing and design	12,399	444	14,030	-	11,414	3,523	41,810	5,047	46,857
PR/Ads/Marketing	499,249	743,173	1,502,097	97,266	2,704	535,117	3,379,606	40,250	3,419,856
Rent, repairs and maintenance	113,461	53,070	72,103	36,600	27,450	23,058	325,742	40,260	366,002
Staffing	6,486,192	3,033,864	4,121,870	2,092,320	1,569,240	1,318,162	18,621,648	2,301,548	20,923,196
Taxes	-	-	-	-	-	-	-	6,294	6,294
Telephone and internet	110	-	232	-	1,033	16,857	18,232	285,147	303,379
Travel and transportation	2,163,756	157,795	621,177	111,486	20,944	316,689	3,391,847	1,637,826	5,029,673
Total expenses	\$ 14,676,648	\$ 5,633,367	\$ 13,760,968	\$ 7,204,476	\$ 5,846,213	\$ 5,666,814	\$ 52,788,486	\$ 8,346,893	\$ 61,135,379

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Membership dues received	\$ 58,339,432	\$ 55,358,573
Conferences and forums revenue received	12,147,280	7,363,475
Other income received	4,121,624	1,616,166
Payments to vendors, suppliers and employees	(63,738,258)	(66,547,116)
Loss contingency	-	(1,811,199)
	<u>10,870,078</u>	<u>(4,020,101)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of investments	(57,881,258)	(22,591,011)
Proceeds from sales of investments	44,764,146	4,361,884
	<u>(13,117,112)</u>	<u>(18,229,127)</u>
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(2,247,034)	(22,249,228)
Cash and cash equivalents, beginning of year	<u>16,751,638</u>	<u>39,000,866</u>
Cash and cash equivalents, end of year	<u>\$ 14,504,604</u>	<u>\$ 16,751,638</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 7,788,259	\$ (500,283)
Adjustments		
Amortization of operating lease right of use asset	114,773	359,530
Net realized and unrealized (gain) loss on investments	(585,366)	131,788
(Increase) decrease in assets		
Accounts and contributions receivable	1,141,982	(1,422,770)
Prepaid expenses	510,240	(1,220,684)
Deposits	249,909	56,926
Increase (decrease) in liabilities		
Accounts payable	(1,974,568)	(4,154,106)
Operating lease obligation	(56,152)	(453,403)
Deferred revenue	3,681,001	3,182,901
	<u>\$ 10,870,078</u>	<u>\$ (4,020,101)</u>
Net cash provided by (used in) operating activities		
Supplementary disclosure of cash flow information		
Right-of-use asset acquired in exchange for operating lease liability	<u>\$ -</u>	<u>\$ 1,562,657</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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 222 chapters, spanning 87 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 19,325 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 Organization 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 Organization 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 Organization Europe Limited as well as control of the board of directors and therefore, Entrepreneurs Organization Europe Limited is consolidated with Entrepreneurs' Organization. Entrepreneurs Organization Europe Limited was dissolved on August 3, 2023 and as of June 30, 2024 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 Organization 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, 2024 and 2023

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 three months or less, such as money funds, are considered to be cash equivalents.

Investments

Investments consist of certificates of deposit, 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. 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, 2024 and 2023, 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 \$0 for the years ended June 30, 2024 and 2023.

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, 2024 and 2023, all acquisitions of property and equipment greater than \$5,000 with an expected useful life greater than one year were capitalized. As of June 30, 2024, EO had vacated its old office space due to the lease expiring and has not yet acquired property and equipment or leasehold improvements over its capitalization policy threshold.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and June 30, 2023, board designated net assets are to be used for the Ten regions. In addition, a transfer of interest income and 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. 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. As of June 30, 2024 and 2023, EO had no net assets with donor restrictions.

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 \$3,500 during the years ended June 30, 2024 and 2023. 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 \$750 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 donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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. EO did not have in-kind contributions for the years ended June 30, 2024 or 2023.

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 \$344,913 and \$943,180 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023. 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 2020 remain open.

Adoption of new accounting pronouncement

On July 1, 2023, EO adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, Measurement of Credit Losses on Financial Instruments and its related amendments. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument, rather than delaying recognition of credit losses until it is probable the loss has been incurred. Adopting the new standard did not have a material effect on the consolidated financial statements.

