



Entrepreneurs'
Organization

Annual Report

FY2018/2019

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INTRODUCTION

AS EO, WE STAND TOGETHER.

EO's annual report serves as a useful resource for our members, staff and partners. Published along with audited financial statements every year, the report offers insights into the allocation of member dues towards our products and programmes.

At the start of this year, the COVID-19 pandemic began to evolve into the global crisis it is today. As each of us dealt with individual responses to this crisis at home and in our communities, we witnessed EO members connect, support and inspire one another like never before. The pandemic launched us into unprecedented times. As of May 2020, nearly 58 percent of our members experienced a significant downturn, including 1.5 percent that had gone out of business.

We committed to seeking opportunities to adapt and transform—to offer our members the best our EO network has to offer when they need it most.

We made several changes to our usual programming and the methods of delivery. More importantly, EO implemented crucial changes to the member renewal process for FY2020/2021. EO has never before taken such bold measures to help members experiencing hardship.

The publishing of the annual report this year has been intentionally delayed to ensure it provides all our valued stakeholders with the financial transparency needed as we adjust to this new normal. It focuses on how EO spends its money to deliver member value. We have included a financial forecast based on unaudited figures to demonstrate how EO responded to the global pandemic in 2020.



Jason Sze
EO Hong Kong
EO Chair
FY2019/2020



Carrie Santos
Chief Executive Officer
Entrepreneurs' Organization

OUR COMMITMENT

Transparency

Transparency is at the core of EO's financial reporting. This report provides an overview of EO's finances. A full, comprehensive view of EO's financial statements is also published on EOnetwork.org.

Visit the **financial reporting page** on our website for the following in-depth reports:

Audited financial statements

Although not required to do so by law, EO submits to an annual examination of its financial records, accounts, business transactions, accounting practices and internal controls performed by an independent auditor. We strive for maximum transparency and to ensure that our financial statements are accurate and compliant with fiscal laws and regulations.

Revenue and expenses

A full breakdown of expenses, expenditures and revenue is posted annually.

Tax Form 990

In the United States, tax-exempt organizations such as EO are required to file a Form 990 with the Internal Revenue Service (IRS), which provides an overview of the organization's activities, governance and detailed financial information. Forms 990 are open and available for public view.

We want you to be able to find all the information you need. If you have any questions, thoughts or ideas, please write to communications@eonetwork.org

