

Entrepreneurs' Organization and Subsidiary

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

June 30, 2017 and 2016

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Entrepreneurs' Organization and Subsidiary

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Entrepreneurs' Organization and Subsidiary ("EO"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entrepreneurs' Organization and Subsidiary as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Entrepreneurs' Organization 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CohnReznick LLP

Bethesda, Maryland
February 14, 2018

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 (with Comparative Totals for June 30, 2016)

	June 30,	
	2017	2016
<u>Assets</u>		
Assets		
Cash and cash equivalents	\$ 36,904,967	\$ 28,238,479
Short-term investments	5,305,350	1,605,100
Accounts and contributions receivable, net	693,328	733,702
Prepaid expenses - note 4	803,860	1,571,356
Property and equipment, net - note 5	477,391	793,085
Security deposits	104,077	51,200
	<u>\$ 44,288,973</u>	<u>\$ 32,992,922</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 6,072,271	\$ 4,439,162
Accrued expenses	2,485,296	1,616,937
Deferred revenue - note 6	28,251,899	20,320,463
Deferred lease incentives	245,712	343,997
	<u>37,055,178</u>	<u>26,720,559</u>
Net assets		
Unrestricted		
Board designated - note 8	1,428,526	351,469
Undesignated - note 8	5,523,682	5,539,321
	<u>6,952,208</u>	<u>5,890,790</u>
Temporarily restricted - note 9	243,587	343,573
Permanently restricted - note 10	38,000	38,000
	<u>7,233,795</u>	<u>6,272,363</u>
Total net assets	<u>7,233,795</u>	<u>6,272,363</u>
Total liabilities and net assets	<u>\$ 44,288,973</u>	<u>\$ 32,992,922</u>

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Consolidated Statements of Activities and Change in Net Assets Year Ended June 30, 2017 (With Summarized Comparative Totals for Year Ended June 30, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue					
Membership dues	\$ 23,772,575	\$ -	\$ -	\$ 23,772,575	\$ 22,808,212
Conferences and forums	8,793,875	-	-	8,793,875	8,655,249
Other income - note 7	274,280	14	-	274,294	305,114
Contributions	100,000	-	-	100,000	100,000
Net assets released from restriction	100,000	(100,000)	-	-	-
Total revenue	33,040,730	(99,986)	-	32,940,744	31,868,575
Expenses					
Program services					
Conferences and forums	7,455,859	-	-	7,455,859	6,733,141
Learning and leadership	3,379,691	-	-	3,379,691	3,408,443
Executive education	1,605,471	-	-	1,605,471	1,615,457
Global leadership conference	3,222,998	-	-	3,222,998	2,061,767
Chapter development	6,500,399	-	-	6,500,399	8,262,642
Communications	3,033,746	-	-	3,033,746	2,394,095
Information systems development	1,645,768	-	-	1,645,768	1,391,762
Supporting services					
Management and general	5,135,380	-	-	5,135,380	4,693,439
Total expenses	31,979,312	-	-	31,979,312	30,560,746
Change in net assets	1,061,418	(99,986)	-	961,432	1,307,829
Net assets, beginning of year	5,890,790	343,573	38,000	6,272,363	4,964,534
Net assets, end of year	\$ 6,952,208	\$ 243,587	\$ 38,000	\$ 7,233,795	\$ 6,272,363

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017
(With Summarized Comparative Totals for Year Ended June 30, 2016)

