



ATLANTA, GEORGIA
AUDITED COMBINED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021

CORENET GLOBAL, INC. AND RELATED ENTITIES
INDEX TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
COMBINED STATEMENTS OF FINANCIAL POSITION	1-2
COMBINED STATEMENTS OF ACTIVITIES AND NET ASSETS	3
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES	4
COMBINED STATEMENTS OF CASH FLOWS	5-6
NOTES TO COMBINED FINANCIAL STATEMENTS	7-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CoreNet Global, Inc. and Related Entities
Atlanta, Georgia

Opinion

We have audited the accompanying combined financial statements of CoreNet Global, Inc. and Related Entities (a nonprofit organization), which comprise the combined statements of financial position as of March 31, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CoreNet Global, Inc. and Related Entities as of March 31, 2022 and 2021, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of CoreNet Global, Inc. and Related Entities 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CoreNet Global, Inc. and Related Entities' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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, including omissions, 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 CoreNet Global, Inc. and Related Entities' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CoreNet Global, Inc. and Related Entities' 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 audit

Jones and Kolb

September 8, 2022

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,054,144	\$ 7,151,534
Restricted cash	<u>576,346</u>	<u>449,949</u>
Total cash, cash equivalents, and restricted cash	7,630,490	7,601,483
Certificates of deposit	1,815,912	1,081,652
Investments	6,849,476	6,855,953
Accounts receivable	378,949	219,626
Prepaid expenses	974,724	658,978
Other current assets	<u>86,565</u>	<u>112,336</u>
Total current assets	<u>17,736,116</u>	<u>16,530,028</u>
PROPERTY		
Furniture and fixtures	219,475	216,181
Computers and equipment	363,443	419,531
Leasehold improvements	29,044	73,757
Software and website	<u>2,423,156</u>	<u>2,319,503</u>
Total	3,035,118	3,028,972
Accumulated depreciation	<u>(2,664,215)</u>	<u>(2,695,562)</u>
Total property	<u>370,903</u>	<u>333,410</u>
OTHER ASSETS		
Right of use asset	<u>963,212</u>	<u>-</u>
Total assets	<u><u>\$ 19,070,231</u></u>	<u><u>\$ 16,863,438</u></u>

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,907,570	\$ 1,456,407
Accrued liabilities	675,253	476,978
Paycheck Protection Program loan	-	454,865
Deferred revenue	4,833,081	4,075,169
Current portion of operating lease obligation	252,767	19,726
	<u>7,668,671</u>	<u>6,483,145</u>
NON-CURRENT LIABILITIES		
Post retirement obligation	45,077	56,142
Long term portion of operating lease obligation	878,095	167,650
	<u>923,172</u>	<u>223,792</u>
Total liabilities	<u>8,591,843</u>	<u>6,706,937</u>
NET ASSETS		
Net assets without donor restrictions	<u>10,478,388</u>	<u>10,156,501</u>
Total net assets	<u>10,478,388</u>	<u>10,156,501</u>
Total liabilities and net assets	<u>\$ 19,070,231</u>	<u>\$ 16,863,438</u>

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Summits	\$ 2,432,193	\$ 401,440
Membership dues	3,463,331	3,739,693
Learning revenues	986,619	1,326,097
Partnerships	1,494,425	1,189,869
Advertising and publications	130,078	76,144
Miscellaneous	508,369	201,139
	<u>9,015,015</u>	<u>6,934,382</u>
EXPENSES		
Program expenses	4,898,898	3,781,832
Management and general	3,599,898	3,474,543
	<u>8,498,796</u>	<u>7,256,375</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	516,219	(321,993)
INVESTMENT INCOME (LOSS)	<u>(168,526)</u>	<u>1,862,321</u>
CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY LOSS	347,693	1,540,328
FOREIGN CURRENCY LOSS	<u>(25,806)</u>	<u>(1,952)</u>
CHANGE IN NET ASSETS	321,887	1,538,376
NET ASSETS		
Beginning of year	<u>10,156,501</u>	<u>8,618,125</u>
NET ASSETS		
End of year	<u>\$ 10,478,388</u>	<u>\$ 10,156,501</u>