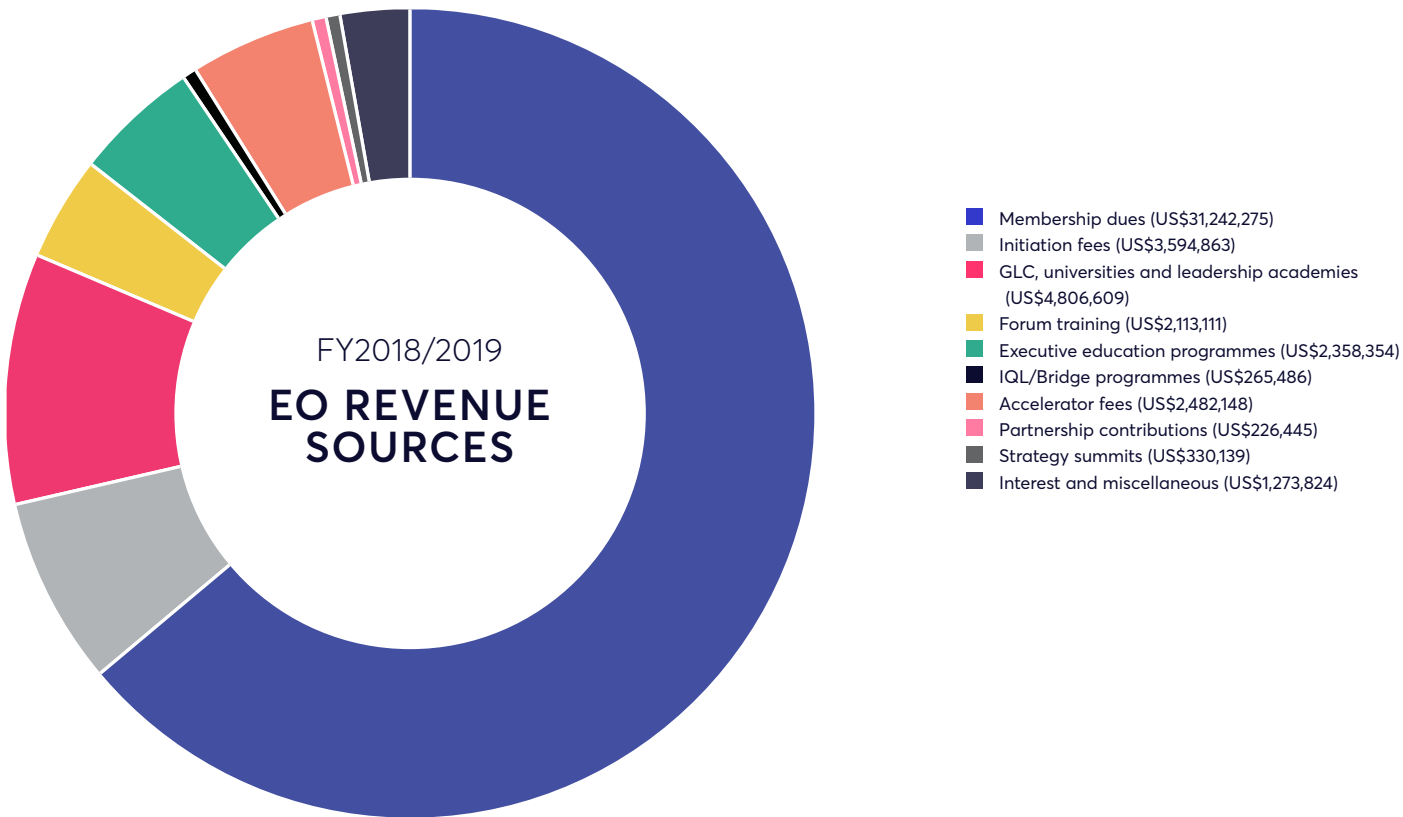
FY2018/2019 FINANCIAL OVERVIEW

Where did EO's revenue come from?

In FY2018/2019, EO gained 2,216 new members, increasing our total membership to 14,309. The largest portion of EO's revenue came from membership dues which accounted for slightly over 64 percent in FY2018/2019.

Other sources of revenue included:

- » Initiation fees (one-time fee paid by new members joining EO)
- » Registration fees paid by event attendees for the Global Leadership Conference (GLC), universities and leadership academies
- » Fees paid for Forum training
- » Fees paid by participants in executive education programmes
- » Fees from Insignia, Quantum Leap (IQL) and Bridge programmes
- » Fees from Accelerator participants
- » Partnership contributions from EO's strategic partners including Office Depot, FedEx and Hertz
- » Fees for strategy summits
- » Interest income from our investment portfolio and miscellaneous revenue



Where did EO spend its money?

EO offers a wide variety of products and programmes designed to facilitate learning and foster new relationships far beyond a member's chapter. A majority of the global dues go directly into providing member value through regional initiatives and chapter support.

Funds spent by the organization are directed in the following ways:

CHAPTER DEVELOPMENT – assistance with member integration, training, growth, strategy summits, presidents' meetings, chapter-specific programmes and launching new chapters.

GENERAL ADMINISTRATION – staffing, accounting and audit fees, payment platform charges, credit card commission fees, bank fees, insurance, taxes, professional services, recruiting, travel, meetings, staff training and professional development.

EVENTS, CONFERENCES AND EXECUTIVE EDUCATION

– overall event organization and logistics, speaker fees and travel, venue fees, staff and member travel and credit card commissions.