	Program Services							Management and General	2017 Total	Summarized 2016 Total	
	Conferences and Forums	Learning and Leadership	Executive Education	Global Leadership Conference	Chapter Development	Communications	Information Systems Development				Total
Accelerator program	\$ -	\$ -	\$ -	\$ -	\$ 1,140,420	\$ -	\$ -	\$ 1,140,420	\$ -	\$ 1,140,420	\$ 1,116,902
Catering	1,920,280	-	802,030	1,477,500	-	-	-	4,199,810	-	4,199,810	3,790,334
Chapter and regional growth and support	156,709	463,120	-	208,250	1,201,041	21,929	-	2,051,049	-	2,051,049	3,333,207
Computer systems	12,800	9,151	-	-	-	22,516	235,894	280,361	-	280,361	247,701
Credit card and bank charges	40,000	-	42,200	-	-	-	-	82,200	631,507	713,707	733,907
Depreciation	56,825	37,883	6,314	18,942	97,865	41,040	22,099	280,968	34,726	315,694	313,781
Digital media	39,828	135,943	-	-	-	64,368	-	240,139	-	240,139	230,960
Facilitator training fees	1,440,227	-	1,500	-	-	-	-	1,441,727	-	1,441,727	1,303,070
Facilitator travel expenses	707,022	106,777	2,876	60,000	-	-	-	876,675	-	876,675	632,624
Gifts and awards	14,190	-	-	25,000	398,886	-	-	438,076	33,631	471,707	472,688
Governance	54,085	181,296	-	-	-	-	-	235,381	970,681	1,206,062	1,236,028
GSEA	-	-	-	-	-	644,597	-	644,597	-	644,597	618,475
Healthnet and EOconnect	-	286,667	-	-	-	-	-	286,667	-	286,667	279,127
Legal fees	-	-	-	-	-	-	-	-	413,528	413,528	312,337
Meetings	302,437	14,882	-	-	110,572	11,191	-	439,082	896,259	1,335,341	1,478,841
Mentor program	-	202,142	-	-	-	-	-	202,142	-	202,142	159,370
Operating supplies	64,956	4,687	15,544	23,925	-	-	152,519	261,631	48,192	309,823	207,806
Optional activities	137,037	-	7,880	-	-	-	-	144,917	-	144,917	134,532
Professional services	110,200	-	210,000	395,000	-	195,712	409,416	1,320,328	204,735	1,525,063	1,142,559
Personalizations	45,707	246,857	-	20,000	39,047	131,929	-	483,540	-	483,540	528,931
Postage and mailing	-	-	-	20,000	29,760	97,685	-	147,445	83,486	230,931	229,723
Printing and design	4,421	-	-	-	-	120,492	-	124,913	20,000	144,913	143,551
PR/Ads/Marketing	100,000	183,549	-	-	-	355,021	-	638,570	-	638,570	510,028
Rent	74,052	49,368	8,228	24,684	127,534	53,482	28,798	366,146	45,254	411,400	376,666
Repairs and maintenance	33,481	22,321	3,720	11,160	57,661	24,180	132,506	285,029	20,460	305,489	128,556
Speaker fees/travel	303,056	-	299,820	44,700	-	-	-	647,576	-	647,576	872,613
Staffing	1,642,466	1,094,977	182,496	547,489	2,828,691	1,186,225	638,737	8,121,081	1,158,134	9,279,215	7,970,914
Taxes	2,508	1,672	279	836	4,320	1,812	975	12,402	1,533	13,935	14,413
Telephone and fax	-	-	-	-	60,710	-	-	85,534	84,297	169,831	132,491
Travel and transportation	193,572	338,399	22,584	345,512	403,892	61,567	-	1,365,526	488,957	1,854,483	1,909,611
Total expenses	\$ 7,455,859	\$ 3,379,691	\$ 1,605,471	\$ 3,222,998	\$ 6,500,399	\$ 3,033,746	\$ 1,645,768	\$ 26,843,932	\$ 5,135,380	\$ 31,979,312	\$ 30,560,746

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary
Consolidated Statements of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities		
Membership dues received	\$ 28,258,430	\$ 24,014,877
Contributions and grant payments received	100,000	100,000
Conferences and forums revenue received	12,279,830	7,747,832
Other income received	274,294	305,114
Payments to vendors, suppliers and employees	(28,545,816)	(30,795,577)
Net cash provided by operating activities	12,366,738	1,372,246
Cash flows from investing activities		
Purchase of short-term investments	(6,200,250)	(1,104,500)
Proceeds from sales of short-term investments	2,500,000	1,104,500
Purchase of property and equipment	-	(325,949)
Net cash used in investing activities	(3,700,250)	(325,949)
Net increase in cash and cash equivalents	8,666,488	1,046,297
Cash and cash equivalents, beginning of year	28,238,479	27,192,182
Cash and cash equivalents, end of year	\$ 36,904,967	\$ 28,238,479
Reconciliation of change in net assets to net		
Cash provided by operating activities		
Change in net assets	\$ 961,432	\$ 1,307,829
Adjustments		
Depreciation	315,694	313,781
(Increase) Decrease in assets		
Accounts and contributions receivable	40,374	(3,776)
Prepaid expenses	767,496	(920,473)
Security deposits	(52,877)	
Increase (decrease) in liabilities		
Accounts payable	1,633,109	40,098
Accrued expenses	868,359	430,048
Deferred revenue	7,931,436	303,024
Deferred lease incentives	(98,285)	(98,285)
Net cash provided by operating activities	\$ 12,366,738	\$ 1,372,246

See Notes to Consolidated Financial Statements.

