

December 6, 2018

To the Board of Directors
Entrepreneurs' Organization
500 Montgomery Avenue, Suite 700
Alexandria, Virginia 22314

In planning and performing our audit of the consolidated financial statements of Entrepreneurs' Organization and Subsidiary (the "EO") as of and for the year ended June 30, 2018 in accordance with auditing standards generally accepted in the United States of America, we considered EO's internal control over financial reporting ("internal control") as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of EO's internal control. Accordingly, we do not express an opinion on the effectiveness of EO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of EO's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We do have the following informational comments for your consideration:

Industry Update: Revenue Recognition for Grants and Contributions

As we noted last year in our communications to the Board, the FASB recently issued updates to the new standard on revenue recognition that will become effective in 2019. Earlier this summer, the FASB issued Accounting Standards Update ("ASU") 2018-08, which clarifies the accounting for grants and contributions by providing a framework for determining whether a grant or contribution is a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. The standard is effective for annual periods beginning after December 15, 2018. We will provide you with further guidance on this newly-issued standard in the coming months.

Industry Update: Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law. The following are some of the more significant effects of the Tax Act on not-for-profit organizations:

- *Income Tax Rates* - The Tax Act modified the U.S. federal corporate tax rate structure from a graduated rate structure with a maximum rate of 35% to a flat rate of 21%.

- *Unrelated Business Taxable Income* - Not-for-Profits will now need to calculate net unrelated business income separately with respect to each unrelated trade or business. Each line of business needs to stand alone and income and losses from each can no longer be netted against one another. Similarly, a net operating loss ("NOL") resulting from an activity is only allowed to be utilized with respect to the trade or business from which it arose. Additionally, NOL's generated for 2018 tax years and beyond can no longer be carried back but can be carried forward indefinitely. Utilization of a NOL will be limited to 80% of taxable income. Special transition rules will apply for NOL's carried forward from tax years prior to 2018.
- *Excise Tax on Executive Compensation* - For years beginning after December 31, 2017, tax exempt organizations will now be required to pay a 21% excise tax on compensation that is paid to "covered employees" that exceeds \$1 million. Compensation includes certain types of vested deferred compensation. The excise tax can also apply to "excess parachute payments" paid upon separation from service in some cases.
- *Fringe Benefits* - The Tax Act changes the treatment of various employer-paid fringe benefits such as qualified transportation and, potentially, parking benefits. Under the Tax Act, if a not-for-profit employer pays directly for an employee's transportation benefits, the employer will report as unrelated business taxable income the total amount of the benefits, which will then be subject to the 21% corporate tax rate. Similarly, if these benefits are paid by employees on a pretax basis, the not-for-profit will include these in the calculation as well.

It is important to note, that the Internal Revenue Service has not issued regulations on the new law. Limited guidance has been issued thus far. We will continue to monitor new developments and will provide you updates as we receive them.

This communication is intended solely for the information and use of management and the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us during the audit. If you have any questions or comments concerning the items contained in this letter, we will be happy to discuss them with you at your convenience.

Sincerely,



CohnReznick LLP