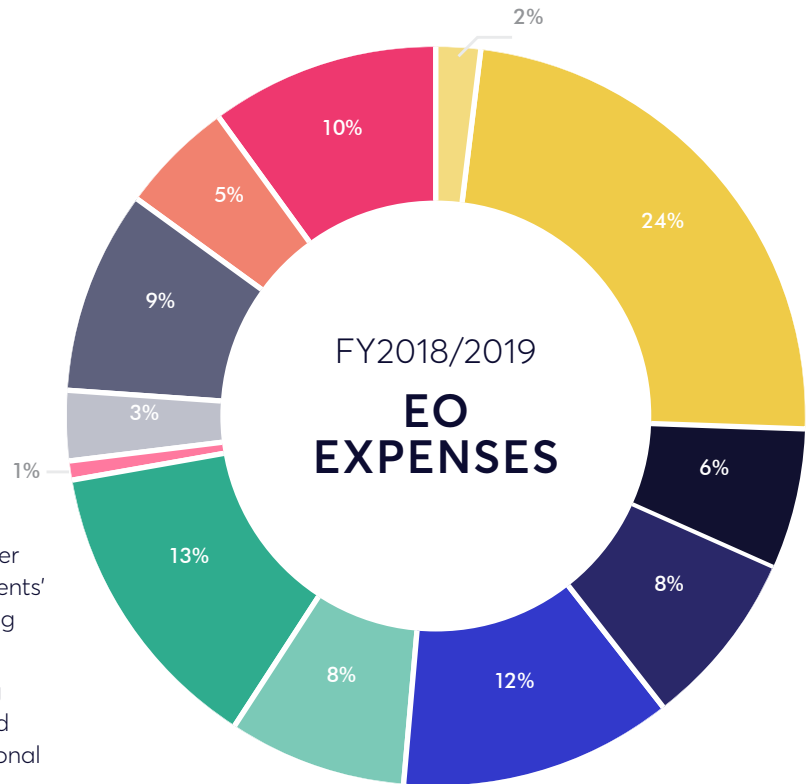
RESERVES – contributions to financial reserves (see page 6 for details).

LEARNING AND LEADERSHIP – learning grants for chapters, leadership development through global and regional leadership academies, digital media and virtual delivery of learning, mentorship and MyEO.

FORUM – training and content development for Forum programmes, facilitation of Bridge Forum Programmes and Forum moderator summits.

COMMUNICATIONS – content production, translation and interpretation services; regional public relations grants, marketing and communications for the Global Student Entrepreneur Awards.

ORGANIZATIONAL LEADERSHIP – board and executive team travel and meetings; organizational planning and committee meetings, University registration fees for past



board members, strategic consulting, contingency and legal fees.