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>			<u>2021</u>		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Personnel costs	\$ 2,302,206	\$ 2,127,307	\$ 4,429,513	\$ 2,451,306	\$ 1,900,644	\$ 4,351,950
Projects	2,013,655	-	2,013,655	595,588	-	595,588
Technology costs	146,919	524,817	671,736	47,645	579,229	626,874
Occupancy and office expenses	27,019	439,969	466,988	16,973	338,858	355,831
Professional fees	215,200	122,125	337,325	387,002	167,443	554,445
Marketing and communication	62,959	150,471	213,430	120,666	136,744	257,410
Depreciation	4,353	172,546	176,899	1,122	215,928	217,050
Miscellaneous	95,561	29,450	125,011	149,289	135,697	284,986
Non-event travel	31,026	33,213	64,239	12,241	-	12,241
Total expenses	<u>\$ 4,898,898</u>	<u>\$ 3,599,898</u>	<u>\$ 8,498,796</u>	<u>\$ 3,781,832</u>	<u>\$ 3,474,543</u>	<u>\$ 7,256,375</u>

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from:		
Summits and learning events	\$ 3,965,814	\$ 988,918
Membership dues	3,534,083	3,049,313
Partnership receipts	1,494,425	1,189,869
Other sources	157,776	275,331
Interest and dividends reinvested	337,628	350,130
Cash payments for:		
Projects	(1,931,263)	(344,016)
Personnel costs	(4,223,328)	(4,631,914)
Other disbursements	(1,888,259)	(1,938,954)
Net cash, cash equivalents, and restricted cash provided by (used in) operating activities	1,446,876	(1,061,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions of certificates of deposit	1,500,000	2,187,075
Additional purchases of certificates of deposit	(2,250,000)	-
Purchases of property	(214,517)	(46,074)
Proceeds from sales of investments	1,075,201	946,732
Reinvestment of proceeds from sale of investments	(1,075,201)	(946,732)
Additional purchases of investments	(486,785)	(311,782)
Net cash, cash equivalents, and restricted cash (used in) provided by investing activities	(1,451,302)	1,829,219
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from Paycheck Protection Program loan	-	454,865
Net cash, cash equivalents, and restricted cash provided by financing activities	-	454,865

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,426)	1,222,761
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	33,433	(99,910)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	7,601,483	6,478,632
End of year	\$ 7,630,490	\$ 7,601,483

The accompanying notes to combined financial statements
are an integral part of these statements.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CoreNet Global, Inc. ("CoreNet") was incorporated on August 6, 2001 under the laws of the District of Columbia. CoreNet is a 501(c)(6) tax-exempt membership organization focused on education, research, certification (the masters of Corporate Real Estate), and networking for corporate real estate professionals. CoreNet represents approximately 10,000 executives in 50 countries with strategic responsibility for the real estate assets of large corporations. The organization's mission is to advance the practice of corporate real estate through professional development opportunities, publications, research, conferences, designations and networking in 46 local chapters and networking groups globally. CoreNet has divisions and offices in North America, Europe, Asia, and Australia.

B. The combined financial statements include the accounts of CoreNet and its subsidiaries of CoreNet Global Learning Foundation (Foundation), CoreNet Global EU, CoreNet Global (HK) Limited and CoreNet Commercial Consulting (Shanghai) Co. Ltd. (collectively, the "Organization"). All material intercompany transactions and balances have been eliminated in these combined financial statements. The combined financial statements do not include the accounts of the chapters of the Organization since the Organization does not control these chapters.

C. The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles 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 combined financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

D. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that those resources be maintained in perpetuity. The donors of these assets generally permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met. There were no net assets with donor restrictions for the years ended March 31, 2022 and 2021.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

E. Money market funds and fixed income investments with initial terms to maturity of three months or less are considered to be cash equivalents.

F. Certificates of deposit that are not debt securities are reported at fair market value plus accrued interest in the accompanying Combined Statements of Financial Position. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as non-current assets. Individual certificates of deposit never exceed the Federally insured limit of \$250,000.

G. Accounts receivable, net of allowance for doubtful accounts, are recorded at the amount of cash estimated as realizable. The Organization provides an allowance for doubtful accounts when specific accounts are deemed uncollectible, based on a review of receivables. Accounts receivable balances are considered delinquent after 30 days from the invoice date. There was no allowance for doubtful accounts at March 31, 2022 and 2021.