Entrepreneurs' Organization and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2017

Note 1 - Organizations

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

With members in more than 170 chapters, spanning 53 countries, EO's rapidly expanding membership includes entrepreneurs from every size and type of business. EO membership continues to increase on an annual basis and is now over 12,500 members. Membership in EO is by invitation only and is subject to approval by both Global Support Services and the sponsoring local chapter. Prospective EO members must be a founder, co-founder, owner or controlling shareholder of a business with gross annual revenue exceeding US \$1 million.

Entrepreneurs Organisation Europe Limited is a for-profit entity formed by EO to organize, promote and hold previously contemplated events that as a primary focus deliver high standards of entrepreneurial education and/ or that promote personal growth and networking amongst attendees. Entrepreneurs Organisation Europe Limited was incorporated in United Kingdom in March 2016 and EO is the sole Global Member of the organization. As a global member, EO has an economic interest in Entrepreneurs Organisation Europe Limited as well as control of the board of directors and therefore, Entrepreneurs Organisation Europe Limited is consolidated with EO.

Note 2 - Summary of significant accounting policies

Basis of accounting

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

Principles of consolidation

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

Prior year information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional reporting area for the year ended June 30, 2016. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with EO's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

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Notes to Consolidated Financial Statements

June 30, 2017

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 market funds, are considered to be cash equivalents.

Short-term investments

Short-term investments consists primarily of certificates of deposit that are measured at fair value. Fair values for the certificates of deposit are determined by reference to market interest rates and other relevant information generated by market transactions. These inputs used to determine fair values are considered Level 2 inputs under generally accepted accounting principles (significant observable inputs other than quoted prices in active markets for identical assets).

Accounts and contributions receivable, net

Entrepreneurs' Organization records accounts receivable net of an allowance for uncollectible accounts when necessary. Accounts receivable are comprised primarily of conferences and forums receivables. The allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for uncollectible accounts once management determines an account, or a portion thereof, to be worthless. The allowance was \$27,000 at June 30, 2017 and 2016.

Contributions receivable represents unconditional promises to give cash to EO. The need for an allowance is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Unconditional promises to give that are expected to be collected in future years are recorded at their net present value, using risk-adjusted interest rates. Amortization of the present value discount on contributions receivable are reflected as contributions income on the consolidated statements of activities and change in net assets. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines a pledge, or a portion thereof, to be uncollectible. Management considers all pledges receivable to be fully collectible. Bad debt expense on pledges receivable for the years ended June 30, 2017 and 2016 was \$0. Payments of \$100,000 are due in each of the years ending June 30, 2018 and June 30, 2019.

Property and equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of the donation. Equipment under capital leases is recorded at the fair value of the equipment at the inception of the lease. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation of purchased assets and amortization of leasehold improvements are computed by the straight-line method over the lesser of the estimated useful lives or lease term. Amortization expense on leasehold improvements is included in depreciation expense in the consolidated statements of functional expenses. Certain costs of internally developed software and website development are

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Notes to Consolidated Financial Statements June 30, 2017

capitalized and amortized over the estimated useful lives of the software and website. For the year ended June 30, 2016, all acquisitions of property and equipment greater than \$2,000 with an expected useful life greater than one year were capitalized. For the year ended June 30, 2017, all acquisitions of property and equipment greater than \$5,000 with an expected useful life greater than one year were capitalized.

Net asset classification

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

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

Board Designated: Board designated net assets represent accumulated unspent budgeted amounts designated to be used by the nine regions to pursue organizational priorities and enhance member value. As of June 30, 2017, there was \$1,428,526 of board designated funds for this purpose. As of June 30, 2016, EO's Board of Directors designated unrestricted net assets totaling \$351,469 to be reserved to support future operating needs.