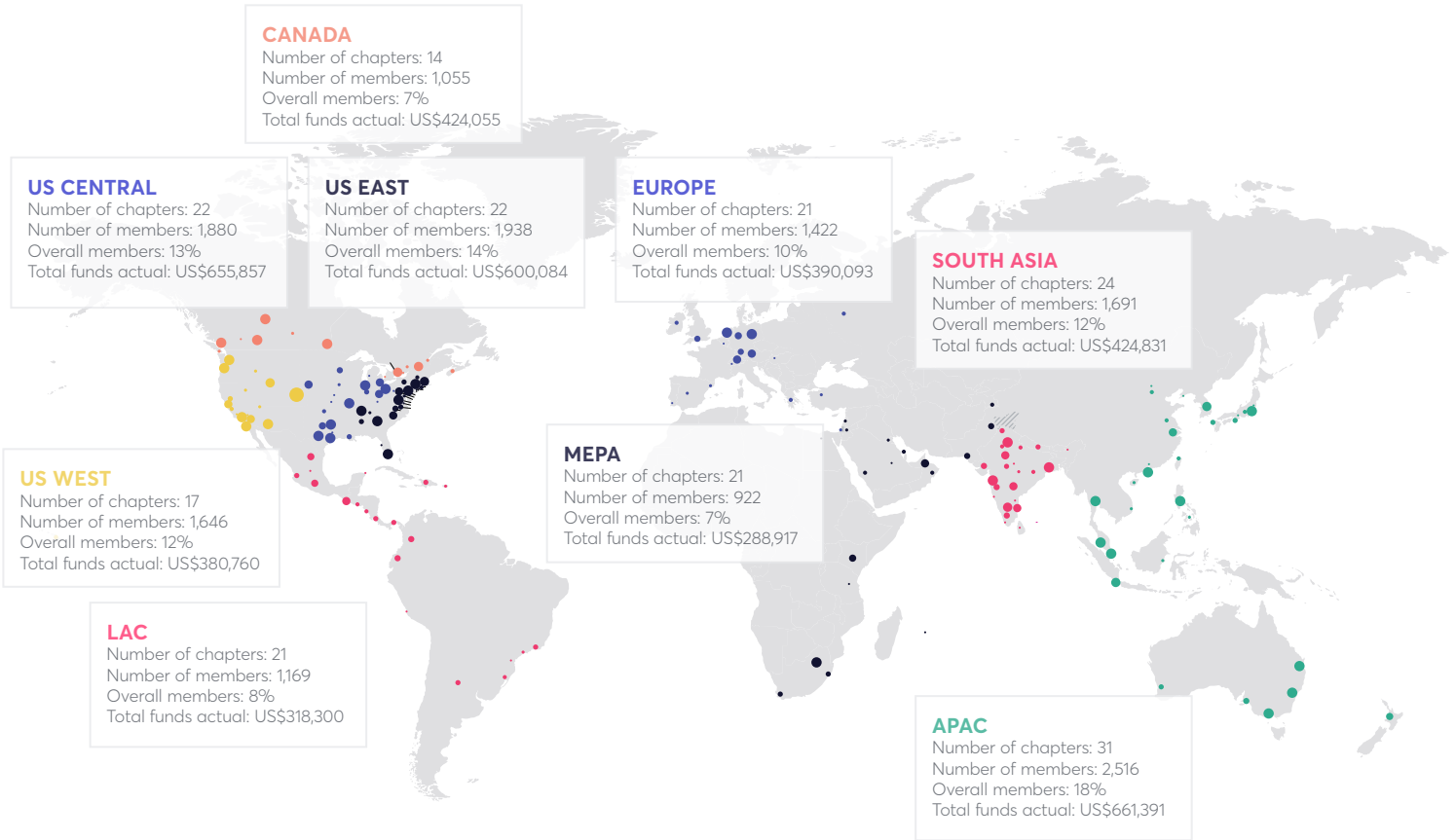
INFORMATION SYSTEMS DEVELOPMENT – infrastructure development and support; hardware and software and professional fees; survey and data collection.

BUSINESS DEVELOPMENT – partnerships for member discounts, upgrades or exclusive access and external engagement to increase organizational visibility.

HEALTHNETWORK – rapid, high-touch facilitation of medical care for members at 40 highly ranked medical centers in the US.

FY2018/2019 FINANCIAL OVERVIEW

The previous section highlighted expenditures by activity. For further insights on expenditures by region, please see below.



How much did we have left in financial reserves?

Five years ago, the EO Board set a goal of increasing EO's reserves to stabilize the organization during uncertain times. This year, the EO Board has committed to using part of the reserves to support members in this time of need.

EO's strategic financial goal is to maintain six months, or approximately US\$20 million, of operating expenses in financial reserves. This aligns with standard operating practices of financially healthy non-profit associations to ensure longevity. Reserves allow the organization to survive a difficult time like this so that we can continue to provide value to entrepreneurs for many years to come. EO had an estimated US\$13.7 million in unrestricted reserves as of the end of FY2018/2019.



FORECASTING THE FUTURE

Human resources

At the beginning of FY2019/2020, the EO Board approved a budget that included US\$11.6 million for payroll and payroll-related expenses. This budget included funds for modest merit pay increases. Additional positions for new initiatives were funded from the existing salary pool.

Payroll represents approximately 24 percent of EO's annual revenue. That represents just below US\$1 million dollars a month for the payroll of approximately 138 staff spread across the entire world. In 2019, 52 percent of EO staff were based outside the US, with the remaining 48 percent within the US.

As of June 2020, 8 percent of positions were intentionally kept unoccupied, and 15 percent of staff had been reassigned to other departments to work on new activities. We estimate our annual payroll expenses at US\$11 million in FY2019/2020, approximately US\$600,000 under the annual budget.

As directed by the EO Board, our CEO has been working on multiple scenarios to adjust staffing needs based on renewals, which constitute our revenue for the coming year. We want to ensure that member leaders have the staff support necessary to deliver maximum value to our members.

