

**Entrepreneurs' Organization and Subsidiary**

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

**June 30, 2023 and 2022**

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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

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, 2023 and 2022, 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, 2023 and 2022, 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 10, 2024

**Entrepreneurs' Organization and Subsidiary**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 16,751,638	\$ 39,000,866
Investments - Note 5	49,084,231	30,986,892
Accounts and contributions receivable, net	1,480,468	57,698
Prepaid expenses - Note 6	1,928,227	707,543
Operating lease right of use asset - Note 12	1,556,956	353,829
Deposits	331,861	388,787
	<u>71,133,381</u>	<u>71,495,615</u>
Total assets	<u>\$ 71,133,381</u>	<u>\$ 71,495,615</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 8,727,876	12,881,982
Deferred revenue - Note 8	43,895,856	40,712,955
Operating lease obligation - Note 12	1,561,657	452,403
	<u>54,185,389</u>	<u>54,047,340</u>
Total liabilities	<u>54,185,389</u>	<u>54,047,340</u>
Net assets		
Without donor restrictions		
Board designated - Note 9	1,533,063	1,714,687
Undesignated - Note 9	15,414,929	15,733,588
	<u>16,947,992</u>	<u>17,448,275</u>
Total net assets	<u>16,947,992</u>	<u>17,448,275</u>
Total liabilities and net assets	<u>\$ 71,133,381</u>	<u>\$ 71,495,615</u>

See Notes to Consolidated Financial Statements.

## Entrepreneurs' Organization and Subsidiary

### Consolidated Statements of Activities and Change in Net Assets Years Ended June 30, 2023 and 2022

	2023	2022
Revenue		
Membership dues	\$ 45,089,292	\$ 37,993,031
Initiation fees	7,649,700	5,087,527
Conferences and forums	8,222,925	7,014,390
Other income - Note 10	762,965	297,693
Investment income (loss) - Note 5	721,413	(1,496,231)
Loss contingency - Note 14	(1,811,199)	-
Total revenue	60,635,096	48,896,410
Expenses		
Program services		
Member delivery	14,676,648	16,657,036
Brand and growth	5,633,367	4,242,554
Products and programs	13,760,968	10,248,028
Conferences and executive education programs	7,204,476	5,136,687
Information systems development	5,846,213	4,448,918
Global leadership conference	5,666,814	6,023,046
Total program services	52,788,486	46,756,269
Supporting services		
Management and general	8,346,893	5,611,452
Total expenses	61,135,379	52,367,721
Change in net assets	(500,283)	(3,471,311)
Net assets - without donor restrictions, beginning of year	17,448,275	20,919,586
Net assets - without donor restrictions, end of year	\$ 16,947,992	\$ 17,448,275

See Notes to Consolidated Financial Statements.

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

	Program services						Management and general	Total	
	Member delivery	Brand and growth	Products and programs	Conferences and executive education programs	Information systems development	Global leadership conference			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
<b>Total expenses</b>	<b>\$ 14,676,648</b>	<b>\$ 5,633,367</b>	<b>\$ 13,760,968</b>	<b>\$ 7,204,476</b>	<b>\$ 5,846,213</b>	<b>\$ 5,666,814</b>	<b>\$ 52,788,486</b>	<b>\$ 8,346,893</b>	<b>\$ 61,135,379</b>

See Notes to Consolidated Financial Statements.

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

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

See Notes to Consolidated Financial Statements.