H. Investments are stated at fair market value.

I. Property is stated at cost, if purchased, or fair market value, if contributed. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method and is charged to operations over the estimated useful lives of the related fixed assets, which range from three to seven years.

J. Revenue from contracts with customers is derived primarily from membership dues, global summit event fees and sponsorships, and learning program fees and sponsorships. Summit and learning event fees and related sponsorships are recognized as revenue when the event occurs. Funds received in advance of the events are deferred until the related event takes place. Deferred membership revenue at March 31, 2022 and 2021 was \$2,915,969 and \$2,845,217, respectively. Deferred global summit event fees and sponsorships at March 31, 2022 and 2021 was \$1,712,718 and \$1,121,632, respectively. Other deferred revenue at March 31, 2022 and 2021 was \$204,394 and \$108,320, respectively.

K. Membership options include traditional individual memberships as well as corporate and strategic partnerships ("Partnerships"). Individual membership dues range from \$25 to \$910 depending on type of membership and are recognized ratably over the calendar year, which is the membership term. The first year's membership dues are prorated based on the month joined. Individual membership provides opportunities to network locally, globally, and virtually through people, networks, knowledge-sharing and professional development. Benefits are typically provided evenly over the membership term. Individual dues paid in advance of the membership term are recorded as deferred revenue in the accompanying combined financial statements. Corporate partnerships are an elite group of multinational and national companies that understand the value of supporting CoreNet as the only global resource for corporate real estate professionals.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

Strategic partners represent the highest level of support for the learning and research programs of CoreNet. While employees of corporate partners are offered discounts and access to CoreNet resources, the value of these benefits to the corporate partner is minimal. Strategic partners pay an annual sponsorship fee of \$20,000 to \$65,000 for various sponsorship levels. The corporate and strategic partnership fees are nonrefundable and are considered sponsorships, not an exchange transaction. Partnerships are recognized as revenue when payment is received.

L. Assets and liabilities of foreign operations and related entities have been translated at year end exchange rates, and statement of activity accounts have been translated using monthly average exchange rates. Adjustments resulting from translation have been recorded as foreign currency gain (loss) on the Combined Statements of Activities and Net Assets.

M. Income from certain activities not directly related to CoreNet and Foundation's tax-exempt purposes is subject to taxation as unrelated business income. During the years ended March 31, 2022 and 2021, CoreNet did not have any taxable unrelated business income.

N. The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include general office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

O. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets ("ROU assets") and corresponding lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The new guidance requires the Organization to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. During the year ended March 31, 2022, the Organization adopted Topic 842 using a modified retrospective approach. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification (ASC) Topic 840 — Leases. Upon adoption, the Organization recognized

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

approximately \$963,000 of ROU and \$1,131,000 of operating lease obligation, as well as removed approximately \$168,000 of existing deferred lease liabilities, which was recorded as an offset against the ROU.

P. Certain prior year amounts have been reclassified to conform to the current year combined financial statements presentation.

Q. Subsequent events have been evaluated by management through September 8, 2022, the date these combined financial statements were available to be issued.

2. LIQUIDITY

The Organization presents a classified combined statement of financial position. Other than the restricted cash and prepaid expenses, the Organization's current assets represent the financial assets available for general expenditure within one year of the Combined Statement of Financial Position date.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of daily requirements in short-term investments and money market funds which are included in cash and cash equivalents on the Combined Statements of Financial Position. While the current assets include investments and certificates of deposit, the Organization's liquidity management does not intend to rely on these financial assets to satisfy cash needs for general expenditure. However, similar to the long-term certificates of deposit, these financial assets are available to be liquidated if unanticipated liquidity needs arise with just the loss of unpaid interest. Additionally, as more fully described in Note 10, the Organization has a committed line of credit which it could draw upon in the event of an unanticipated liquidity need.