Operating expenses

EO's total fixed monthly costs are approximately US\$1.15 million. We are carefully reviewing these expenses to determine what can be reduced or eliminated without depleting the service and value we deliver to our members. Our immediate focus is managing expenses until 30 September 2020, when we will have a much clearer picture of renewals revenue for the year. While we are committed to working toward 100 percent renewals, we cannot reliably estimate the final numbers.

Fortunately, EO was able to secure a US\$1.37 million Paycheck Protection Program Small Business Administration loan from the US government. If EO meets certain criteria, part or all of that loan can convert into a grant that will not require repayment, thereby lowering EO's overhead costs. One of the required criteria is maintaining US-based staff at certain levels.

FORECASTING THE FUTURE

Financial forecast for end of FY2019/2020

Realising that members can no longer travel safely, in early March the EO Board cancelled the Global Leadership Conference (GLC) and all planned member leader and staff travel. By cancelling GLC, the organization saved over US\$2 million against our annual budget. Part of these funds has been redirected towards the dues assistance being offered.

Additional cost savings have also been estimated for the year. To provide an understanding of the finances in light of the exceptional circumstances since February 2020, the following section of the report offers a forecast based on unaudited accounts.

EO's approved FY2019/2020 budget had US\$49.3 million in expenses and US\$50.1 million in revenues. The COVID-19 crisis has significantly changed that picture.

A number of factors go into forecasting an end-of-year surplus (or deficit) based on actual expense and revenue totals. One factor is EO's decision on what programmes will be able to roll over unspent funds to the new fiscal year. Most unspent programmes money is factored into any surplus that can go to EO reserves, meaning those programmes cannot use the funds in the next fiscal year. In this crisis year, the following programmes will be able to roll over specific amounts of unspent money into their budgets for next year (the ISP and region totals also include rollovers from FY2018/2019). Those funds, while constituting savings, are restricted for use by these programmes.

ROLLOVER FUNDS (restricted to the programmes) – FY2019/2020	
Infrastructure Strategic Programmes (ISP)	US\$ 2.5M
Accelerator	US\$ 0.6M
Regions	US\$ 1.6M
Regional link chapters	US\$ 0.1M
Innovation fund	US\$ 0.2M
Total rollovers	US\$ 5.0M

With those rollovers taken out of the equation, the following table shows how much money EO is expected to save in relation to the projected year-end revenues versus expenses, broken down by category.

FORECAST OF NET SAVINGS & LOSS – FY2019/2020	
Event revenue loss	– US\$ 1.5M
Global Leadership Conference (GLC)	US\$ 2.0M
Board meeting savings	US\$ 1.6M
Staff cost savings	US\$ 0.6M
Technology operating cost savings	US\$ 0.5M
Committee/programme savings	US\$ 3.6M
Board funds/reserves/other savings	US\$ 1.3M
Total savings	US\$ 8.1M

FORECASTING THE FUTURE

EO could potentially make use of a US\$1.4 million grant from the US government as part of the Paycheck Protection Program (PPP), but whether EO can keep it remains to be seen. That would increase the available surplus.

EO's projected total financial reserves for the end of the fiscal year are calculated as follows:

FINANCE: RESERVES ROLL FORWARD - \$M (EXCLUDES PPP)		
	Total	Unrestricted**
FY18/19 – Reserves	US\$ 15.5M	US\$13.7M
FY19/20 – Forecast surplus	US\$ 11.3M	US\$ 8.1M
TOTAL:	US\$ 26.8M	US\$ 21.8M
Less:		
\$600 Credit	US\$ 7.5M	US\$ 7.5M
EO Together Fund (EOTF)	US\$ 6.0M	US\$ 6.0M
Balance 30 June 2020	US\$ 13.3M	US\$ 8.3M

Restricted Reserves 30 June 2020: ISP \$2.5M, Accel \$0.6M, Regions \$1.6M, Region Chapter \$0.1M, Innovation Fund \$0.2M

**Does not include PPP grant*

***See "Rollover funds (restricted to programmes)" table for a breakdown of the US\$5.0 in restricted funds. That US\$5.0 million in rollovers is made up of US\$1.8M from FY2018/2019 and US\$3.2M from FY2019/2020.*

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