

**Entrepreneurs' Organization and Subsidiary**

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

**June 30, 2021 and 2020**

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# 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

We have audited the accompanying consolidated financial statements of Entrepreneurs' Organization and Subsidiary ("EO"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 audits. We conducted our audits 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, 2021 and 2020, 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.

*CohnReznick LLP*

Bethesda, Maryland  
March 18, 2022

**Entrepreneurs' Organization and Subsidiary**  
**Consolidated Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 26,875,771	\$ 7,352,024
Investments - Note 5	33,475,248	35,845,597
Accounts and contributions receivable, net	129,718	120,650
Prepaid expenses - Note 6	491,055	71,949
Property and equipment, net - Note 7	-	6,028
Right of use asset - Note 12	739,821	1,125,814
Security deposits	153,082	191,483
	<u>61,864,695</u>	<u>44,713,545</u>
Total assets	<u>\$ 61,864,695</u>	<u>\$ 44,713,545</u>
<u>Liabilities and Net Assets</u>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 6,249,058	\$ 3,586,243
Deferred revenue - Note 8	33,789,140	13,052,853
Loan payable - Note 11	-	1,377,752
Future lease obligation - Note 12	906,911	1,323,242
	<u>40,945,109</u>	<u>19,340,090</u>
Total liabilities	<u>40,945,109</u>	<u>19,340,090</u>
<b>Net assets</b>		
Without donor restrictions		
Board designated - Note 9	4,453,914	19,315,993
Undesignated - Note 9	16,465,672	6,057,462
	<u>20,919,586</u>	<u>25,373,455</u>
Total net assets	<u>20,919,586</u>	<u>25,373,455</u>
Total liabilities and net assets	<u>\$ 61,864,695</u>	<u>\$ 44,713,545</u>

See Notes to Consolidated Financial Statements.

## Entrepreneurs' Organization and Subsidiary

### Consolidated Statements of Activities and Change in Net Assets Years Ended June 30, 2021 and 2020

	2021	2020
Revenue		
Membership dues	\$ 26,461,632	\$ 36,633,005
Initiation fees	3,409,500	2,930,205
Conferences and forums	1,736,254	4,666,103
Other income - Note 10	373,267	277,816
Gain on extinguishment of debt - Note 11	1,377,752	-
Investment income - Note 5	468,869	1,829,776
	33,827,274	46,336,905
Total revenue		
Expenses		
Program services		
Conferences and forums	4,450,188	7,458,340
Learning and leadership	5,266,748	3,843,241
Executive education	575,392	1,829,595
Global leadership conference	2,951,566	1,116,938
Chapter development	13,390,170	12,101,373
Communications	3,542,753	2,805,455
Information systems development	4,386,356	2,938,953
	34,563,173	32,093,895
Total program services		
Supporting services		
Management and general	3,717,970	4,399,196
	38,281,143	36,493,091
Total expenses		
Change in net assets	(4,453,869)	9,843,814
Net assets - without donor restrictions, beginning of year	25,373,455	15,529,641
Net assets - without donor restrictions, end of year	\$ 20,919,586	\$ 25,373,455

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
	Conferences and Forums	Learning and Leadership	Executive Education	Global Leadership Conference	Chapter Development	Communications	Information Systems Development			
Catering/AV/meeting space	\$ 57,315	\$ 273,794	\$ 200,246	\$ 926,601	\$ 396,624	\$ 35,155	\$ -	\$ 1,889,735	\$ 26,812	\$ 1,916,547
Chapter and regional growth and support	171,458	961,685	103	79,750	4,537,797	433,599	-	6,184,392	-	6,184,392
Computer systems	180	52,196	-	-	6,254	3,867	1,968,529	2,031,026	20,895	2,051,921
Credit card and bank charges	5,500	-	2,500	-	66,318	-	-	74,318	737,571	811,889
Depreciation	1,061	717	151	380	1,857	808	392	5,366	662	6,028
Digital media	-	70,947	-	-	-	-	-	70,947	-	70,947
Facilitator/speaker fees and travel	1,696,297	1,663,056	39,208	588,685	1,235,981	36,103	-	5,259,330	-	5,259,330
Gifts and awards	8,784	56,681	-	365,562	541,813	213,496	-	1,186,336	17,984	1,204,320
Legal fees	-	-	-	-	-	721	-	721	208,194	208,915
Occupancy	81,590	55,166	11,590	29,206	142,783	62,120	30,133	412,588	50,992	463,580
Operating supplies	-	667	-	358	8,090	21	-	9,136	20,294	29,430
Optional activities	-	-	-	-	15,216	11,893	-	27,109	9,315	36,424
Professional services	130,068	471,856	-	87,923	1,517,969	565,995	1,550,654	4,324,465	1,091,943	5,416,408
Personalizations	25,013	72,717	1,517	50,317	112,918	151,856	-	414,338	34,185	448,523
Postage and mailing	6,365	7,511	-	4,251	19,879	5,153	593	43,752	19,987	63,739
Printing and design	516	4,988	-	194	14,800	2,050	-	22,548	6,455	29,003
PR/Ads/Marketing	-	26,757	-	-	596,110	301,925	-	924,792	7	924,799
Staffing	2,219,348	1,500,582	315,248	794,426	3,883,860	1,689,731	819,646	11,222,841	1,387,091	12,609,932
Taxes	1,234	834	175	442	2,159	939	456	6,239	771	7,010
Telephone and fax	32,762	22,151	4,654	11,727	57,333	24,943	12,099	165,669	20,476	186,145
Travel and transportation	12,697	24,443	-	11,744	232,409	2,378	3,854	287,525	64,336	351,861
<b>Total expenses</b>	<b>\$ 4,450,188</b>	<b>\$ 5,266,748</b>	<b>\$ 575,392</b>	<b>\$ 2,951,566</b>	<b>\$ 13,390,170</b>	<b>\$ 3,542,753</b>	<b>\$ 4,386,356</b>	<b>\$ 34,563,173</b>	<b>\$ 3,717,970</b>	<b>\$ 38,281,143</b>