Subsequent events

EO has evaluated subsequent events for potential recognition or disclosure through May 7, 2025, the date the consolidated financial statements were available to be issued.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

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, 2024 and 2023, 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,	
	2024	2023
Financial assets		
Cash and cash equivalents	\$ 14,504,604	\$ 16,751,638
Investments	62,786,709	49,084,231
Accounts and contributions receivable	338,486	1,480,468
	<u>77,629,799</u>	<u>67,316,337</u>
Less: Those unavailable for general expenditure within one year due to:		
Board-designated funds	<u>2,130,039</u>	<u>1,533,063</u>
	<u>2,130,039</u>	<u>1,533,063</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 75,499,760</u>	<u>\$ 65,783,274</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, 2024 that exceeded the federally insured limit by approximately \$9,192,000.

Note 5 - Investments

Investments consist of the following:

	June 30,	
	2024	2023
Stocks and exchange traded funds	\$ 1,623,353	\$ 1,511,843
Certificate of Deposit	6,746,081	6,502,115
Corporate obligations	10,547,106	10,602,533
Government obligations	10,166,666	8,864,056
Corporate mortgage/asset backed securities	497,177	725,356
Mutual funds - fixed income	30,684,086	18,302,440
Foreign bonds	2,522,240	2,575,888
	<u>\$ 62,786,709</u>	<u>\$ 49,084,231</u>

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

Investment income consists of:

	Year ended June 30,	
	2024	2023
Interest, dividends and capital gains (net)	\$ 2,188,363	\$ 853,201
Unrealized gain (loss) on investments	819,393	(293,060)
Realized gain (loss) on investments	(234,027)	161,272
	\$ 2,773,729	\$ 721,413

Note 6 - Prepaid expenses

Prepaid expenses consist of the following:

	June 30,	
	2024	2023
Global Events	\$ -	\$ 517,500
Regional Events	1,050,711	684,206
Executive Education	-	330,780
GLC	-	99,647
MyEO Premier Events	-	52,712
Portfolio Meetings	-	102,044
Meetings	169,168	-
Others	198,108	141,338
	\$ 1,417,987	\$ 1,928,227

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,		
	2024	2023	2022
Membership dues	\$ 35,888,664	\$ 33,249,996	\$ 30,972,395
Conferences and forums	6,895,268	7,394,860	5,931,534
Entrepreneurial Masters Program	221,000	217,000	226,000
Initiation fees	4,571,925	3,034,000	3,583,026
	\$ 47,576,857	\$ 43,895,856	\$ 40,712,955

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

Note 8 - Net assets

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

	June 30,	
	2024	2023
Board designated		
Innovation Fund	\$ 1,429,624	\$ 969,731
US east region	96,270	48,936
US west region	-	24,555
LAC region	116,819	84,110
Canada region	124,945	65,104
Europe region	112,381	51,053
MEPA region	-	125,000
South Asia region	125,000	39,574
APAC region	125,000	125,000
	2,130,039	1,533,063
Undesignated	22,606,212	15,414,929
Total net assets without donor restrictions	\$ 24,736,251	\$ 16,947,992

Note 9 - Other income

Other income consists of the following:

	Year ended June 30,	
	2024	2023
Royalties	\$ 1,031,274	\$ 696,793
Grant	-	38,049
Insurance recovery and settlements	901,442	-
Miscellaneous revenue	545	28,123
	\$ 1,933,261	\$ 762,965

Note 10 - Leasing activities

EO leased office space under a lease that expired May 31, 2023. Rent was 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.

On December 19, 2022 EO signed an amendment to the lease whereby effective June 1, 2023, EO relocated to a smaller space in the same building and the lease term was extended 5 years with a maturity of May 31, 2028 and an option to extend for 5 additional years. As part of the lease amendment, the lessor provided EO the first three months of rent abatement. Monthly payments under the lease amendment begin at \$14,418 and increase 2.75% annually.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

The office lease is accounted for in accordance with Topic 842, *Leases*. As a result, EO has recorded a lease obligation liability equal to the present value of the future payments under the terms of the lease, discounted at the risk free rate of 3.61%. This liability is reduced as cash payments are made under the terms of the lease. EO has also recorded a right of use asset equal to the lease obligations less the landlord incentives provided in excess of actual costs incurred to improve the occupied space. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying consolidated financial statements. There are no residual value guarantees. As provided for under Topic 842, the lease term includes the optional renewal period in the calculation of the present value of future minimum lease payments and the right-of-use asset, as management has deemed it to be reasonably certain the renewal option will be exercised.