## Entrepreneurs' Organization and Subsidiary

### Consolidated Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Membership dues received	\$ 55,358,573	\$ 46,873,752
Conferences and forums revenue received	7,363,475	10,217,052
Other income received	1,616,166	902,455
Payments to vendors, suppliers and employees	(66,547,116)	(46,255,506)
Loss contingency	(1,811,199)	-
	<u>(4,020,101)</u>	<u>11,737,753</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of investments	(22,591,011)	(8,528,571)
Proceeds from sales of investments	4,361,884	8,915,913
	<u>(18,229,127)</u>	<u>387,342</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(22,249,228)	12,125,095
Cash and cash equivalents, beginning of year	<u>39,000,866</u>	<u>26,875,771</u>
Cash and cash equivalents, end of year	<u>\$ 16,751,638</u>	<u>\$ 39,000,866</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (500,283)	\$ (3,471,311)
Adjustments		
Bad debt expense	-	50,000
Amortization of operating lease right of use asset	359,530	385,992
Net realized and unrealized loss on investments	131,788	2,100,993
(Increase) decrease in assets		
Accounts and contributions receivable	(1,422,770)	22,041
Prepaid expenses	(1,220,684)	(216,488)
Deposits	56,926	(235,705)
Increase (decrease) in liabilities		
Accounts payable	(4,154,106)	6,632,924
Operating lease obligation	(453,403)	(454,508)
Deferred revenue	3,182,901	6,923,815
	<u>\$ (4,020,101)</u>	<u>\$ 11,737,753</u>
Net cash provided (used in) operating activities		
Noncash financing activity		
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 1,377,752</u>
Supplementary disclosure of cash flow information		
Right-of-use asset acquired in exchange for operating lease liability	<u>\$ 1,562,657</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### **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 220 chapters, spanning 76 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 18,336 members. Membership in Entrepreneurs' Organization is by invitation only and is subject to approval by both Global Support Services and the sponsoring local chapter. Prospective Entrepreneurs' Organization members must be a founder, co-founder, owner or controlling shareholder of a business with gross annual revenue exceeding US \$1 million.

Entrepreneurs Organisation Europe Limited is a for-profit entity formed by Entrepreneurs' Organization to organize, promote and hold previously contemplated events that as a primary focus deliver high standards of entrepreneurial education and/or that promote personal growth and networking amongst attendees. Entrepreneurs Organisation Europe Limited was incorporated in the United Kingdom in March 2016 and Entrepreneurs' Organization is the sole Global Member of the organization. As a global member, Entrepreneurs' Organization has an economic interest in Entrepreneurs Organisation Europe Limited as well as control of the board of directors and therefore, Entrepreneurs Organisation Europe Limited is consolidated with Entrepreneurs' Organization. Entrepreneurs Organisation Europe Limited was dissolved on August 3, 2022 and as of June 30, 2023 there was no financial activity.

#### **Note 2 - Summary of significant accounting policies**

##### **Basis of accounting**

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

##### **Principles of consolidation**

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

##### **Use of estimates**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### **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. Accounts receivable are comprised primarily of contributions and 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, 2023 and 2022, 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 and \$50,000, respectively, for the years ended June 30, 2023 and 2022.

#### **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, 2023 and 2022, 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, 2023, EO had vacated its old office space due to the lease expiring and had not yet acquired property and equipment or leasehold improvements.

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### **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, 2023 and June 30, 2022, 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, 2023 and 2022, 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 year ended June 30, 2023, and \$3,000 during the year ended June 30, 2022. The initiation fees contain three performance obligations. \$500 is recorded as deferred revenue and applied to revenue when the member attends their training on forum. If the member does not go through forum training within two years, the \$500 is recorded as revenue. An additional \$500 of the initiation fee is recorded as deferred revenue for conference registrations. The balance of the initiation fees is recognized upon admittance, which represents the satisfaction of the performance obligation.

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

Contributions are classified as either conditional or unconditional. Revenue is recognized on a conditional contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from obligation to fund or has the right of return of any advanced funding if EO fails to overcome the barrier. Unconditional contributions are recognized as revenue when the commitment to contribute is received. Contributions are recorded as net assets without 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, 2023 and 2022**

#### **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, 2023 or 2022.

#### **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 \$943,180 and \$623,571 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022. 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 2019 remain open.