**Entrepreneurs' Organization and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	Program services							Total Program Services	Management and General	Total
	Conferences and Forums	Learning and Leadership	Executive Education	Global Leadership Conference	Chapter Development	Communications	Information Systems Development			
Catering/AV/meeting space	\$ 2,439,645	\$ 294,012	\$ 1,289,693	\$ 3,240	\$ 1,271,017	\$ 207,373	\$ -	\$ 5,504,980	\$ 230,279	\$ 5,735,259
Chapter and regional growth and support	173,636	686,839	(8,967)	2,950	3,014,977	(46,088)	-	3,823,347	135,000	3,958,347
Computer systems	1,617	7,587	-	20	48,442	5,436	989,132	1,052,234	27,928	1,080,162
Credit card and bank charges	52,707	-	39,943	-	75,291	-	-	167,941	1,103,578	1,271,519
Depreciation	12,589	8,512	1,788	4,506	22,030	9,584	4,649	63,658	7,867	71,525
Digital media	-	26,021	-	-	-	-	-	26,021	-	26,021
Facilitator/speaker fees and travel	2,102,073	313,300	120,054	113,337	1,398,678	3,330	-	4,050,772	-	4,050,772
Gifts and awards	12,130	128,107	12,740	106	69,688	222,292	-	445,063	16,302	461,365
Legal fees	-	-	-	-	2,128	-	-	2,128	66,716	68,844
Occupancy	108,576	73,412	15,423	38,865	190,010	82,666	40,099	549,051	67,860	616,911
Operating supplies	7,545	2,721	2,672	-	5,622	264	-	18,824	51,220	70,044
Optional activities	-	-	-	-	6,140	9,272	-	15,412	16,287	31,699
Professional services	222,768	473,660	17,350	44,300	951,928	418,190	1,077,891	3,206,087	820,615	4,026,702
Personalizations	7,892	60,648	3,041	44,148	78,263	9,369	117	203,478	58,428	261,906
Postage and mailing	35,715	3,406	1,939	302	23,102	5,027	-	69,491	19,428	88,919
Printing and design	11,189	3,160	373	-	8,322	22,127	-	45,171	2,024	47,195
PR/Ads/Marketing	746	83,940	3,800	-	76,991	106,670	-	272,147	2,290	274,437
Staffing	2,079,018	1,405,700	295,315	744,194	3,638,282	1,582,889	767,819	10,513,217	1,299,386	11,812,603
Taxes	1,132	765	161	405	1,981	862	418	5,724	707	6,431
Telephone and fax	34,125	23,073	4,847	12,215	59,718	25,981	12,603	172,562	21,328	193,890
Travel and transportation	155,237	248,378	29,423	108,350	1,158,763	140,211	46,225	1,886,587	451,953	2,338,540
<b>Total expenses</b>	<b>\$ 7,458,340</b>	<b>\$ 3,843,241</b>	<b>\$ 1,829,595</b>	<b>\$ 1,116,938</b>	<b>\$ 12,101,373</b>	<b>\$ 2,805,455</b>	<b>\$ 2,938,953</b>	<b>\$ 32,093,895</b>	<b>\$ 4,399,196</b>	<b>\$ 36,493,091</b>

See Notes to Consolidated Financial Statements.