Occupancy expense for the years ended June 30, 2024 and 2023 was \$321,763 and \$461,142, respectively.

The following table represents the reconciliation of the Operating lease right of use asset as of June 30, 2024:

Operating lease right-of-use asset, July 1, 2022	\$	353,829
Right of use asset acquired		1,562,657
Amortization of operating lease right-of-use asset		<u>(359,530)</u>
Operating lease right-of-use asset, June 30, 2023		1,556,956
Amortization of operating lease right of use asset		<u>(114,773)</u>
Operating lease right-of-use asset, June 30, 2024	\$	<u><u>1,442,183</u></u>
Other information		
Cash paid for amounts included in the measurement of lease obligations	\$	456,725
Weighted-average remaining lease term		
Operating leases		8.9 years

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

Future minimum lease payments under the lease are as follows at June 30, 2024:

Year ending June 30,		
2025	\$	178,184
2026		183,085
2027		188,119
2028		193,301
2029		198,713
Thereafter		833,105
		1,774,507
Amount representing interest (3.61%)		(269,002)
Total future lease obligation	\$	1,505,505

Note 11 - 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, 2024 and 2023, EO's contributions to the Plan totaled \$475,437 and \$418,726, respectively.

Note 12 - 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, 2024 and 2023 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, 2024</u>				
Assets				
Stocks and exchange traded funds	\$ 1,623,353	\$ 1,623,353	\$ -	\$ -
Certificate of Deposit	6,746,081	-	6,746,081	-
Corporate obligations	10,547,106	-	10,547,106	-
Government obligations	10,166,666	-	10,166,666	-
Corporate mortgage/asset backed securities	497,177	-	497,177	-
Mutual funds - Fixed Income	30,684,086	30,684,086	-	-
Foreign bonds	2,522,240	-	2,522,240	-
	\$ 62,786,709	\$ 32,307,439	\$ 30,479,270	\$ -

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements June 30, 2024 and 2023

	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, 2023</u>				
Assets				
Stocks and exchange traded funds	\$ 1,511,843	\$ 1,511,843	\$ -	\$ -
Corporate obligations	6,502,115	-	6,502,115	-
Government obligations	10,602,533	-	10,602,533	-
Corporate mortgage/asset backed securities	8,864,056	-	8,864,056	-
Mutual funds - Fixed Income	725,356	-	725,356	-
Foreign bonds	18,302,440	18,302,440	-	-
	2,575,888	-	2,575,888	-
	\$ 49,084,231	\$ 19,814,283	\$ 29,269,948	\$ -

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, foreign bonds and corporate mortgage/asset backed securities are not exchange-traded investments and are valued using a market approach based on quoted prices from pricing sources utilized by investment managers.

Note 13 - Commitments and contingencies

EO has contracts through 2024 for hotels for future conferences. In the event of cancellation, EO may be required to pay various costs as stipulated in the contracts, the amounts of which are dependent upon the respective dates of cancellation. Due to the numerous variables involved, EO's ultimate liability under this contract cannot be determined. As of June 30, 2024, there are no plans to cancel any future conferences or meetings.

In June 2023, EO was a victim of a cyber incident. A total of \$2,956,594 in EO's bank account was compromised in June 2023. EO immediately engaged a forensics investigation firm and law firm to investigate the attacks and potential remedies and ways to recover the fraudulently transferred funds. EO recovered \$1,145,395 respectively, from two of the banks who received fraudulent transfers. EO recorded a loss contingency of \$1,811,199 in the accompanying consolidated statements of activities and change in net assets for the year ended June 30, 2023 and \$1,042,294 as accounts and contributions receivable in the accompanying consolidated statements of financial position at June 30, 2023. Related to this incident, in July 2023, EO's bank account was compromised in by an additional \$188,500 of which \$42,000 was recovered. During the fiscal year 2024, EO subsequently recovered \$1,047,942 including sums from insurance recovery, and both the compromise and recoveries are recorded in the accompanying consolidated statements of activities and change in net assets as other income. EO is pursuing legal remedies to recover the remaining \$909,757 and interest as compensatory damages.



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