#### **Subsequent events**

EO has evaluated subsequent events for potential recognition or disclosure through May 10, 2024, the date the consolidated financial statements were available to be issued, and determined that other than as disclosed in Note 14, there are no events to be recognized or disclosed in the consolidated financial statements.

#### **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.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

The following table reflects EO's financial assets at June 30, 2023 and 2022, 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,	
	2023	2022
Financial assets		
Cash and cash equivalents	\$ 16,751,638	\$ 39,000,866
Investments	49,084,231	30,986,892
Accounts and contributions receivable	1,480,468	57,698
	<u>67,316,337</u>	<u>70,045,456</u>
Less: Those unavailable for general expenditure within one year due to:		
Board-designated funds	<u>1,533,063</u>	<u>1,714,687</u>
	<u>1,533,063</u>	<u>1,714,687</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 65,783,274</u>	<u>\$ 68,330,769</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, 2023 that exceeded the federally insured limit by approximately \$12,718,000.

#### Note 5 - Investments

Investments consist of the following:

	June 30,	
	2023	2022
Stocks and exchange traded funds	\$ 1,511,843	\$ 1,337,917
Certificate of Deposit	6,502,115	-
Corporate obligations	10,602,533	11,986,363
Government obligations	8,864,056	7,771,265
Corporate mortgage/asset backed securities	725,356	270,597
Mutual funds - fixed income	18,302,440	7,038,688
Foreign bonds	2,575,888	2,582,062
	<u>\$ 49,084,231</u>	<u>\$ 30,986,892</u>

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

Investment income (loss) consists of:

	June 30,	
	2023	2022
Stocks and exchange traded funds	\$ 1,511,843	\$ 1,337,917
Certificate of Deposit	6,502,115	-
Corporate obligations	10,602,533	11,986,363
Government obligations	8,864,056	7,771,265
Corporate mortgage/asset backed securities	725,356	270,597
Mutual funds - fixed income	18,302,440	7,038,688
Foreign bonds	2,575,888	2,582,062
	\$ 49,084,231	\$ 30,986,892

#### Note 6 - Prepaid expenses

Prepaid expenses consist of the following:

	June 30,	
	2023	2022
Global Events	\$ 517,500	\$ -
Regional Events	684,206	511,613
Executive Education	330,780	-
GLC	99,647	-
MyEO Premier Events	52,712	-
Portfolio Meetings	102,044	-
Others	141,338	195,930
	\$ 1,928,227	\$ 707,543

#### Note 7 - Property and equipment

Property and equipment consist of the following:

	June 30,	
	2023	2022
Computer equipment	\$ -	\$ 255,661
Computer software	-	509,047
Furniture, fixtures and other equipment	-	34,937
Leasehold improvements	-	885,768
	-	1,685,413
Less accumulated depreciation and amortization	-	(1,685,413)
Net property and equipment	\$ -	\$ -

Depreciation expense totaled \$0 and \$0 for the years ended June 30, 2023 and 2022, respectively.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

#### 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,	
	2023	2022
Membership dues	\$ 33,249,996	\$ 30,972,395
Conferences and forums	7,394,860	5,931,534
Entrepreneurial Masters Program	217,000	226,000
Initiation fees	3,034,000	3,583,026
	<u>\$ 43,895,856</u>	<u>\$ 40,712,955</u>

#### Note 9 - Net assets

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

	June 30,	
	2023	2022
Board designated		
Innovation Fund	\$ 969,731	\$ 1,025,390
US east region	48,936	125,000
US west region	24,555	115,260
LAC region	84,110	65,940
Canada region	65,104	18,120
Europe region	51,053	74,798
MEPA region	125,000	20,865
South Asia region	39,574	31,338
APAC region	125,000	125,000
North Asia region	-	112,976
	<u>1,533,063</u>	<u>1,714,687</u>
Undesignated	<u>15,414,929</u>	<u>15,733,588</u>
Total net assets without donor restrictions	<u>\$ 16,947,992</u>	<u>\$ 17,448,275</u>