3. CASH BALANCES

The Organization maintains cash deposits at several financial institutions within the United States of America, which may at times exceed the Federally insured limit. At March 31, 2022 and 2021, approximately \$980,000 and \$1,627,000, respectively, of the cash and cash equivalents are held in foreign financial institutions which may at times exceed the insured limits of those respective countries. The Organization has not experienced any losses in such accounts; and given the strength of these financial institutions, management believes such excess deposits do not create any significant loss exposure for cash and cash equivalents.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

4. AGENCY TRANSACTIONS

The Organization periodically acts as a fiscal agent on behalf of the Organization's chapters and one real estate associations' joint project. As a fiscal agent, the Organization collects cash proceeds either from or on behalf of the chapters or the joint project and disburses cash to vendors on behalf of the chapters or the joint project. The Organization, in its capacity as a fiscal agent, had little or no discretion in determining either the use of assets transferred to them by the chapters or the joint project. Amounts received and paid in agency transactions are reported as increases or decreases in the Organization's assets and liabilities. For the years ended March 31, 2022 and 2021, amounts payable under agency transactions totaled \$576,346 and \$449,949, respectively, and have been included as restricted cash and accrued liabilities in the Organization's Combined Statements of Financial Position.

5. CERTIFICATES OF DEPOSIT

The Organization owns various certificates of deposit with maturity dates of three months to twenty-four months from the date of purchase. The interest rates for all certificates of deposit vary between 0.05% and 1.80%. Certificates of deposit totaling \$1,815,912 and \$1,081,652 and maturing within one year from March 31, 2022 and 2021, respectively, are classified as current assets on the Combined Statements of Financial Position. At March 31, 2022 and 2021, approximately \$73,000 of certificates of deposit are held in a New Zealand bank account.

6. INVESTMENTS

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of March 31, 2022 and 2021, investments are the only assets or liabilities that are measured at fair value on a recurring basis. Common stocks and U.S. Treasuries are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. Mortgage-backed securities are valued based on quoted market prices for similar assets. Such investments are classified within level 1 or level 2 of the valuation hierarchy.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

The following tables present by level, within the fair value hierarchy, the Organization's investments at fair value, as of March 31:

	2022		
	Level 1	Level 2	Total
Mutual funds	\$ 6,841,491	\$ -	\$ 6,841,491
Mortgage-backed securities	-	7,985	7,985
Total investments	\$ 6,841,491	\$ 7,985	\$ 6,849,476
	2021		
	Level 1	Level 2	Total
Mutual funds	\$ 6,787,396	\$ -	\$ 6,787,396
U.S. Treasuries	55,652	-	55,652
Mortgage-backed securities	-	12,905	12,905
Total investments	\$ 6,843,048	\$ 12,905	\$ 6,855,953

Investment income on the Combined Statements of Activities and Net Assets for the years ended March 31, 2022 and 2021 includes realized and unrealized (loss) gain of (\$491,397) and \$1,572,037, interest and dividend income of \$363,638 and \$326,701, less investment fees of \$40,767 and \$36,417, respectively.

7. RIGHT OF USE ASSET AND OPERATING LEASE OBLIGATION

During the year ended March 31, 2021, CoreNet entered into a 71-month non-cancelable leasing extension agreement for office space at 133 Peachtree Street which was set to expire in April 2026. The lease provides an abatement of rent for a period of nine months. Upon adoption of ASU No. 2016-02, a ROU asset and an operating lease obligation were recorded at the present value of future payments using an incremental annual borrowing rate of 2.63 percent. The ROU asset is amortized over the life of the lease and is considered rent expense. Rent expense also includes additional amounts to cover related operating expenses and storage space.

Total rent expense under the lease agreement was \$246,573 and \$242,147 for the years ended March 31, 2022 and 2021, respectively.

ROU asset and operating lease obligation at March 31, 2022 was \$963,212 and \$1,130,862, respectively.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

Future minimum rental payments for CoreNet are as follows at March 31:

<u>Year</u>	<u>Amount</u>	<u>Discount</u>	<u>Lease Obligation</u>
2023	\$ 279,503	\$ 26,736	\$ 252,767
2024	287,866	19,906	267,960
2025	296,528	12,669	283,859
2026	305,446	5,006	300,440
Thereafter	25,893	57	25,836
Total	<u>\$ 1,195,236</u>	<u>\$ 64,374</u>	<u>\$ 1,130,862</u>

8. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended March 31, 2021, CoreNet received a Paycheck Protection Program ("PPP") loan in the amount of \$594,705 from the Small Business Administration ("SBA"). The loan accrues interest at 1.0% per annum, with no required payments for ten months after funding of the loan. CoreNet is eligible for loan forgiveness up to 100% of the loan proceeds upon spending the proceeds on eligible expenses. CoreNet incurred eligible expenses in the years ended March 31, 2022 and 2021; therefore, \$454,865 and \$139,840 was recorded as miscellaneous revenue, respectively, in the Combined Statements of Activities and Net Assets.