## Entrepreneurs' Organization and Subsidiary

### Consolidated Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Membership dues received	\$ 49,425,384	\$ 20,023,442
Conferences and forums revenue received	2,909,221	431,463
Other income received	1,265,232	1,288,933
Payments to vendors, suppliers and employees	(36,023,343)	(43,286,779)
Refunds to members for conference registrations	-	(1,154,929)
Net cash provided by (used in) operating activities	17,576,494	(22,697,870)
Cash flows from investing activities		
Purchase of investments	(21,872,526)	(50,309,690)
Proceeds from sales of investments	23,819,779	55,900,855
Net cash provided by investing activities	1,947,253	5,591,165
Cash flows from financing activities		
Proceeds from loan payable	-	1,377,752
Net cash provided by financing activities	-	1,377,752
Net increase (decrease) in cash and cash equivalents	19,523,747	(15,728,953)
Cash and cash equivalents, beginning of year	7,352,024	23,080,977
Cash and cash equivalents, end of year	\$ 26,875,771	\$ 7,352,024
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (4,453,869)	\$ 9,843,814
Adjustments		
Depreciation	6,028	71,525
Amortization of right of use asset	385,993	385,994
Realized and unrealized (gain) loss on investments	423,096	(818,659)
Paycheck Protection Program loan forgiveness	(1,377,752)	-
(Increase) decrease in assets		
Accounts and contributions receivable	(9,068)	168,139
Prepaid expenses	(419,106)	428,649
Security deposits	38,401	(103,404)
Increase (decrease) in liabilities		
Accounts payable	2,662,815	(7,195,790)
Future lease obligation	(416,331)	(380,662)
Deferred revenue	20,736,287	(25,097,476)
Net cash provided by (used in) operating activities	\$ 17,576,494	\$ (22,697,870)
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, 2021 and 2020**

#### **Note 1 - Organizations**

Entrepreneurs' Organization ("EO") - 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 209 chapters, spanning 63 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 15,221 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 the 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.

##### **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.

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2021 and 2020**

#### **Investments**

Investments consist of corporate obligations, government obligations, mutual funds - fixed income, stocks and exchange traded funds, foreign bonds 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 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, 2021 and 2020.

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 on pledges receivable for the years ended June 30, 2021 and 2020 was \$0.

#### **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, 2021 and 2020, 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 two categories: with donor restrictions and without donor restrictions.

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2021 and 2020**

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, 2021 and June 30, 2020, board designated net assets are to be used for the following areas: The Ten regions, Infrastructure, Accelerator, Regional Chapter Model (Bridge Chapters), Together Fund and Member Reinvestment Fund ("600 per member credit"). 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.

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 are currently \$2,500 and 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 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, 2021 and 2020**

#### **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 \$924,799 and \$274,437 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020. 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 2017 remain open.

#### **Adoption of new accounting pronouncement**

During the year ended June 30, 2021, EO adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which EO expects to be entitled in exchange for those goods or services. EO implemented the provisions of ASU 2014-19 under the modified retrospective basis. Adopting the new standard did not have a material effect on the timing of EO's revenue recognition for the years ending June 30, 2021 and 2020.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### Reclassifications

Certain reclassifications were made to the 2020 amounts to conform with the 2021 presentation.

#### Subsequent events

EO has evaluated subsequent events for potential recognition or disclosure through March 18, 2022, the date the consolidated financial statements were available to be issued.

#### Note 3 - Liquidity

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, 2021 and 2020, 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,	
	2021	2020
Financial assets		
Cash and cash equivalents	\$ 26,875,771	\$ 7,352,024
Investments	33,475,248	35,845,597
Accounts receivable	129,718	120,650
	<u>60,480,737</u>	<u>43,318,271</u>
Less: Those unavailable for general expenditure within one year due to:		
Board-designated funds	<u>4,453,914</u>	<u>19,315,993</u>
	<u>4,453,914</u>	<u>19,315,993</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 56,026,823</u>	<u>\$ 24,002,278</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, 2021 that exceeded the federally insured limit by approximately \$22,275,000.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### Note 5 - Investments

Investments consist of the following:

	June 30,	
	2021	2020
Certificates of deposit	\$ -	\$ 11,742,973
Stocks and exchange traded funds	406,583	-
Corporate obligations	13,905,395	11,073,392
Government obligations	5,784,429	6,851,066
Corporate mortgage/asset backed securities	537,733	260,478
Mutual funds - fixed income	9,487,347	2,560,000
Foreign bonds	3,353,761	3,357,688
	<u>\$ 33,475,248</u>	<u>\$ 35,845,597</u>

Investment income consists of:

	Year ended June 30,	
	2021	2020
Interest income	\$ 891,965	\$ 1,011,117
Unrealized gain on investments	130,346	528,411
Realized gain (loss) on investments	(553,442)	290,248
	<u>\$ 468,869</u>	<u>\$ 1,829,776</u>

#### Note 6 - Prepaid expenses

Prepaid expenses consist of the following:

	June 30,	
	2021	2020
GLC hotel	\$ 362,699	\$ -
Other prepaid expenses	128,356	71,949
	<u>\$ 491,055</u>	<u>\$ 71,949</u>

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### Note 7 - Property and equipment

Property and equipment consist of the following:

	June 30,	
	2021	2020
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	(1,685,413)	(1,679,385)
Net property and equipment	\$ -	\$ 6,028

Depreciation expense totaled \$6,028 and \$71,525 for the years ended June 30, 2021 and 2020, 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,	
	2021	2020
Dues	\$ 26,171,945	\$ 7,377,793
Events	3,611,169	2,419,134
Entrepreneurial Masters Program	306,750	316,750
Initiation fees	3,699,276	2,939,176
	\$ 33,789,140	\$ 13,052,853

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### Note 9 - Net assets

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

	June 30,	
	2021	2020
Board designated		
Infrastructure	\$ 517,825	\$ 2,550,854
Regional Chapter Model (Bridge Chapters)	-	100,000
Accelerator	251,600	600,000
Together Fund	-	6,000,000
Member Reinvestment Fund (\$600 per member credit)	-	7,500,000
Innovation Fund	1,198,607	729,211
Additional regional COVID funds	1,628,770	-
US east region	125,000	268,422
US central region	22,124	186,766
US west region	100,937	296,213
LAC region	112,727	95,580
Canada region	125,000	189,197
Europe region	111,380	113,291
MEPA region	7,887	97,432
South Asia region	75,176	311,600
APAC region	108,153	135,851
North Asia region	68,728	141,576
	4,453,914	19,315,993
Undesignated	16,465,672	6,057,462
Total net assets without donor restrictions	\$ 20,919,586	\$ 25,373,455

#### Note 10 - Other income

Other income consists of the following:

	Year ended June 30,	
	2021	2020
Royalties	\$ 231,441	\$ 276,518
Miscellaneous revenue	141,826	1,298
	\$ 373,267	\$ 277,816

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### Note 11 - Loan payable

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, 2021 and 2020.

The lease offers EO a renewal option to extend the lease for an additional three years, which management does not deem likely at this time. 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.

The office lease is accounted for in accordance with FASB ASU No. 2016-02, Leases. As a result, EO has recorded a future lease obligation liability equal to the present value of the future payments under the terms of the lease, discounted at an estimated organizational incremental borrowing rate of 6.00%. This liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. EO has also recorded a right of use asset equal to the lease obligation. 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. Occupancy expense for the years ended June 30, 2021 and 2020 was \$463,580 and \$616,911, respectively.

The following table represents the reconciliation of the right of use asset as of June 30, 2021:

Right of use asset, July 1, 2019	\$ 1,511,808
Amortization of right of use asset	<u>(385,994)</u>
Right of use asset, June 30, 2020	1,125,814
Amortization of right of use asset	<u>(385,993)</u>
Right of use asset, June 30, 2021	<u><u>\$ 739,821</u></u>

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

Future minimum lease payments under the lease are as follows:

<u>Year ending June 30,</u>		
2022	\$	496,652
2023		<u>466,166</u>
Total		962,818
Amount representing interest		<u>(55,907)</u>
Total future lease obligation	\$	<u><u>906,911</u></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, 2021 and 2020, EO's contributions to the Plan totaled \$275,687 and \$188,484, respectively.

#### Note 14 - Related party transactions

The outstanding receivable from Entrepreneurs Organisation Europe Limited to EO was \$0 and \$23,208 at June 30, 2021 and 2020, respectively. The amount to be reimbursed to and from Entrepreneurs Organisation Europe Limited has been eliminated in consolidation at June 30, 2021 and 2020.

#### Note 15 - Commitments

EO has contracted with a hotel in National Harbor, Maryland for a conference to be held in a future year. Cancellation fees would apply if the conference was not held. However, due to the numerous variables involved, EO's ultimate liability under this contract cannot be determined; however, the estimated costs range from \$0 to \$1,110,000, depending on the nature and timing of the cancellation. As of June 30, 2021, there are no plans to cancel any future conferences or meetings.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2021 and 2020

#### 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 ("ASC"). Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 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, 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>
<u>June 30, 2020</u>				
Assets				
Certificates of deposit	\$ 11,742,973	\$ -	\$ 11,742,973	\$ -
Corporate obligations	11,073,392	-	11,073,392	-
Government obligations	6,851,066	-	6,851,066	-
Corporate mortgage/asset backed securities	260,478	-	260,478	-
Mutual funds - Fixed Income	2,560,000	2,560,000	-	-
Foreign bonds	3,357,688	-	3,357,688	-
	<u>\$ 35,845,597</u>	<u>\$ 2,560,000</u>	<u>\$ 33,285,597</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 17 - 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. During the year ended June 30, 2021, EO did not hold any in-person events. 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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