Temporarily restricted net assets: EO reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

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

EO has established a Lifetime Trustee Program. Under the terms of this program, a maximum of 10 individuals may donate up to \$15,000 each to EO with the stipulation that the principal amounts donated be held in perpetuity while the income generated from the principal be used for the general purposes of EO. As of June 30, 2017 and 2016, a total of \$38,000 has been contributed to EO under the Lifetime Trustee Program.

Revenue recognition

Membership dues are reported as revenue in the year to which they pertain. Initiation fees are currently \$2,200, of which \$500 is recorded as deferred revenue and applied to revenue when the member attends forum training. If the member does not go through forum training within two years, the \$500 is recorded as revenue. An additional \$500 of the initiation fee is recorded as deferred revenue for conference registrations. Conference registrations are recognized in the year in which the conference is held.

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

Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net

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Notes to Consolidated Financial Statements

June 30, 2017

assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

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

In-kind contributions

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

Functional expenses

The costs of providing the various programs of EO have been summarized on a functional basis in the consolidated statements of activities and change in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs

EO expenses advertising costs when incurred. Advertising expense was \$71,926 and \$188,780 for the years ended June 30, 2017 and 2016, respectively.

Income tax status

EO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRS"). Due to its tax exempt status, EO is not subject to income taxes on revenue that is generated related to its exempt purpose. EO is required to file and does file tax returns with the IRS and other taxing authorities. Income from certain activities not directly related to EO's tax-exempt purpose is subject to taxation as unrelated business income. During year ended June 30, 2017 and 2016, 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, 2017 and 2016. 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 2013 remain open.

Reclassifications

Certain reclassifications have been made to the 2016 amounts to conform to the 2017 presentation.

EO has identified an error in its recording of regionally allocated funds, which had previously been recorded as a liability (accounts payable). As a result, accounts payable was overstated in EO's consolidated financial statements as of and for the year ended June 30, 2016. However, EO has determined that those misstatements were immaterial to its consolidated financial statements and has therefore, corrected the historical impact of this error currently in the fiscal year ended June 30, 2017. Accordingly, accounts payable and total expenses in the consolidated statement of financial position and consolidated statement of activities and change in net assets, respectively, at and for the year ended June 30, 2017, include a cumulative out of period adjustment of \$725,000 to correct

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Notes to Consolidated Financial Statements June 30, 2017

the aforementioned error. Further, EO has determined that this cumulative out of period adjustment is not material to its consolidated financial statements for the year ended June 30, 2017.

Subsequent events

EO has evaluated subsequent events for potential recognition or disclosure through February 14, 2018, the date the consolidated financial statements were available to be issued.

Note 3 - Concentration of credit risk

EO maintains its cash in bank accounts which at times may exceed the federally insured limit of \$250,000 per financial institution. EO had balances on deposit at June 30, 2017 that exceeded the federally insured limit by approximately \$34,000,000.

Note 4 - Prepaid expenses

Prepaid expenses consist of the following as of June 30, 2017 and 2016:

	2017	2016
EO UK	\$ -	\$ 990,361
Strategy Summit	218,984	205,662
University One	122,273	-
Family Conference	20,594	-
Credit card fees on renewals	85,940	177,935
Global staff week	221,661	67,349
Rent	48,705	45,420
President meeting hotel deposit	-	36,063
Other prepaid expenses	85,703	48,566
	<u>\$ 803,860</u>	<u>\$ 1,571,356</u>

Note 5 - Property and equipment

Property and equipment, at cost, net of accumulated depreciation and amortization at June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Computer Equipment	\$ 240,594	\$ 240,594
Computer Software	509,047	509,047
Furniture, Fixtures and Other Equipment	34,937	34,937
Leasehold Improvements	888,138	888,138
	<u>1,672,716</u>	<u>1,672,716</u>
Less: Accumulated Depreciation and Amortization	<u>(1,195,325)</u>	<u>(879,631)</u>
Net Property and Equipment	<u>\$ 477,391</u>	<u>\$ 793,085</u>

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Notes to Consolidated Financial Statements June 30, 2017

Depreciation expense totaled \$315,694 and \$313,781 for the years ended June 30, 2017 and 2016, respectively.