9. RELATED PARTY TRANSACTIONS

The Organization, acting as an agent, assists local chapters in the collection of membership dues and event registration fees and remits them to the chapters net of various banking fees. Amounts due to chapters at March 31, 2022 and 2021, were \$1,418,171 and \$1,082,975, respectively, and are included in accounts payable on the Combined Statements of Financial Position.

10. LINE OF CREDIT

CoreNet has a line of credit to provide cash funding without the need to sell investments against the market. The loan limit is determined based on percentages of equities and fixed income securities held by CoreNet and collateralized by such securities. The amounts available were \$3,969,335 and \$4,395,542 at March 31, 2022 and 2021, respectively. The interest rate varies and is dependent on the balance of the loan. The interest rate ranged from 2.63% to 6.25% during the year ended March 31, 2022. The line of credit is a demand instrument and, therefore, does not have a fixed term. The line of credit had a zero balance at March 31, 2022 and 2021.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

11. EMPLOYMENT AGREEMENT AND POSTRETIREMENT OBLIGATION

CoreNet assumed a lifetime employment agreement with two former officers and members of the Board of Directors of National Association of Corporate Real Estate Executives ("NACORE"), under which the individuals were to provide consultation services to NACORE. In exchange for these future services and agreements not to compete, a fee of \$36,000 per annum, reduced by Social Security benefits when either, or both, of these individuals are entitled to such benefits, was agreed to be paid beginning in September 1988. Upon the death of either individual, the amount paid will be reduced by 40%. Upon the death of the surviving individual, the Organization will have no further obligation.

Amounts estimated to be paid to these individuals after they reach normal retirement are considered to be post-employment retirement benefits. CoreNet provides for this obligation with annual charges to operations through each individual's normal retirement date. CoreNet recorded an expense, included in management and general on the accompanying Combined Statements of Activities and Net Assets, of \$466 and \$548 for future retirement benefits for the years ended March 31, 2022 and 2021, respectively. The liability for future retirement benefits totaled \$56,142 and \$67,124 at March 31, 2022 and 2021, respectively, and was included in accrued liabilities on the Combined Statements of Financial Position.

12. RETIREMENT PLAN

CoreNet has a 401(k) plan for the benefit of its U.S. employees. CoreNet uses the safe harbor method in which it matches 100% of the first 3% and 50% of the next 2% of the employees' contributions. Employees are fully vested for all employer matching contributions. CoreNet temporarily suspended the employer match to conserve cash due to the Pandemic (see Note 16) during the year ended March 31, 2021. Employer match resumed in the fourth quarter of the year ended March 31, 2022 due to improving conditions. Contributions to the plan for the years ended March 31, 2022 and 2021 were \$28,209 and \$26,389, respectively.

13. HOTEL CONTRACTS

CoreNet has contracted with various hotels used to host its conferences through Spring 2024. These contracts stipulate the number of rooms to be reserved and the time period for which they are to be reserved, as well as stipulate a minimum amount spent for food and beverage. While the rooms will ultimately be paid for by the attendees of a conference, CoreNet has guaranteed the rooms in advance to ensure availability of rooms and related convention space.

There are two main risks associated with these contracts. The first risk concerns unforeseen catastrophic events. If the conference is cancelled in total because of an outside force such as hurricane, disease outbreak, or other act of God, most but not all of these types of events will be

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

covered by cancellation insurance carried by CoreNet. The insurance would pay related cancellation expenses and the net profit expected from the event.

The second risk relates to guarantees made in the contracts from non-cancelled events. A poor economy limiting travel, poor site selection or poor marketing can cause the event to be less well attended than anticipated. Based on the contracts, CoreNet would be obligated to pay attrition fees to the venue. Due to the numerous variables involved, the Organization's ultimate liability under these contracts cannot be determined.