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

#### Note 10 - Other income

Other income consists of the following:

	Year ended June 30,	
	2023	2022
Royalties	\$ 696,793	\$ 213,998
Grant	38,049	-
Miscellaneous revenue	28,123	83,695
	<u>\$ 762,965</u>	<u>\$ 297,693</u>

#### Note 11 - 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.

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, 2023 and 2022 at \$461,142 and \$431,726, respectively.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

The following table represents the reconciliation of the Operating lease right of use asset as of June 30, 2023:

Operating lease right-of-use asset, July 1, 2021	\$	739,821
Amortization of operating lease right of use asset		<u>(385,992)</u>
Operating lease right-of-use asset, June 30, 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	\$	<u>1,556,956</u>
Other information		
Cash paid for amounts included in the measurement of lease obligations		
Operating cash flows for operating leases	\$	456,725
Weighted-average remaining lease term		
Operating leases		9.8 years

Future minimum lease payments under the lease are as follows at June 30, 2023:

<u>Year ending June 30,</u>		
2024	\$	144,579
2025		178,184
2026		183,085
2027		187,689
2028		188,119
Thereafter		<u>998,013</u>
		1,879,669
Amount representing interest (3.61%)		<u>(318,012)</u>
Total future lease obligation	\$	<u>1,561,657</u>

#### Note 12 - 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, 2023 and 2022, EO's contributions to the Plan totaled \$418,726 and \$341,364, respectively.

## Entrepreneurs' Organization and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

#### Note 13 - 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, 2023 and 2022 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, 2023</u>				
Assets				
Stocks and exchange traded funds	\$ 1,511,843	\$ 1,511,843	\$ -	\$ -
Certificate of Deposit	6,502,115	-	6,502,115	-
Corporate obligations	10,602,533	-	10,602,533	-
Government obligations	8,864,056	-	8,864,056	-
Corporate mortgage/asset backed securities	725,356	-	725,356	-
Mutual funds - Fixed Income	18,302,440	18,302,440	-	-
Foreign bonds	2,575,888	-	2,575,888	-
	<u>\$ 49,084,231</u>	<u>\$ 19,814,283</u>	<u>\$ 29,269,948</u>	<u>\$ -</u>
<u>June 30, 2022</u>				
Assets				
Stocks and exchange traded funds	\$ 1,337,917	\$ 1,337,917	\$ -	\$ -
Corporate obligations	11,986,363	-	11,986,363	-
Government obligations	7,771,265	-	7,771,265	-
Corporate mortgage/asset backed securities	270,597	-	270,597	-
Mutual funds - Fixed Income	7,038,688	7,038,688	-	-
Foreign bonds	2,582,062	-	2,582,062	-
	<u>\$ 30,986,892</u>	<u>\$ 8,376,605</u>	<u>\$ 22,610,287</u>	<u>\$ -</u>

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 14 - 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; however, the estimated costs range from

## **Entrepreneurs' Organization and Subsidiary**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

\$0 to \$829,000, depending on the nature and timing of the cancellation. As of June 30, 2023, 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 and \$188,500 was compromised in July 2023. The incidents were discovered over multiple dates, including June 15, 2023, July 25, 2023, and August 3, 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 \$103,101 in June 2023, and in July 2023, October 2023, December 2023, and January 2024 recovered \$42,000, \$894,957, \$30,000, and \$117,337 respectively, from two of the banks who received fraudulent transfers. EO has recorded the \$1,084,294 recovered subsequent to year-end as accounts and contributions receivable in the accompanying consolidated statements of financial position at June 30, 2023, and loss contingency of \$1,811,199 in the accompanying consolidated statements of activities and change in net assets. EO is pursuing legal remedies against its bank to recover the remaining \$1,957,699 and interest as compensatory damages.



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