Note 6 - Deferred revenue

EO has deferred revenue related to its programs. The following represents revenue that was deferred as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dues	\$ 22,924,128	\$ 18,448,023
Events	4,993,021	1,548,440
Entrepreneurial Masters Program	207,000	206,000
Initiation Fees	127,750	118,000
	<u>\$ 28,251,899</u>	<u>\$ 20,320,463</u>

Note 7 - Other revenue

Other revenue consists of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Royalties	\$ 215,557	\$ 120,285
Interest	44,196	47,351
Marketplace	9,078	14,000
Miscellaneous revenue	5,463	23,288
Tag Watch program	-	80,287
YLAI program	-	19,903
	<u>\$ 274,294</u>	<u>\$ 305,114</u>

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**Notes to Consolidated Financial Statements
June 30, 2017**

Note 8 - Unrestricted net assets

Unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Board designated		
Future operating needs	\$ -	\$ 351,469
US east region	200,000	-
US central region	210,000	-
US west region	106,000	-
LAC region	75,000	-
Canada region	117,000	-
Europe region	190,000	-
MEPA region	77,000	-
South Asia region	182,526	-
APAC region	271,000	-
	<u>1,428,526</u>	<u>351,469</u>
Undesignated	<u>5,523,682</u>	<u>5,539,321</u>
Total unrestricted net assets	<u>\$ 6,952,208</u>	<u>\$ 5,890,790</u>

Note 9 - Temporarily restricted net assets

EO has established an endowment fund to financially support EO to fund special organizational projects. In addition, EO has unexpended amounts restricted to support future programmatic activities to be determined. Temporarily restricted net assets as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Endowment Fund	\$ 39,377	\$ 39,377
Unexpended Contributions:		
Global Student Entrepreneur Awards	200,000	300,000
Unexpended Endowment Interest	4,210	4,196
	<u>\$ 243,587</u>	<u>\$ 343,573</u>

Note 10 - Endowment fund

During the year ended June 30, 2000, the Board of Directors of EO established a separate fund within EO called the Endowment Fund, also referenced as the Lifetime Trustee Program. The assets of the Endowment Fund are to be used to financially support EO by funding specific projects in specific program areas such as communications, information systems development, member products, and conferences and forums. All contributions received to date have been reported as increases in temporarily restricted net assets.

The Board of Directors have interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA"), as enacted into law in Virginia during October 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent

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explicit donor stipulations to the contrary. As a result of this interpretation, EO classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment, and (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by EO in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, EO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of EO and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of EO
- (7) The investment policies of EO

Return objectives and risk parameters

EO has invested its endowment assets in a manner that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce approximately 0.25 percent. Actual returns in a given year may vary from this amount.

Spending policies of the endowments

EO allocates the investment income generated by the endowment each year based on the purpose of the endowment, based on the donor's request. If the donor does not specify a purpose of the income generated from their permanently restricted endowment, the income is used for general support. EO did not use the investment income for general operations during 2017 or 2016.

Note 11 - Leasing activities

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

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

<u>Year Ending June 30,</u>		
2018	\$	498,144
2019		511,868
2020		<u>259,401</u>
Total	\$	<u>1,269,413</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, 2017 and 2016, EO's contributions to the Plan totaled \$123,408 and \$95,351, respectively.

Note 13 - Related party transactions

During the year ended June 30, 2017 and 2016, EO expended (net of revenues collected) \$142,895 and \$990,361, respectively, on behalf of Entrepreneurs Organisation Europe Limited for expenses for the event held in London in September 2016. The total amount expended for the year ended June 30, 2016 is included in prepaid expenses in the accompanying consolidated statements of financial position at June 30, 2016. The outstanding receivable from Entrepreneurs Organisation Europe Limited to EO was \$869,073 and \$990,361 at June 30, 2017 and 2016, respectively. The amount to be reimbursed from Entrepreneurs Organisation Europe Limited has been eliminated in consolidation at June 30, 2017 and 2016.

Note 14 - Commitments

EO has contracted with hotels in various cities for meetings to be held in future years. Cancellation fees would apply if these conferences are not held. However, due to the numerous variables involved, the EO's ultimate liability under these contracts cannot be determined; however, the estimated costs range from \$0 to \$835,000, depending on the nature, timing and number of meeting cancellations. As of June 30, 2017, there are no plans to cancel any future conferences or meetings.

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