14. FOREIGN CURRENCY EXPOSURE

CoreNet, as a non-profit entity with global operations, collects and holds multiple foreign currencies. In accordance with accounting principles generally accepted in the United States of America, it must record the effect of translating foreign currency transactions to United States Dollars in the Combined Statement of Activities and Net Assets. This principle can cause volatility in the change in net assets of CoreNet. The Organization may have a large gain or loss in a particular year from foreign currency transactions, but it does not affect the operations or mission of the Organization as it receives revenues and pays expenses in local currency in these locations. The Organization does not hedge for currency fluctuation due to its operational approach and size. The foreign currency loss reported on the Combined Statements of Activities and Net Assets for the fiscal years ended March 31, 2022 and 2021 were \$(25,806) and \$(1,952), respectively.

The following cumulative foreign currency translations are included in net assets on the Combined Statements of Financial Position:

March 31, 2020	\$ (306,161)
FYE 2021 loss	<u>(1,952)</u>
March 31, 2021	(308,113)
FYE 2022 loss	<u>(25,806)</u>
March 31, 2021	<u><u>\$ (333,919)</u></u>

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

15. FOREIGN OPERATIONS

Foreign assets, liabilities, net assets and change in net assets relating to operations in Australia, Europe and China, which are included in the combined financial statements, are as follows:

	<u>2022</u>	<u>2021</u>
Assets	\$ 3,807,767	\$ 3,647,822
Liabilities	\$ 1,519,780	\$ 1,354,266
Net assets	\$ 2,287,987	\$ 2,293,556
Change in net assets from operations	\$ (5,569)	\$ 480,150

16. CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, with the outbreak widespread across the world. As a result, most national governments, local governments, public entities, and private entities have mandated various restrictions, including travel restrictions, restrictions on public gatherings, and stay-at-home orders and advisories. The pandemic continued to impact CoreNet Global during the year ended March 31, 2022. However, CoreNet Global responded quickly to mitigate anticipated adverse financial consequences and increase member value. Those actions included the following:

- Summits
 - During the year ended March 31, 2022 budget cycle the following decisions were implemented by the Board and management of the Organization:
 - Did host a summit in Europe, the Middle East and Africa ("EMEA"), thus avoiding any potential penalty.
 - Held a live Summit in Seattle, with the understanding that the summit would have reduced attendance and would breakeven, financially. The event was held with attendance exceeding operating targets and achieving gross profit of about \$500,000.
 - Planned to host its Asia-Pacific ("APAC") summit in Kuala Lumpur in March 2022. The event was postponed until March 2024, without penalty.
 - To increase member value to members in both the EMEA region and the APAC region, CoreNet Global contracted to host an event in Dubai in the UAE – a location that would be convenient to both EMEA and APAC. The event was contracted for March 2022. Unfortunately, due to the pandemic and geopolitical tensions, it was determined that the event needed to be postponed until September 2023. All deposits paid were then applied to the postponed event, except for a cancellation amount of approximately \$26,000.

CORENET GLOBAL, INC. AND RELATED ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

- Learning
 - In the year ended March 31, 2021, CoreNet Global converted educational content to allow all learning classes to be held virtually. The conversion was completed August 2020. All learning designations (QPCR and MCR) can be completed fully virtually.
 - CoreNet Global planned to pilot several live classes in the year ended March 31, 2022 at the Summits. However, the pandemic did impact attendance at those live classes. At the Seattle Summit, CoreNet Global planned for 10 learning classes. However only three classes were held. With the postponement of the Kuala Lumpur Summit, the three planned classes could not be held.
 - CoreNet Global expects to hold several live classes again in the year ending in March 31, 2023 but can replace those with virtual classes as needed.

- Chapters
 - Developed resources for Chapters to allow the chapters to better operate virtually during the pandemic.

CoreNet Global's Board and Management continue to monitor the pandemic, its global economic impact as well as the impact to CoreNet Global. Based on its review, CoreNet Global will determine future actions and responses to determine when in-person events can be held based on the national, state and local authorities' guidelines to ensure the safety of CoreNet Global staff and event participants.

CoreNet Global has sufficient financial resources to operate during the current fiscal year (April 2022 to March 31, 2023). Prior to the pandemic, CoreNet Global's Board of Directors and Management have had an active program to maintain and improve its reserves and manage its cash to ensure financial stability. At the date that these statements were issued, CoreNet Global has the following liquid resources:

- Cash of \$6,513,000
- Line of Credit of \$3,557,000
- Reserves and Certificates of Deposits of \$9,027,000