



**ATLANTA, GEORGIA**  
**AUDITED COMBINED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2018 AND 2017**

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
**INDEX TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

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**Jones and Kolb**  
Certified Public Accountants  
Atlanta, Georgia

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of CoreNet Global, Inc. and Related Entities (a nonprofit organization) (the "Organization"), which comprise the combined statements of financial position as of March 31, 2018 and 2017, and the related combined statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined financial statements.

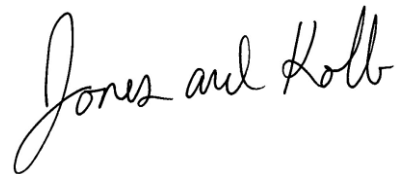
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the combined financial statements, the Organization adopted Accounting Standards Updates 2016-14 and 2016-18. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Jones and Koll".

August 21, 2018

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2018 AND 2017**

**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,007,047	\$ 5,635,495
Restricted cash	383,753	347,970
	<hr/>	<hr/>
Total cash, cash equivalents, and restricted cash	6,390,800	5,983,465
Certificates of deposit	1,241,937	1,098,155
Investments	5,007,687	4,550,003
Accounts receivable	509,332	297,530
Prepaid expenses	608,570	454,209
	<hr/>	<hr/>
Total current assets	<u>13,758,326</u>	<u>12,383,362</u>
<b>PROPERTY</b>		
Furniture and fixtures	211,931	213,577
Computer and equipment	395,400	488,855
Leasehold improvements	73,757	73,757
Software and website	1,996,429	1,982,637
	<hr/>	<hr/>
Total	2,677,517	2,758,826
Accumulated depreciation	<u>(1,851,534)</u>	<u>(1,744,379)</u>
	<hr/>	<hr/>
Total property	<u>825,983</u>	<u>1,014,447</u>
<b>OTHER ASSETS</b>		
Certificates of deposit - long term	<u>898,759</u>	<u>699,586</u>
	<hr/>	<hr/>
Total assets	<u>\$ 15,483,068</u>	<u>\$ 14,097,395</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, 2018 AND 2017**

**LIABILITIES AND NET ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 989,344	\$ 1,119,007
Accrued liabilities	1,101,467	1,130,213
Deferred revenue	<u>5,235,543</u>	<u>4,989,784</u>
Total current liabilities	7,326,354	7,239,004
<b>NON-CURRENT LIABILITIES</b>	<u>117,768</u>	<u>165,999</u>
Total liabilities	<u>7,444,122</u>	<u>7,405,003</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	<u>8,038,946</u>	<u>6,692,392</u>
Total net assets	<u>8,038,946</u>	<u>6,692,392</u>
Total liabilities and net assets	<u><u>\$ 15,483,068</u></u>	<u><u>\$ 14,097,395</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 ACTIVITIES AND NET ASSETS**  
**FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Summits	\$ 6,437,796	\$ 5,734,753
Membership dues	4,605,533	4,221,920
Partnership	1,453,346	1,588,271
Learning revenues	1,467,067	1,510,144
Advertising and publications	278,311	300,049
Miscellaneous	21,100	46,550
	<u>14,263,153</u>	<u>13,401,687</u>
<b>EXPENSES</b>		
Program expenses	9,415,196	9,310,633
Management and general	4,038,899	3,795,001
	<u>13,454,095</u>	<u>13,105,634</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	809,058	296,053
<b>INVESTMENT INCOME</b>	<u>452,712</u>	<u>495,202</u>
<b>CHANGE IN NET ASSETS BEFORE FOREIGN CURRENCY GAIN (LOSS)</b>	1,261,770	791,255
<b>FOREIGN CURRENCY GAIN (LOSS)</b>	<u>84,784</u>	<u>(5,779)</u>
<b>CHANGE IN NET ASSETS</b>	1,346,554	785,476
<b>NET ASSETS</b>		
Beginning of year	<u>6,692,392</u>	<u>5,906,916</u>
<b>NET ASSETS</b>		
End of year	<u>\$ 8,038,946</u>	<u>\$ 6,692,392</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, 2018 AND 2017**

	<u>2018</u>			<u>2017</u>		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Projects	\$ 5,279,986	\$ -	\$ 5,279,986	\$ 5,137,994	\$ -	\$ 5,137,994
Personnel costs	2,874,497	2,031,320	4,905,817	2,713,171	2,000,952	4,714,123
Technology costs	29,280	633,705	662,985	36,234	557,371	593,605
Professional fees	402,870	207,857	610,727	444,070	142,699	586,769
Depreciation	6,023	432,907	438,930	6,208	400,539	406,747
Marketing and communication	391,641	36,445	428,086	391,603	87,767	479,370
Non-event travel	204,598	184,740	389,338	244,931	147,408	392,339
Occupancy and office expenses	59,037	306,343	365,380	68,012	273,372	341,384
Miscellaneous	167,264	205,582	372,846	268,410	184,893	453,303
Total expenses	<u>\$ 9,415,196</u>	<u>\$ 4,038,899</u>	<u>\$ 13,454,095</u>	<u>\$ 9,310,633</u>	<u>\$ 3,795,001</u>	<u>\$ 13,105,634</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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from:		
Summits and learning events	\$ 7,998,342	\$ 7,415,126
Membership dues	4,515,978	4,307,653
Other sources	1,873,324	2,277,061
Interest and dividends reinvested	249,045	127,944
Cash payments for:		
Projects	(5,617,128)	(4,925,831)
Personnel costs	(4,922,374)	(4,605,970)
Other vendors	(2,876,571)	(2,879,577)
Net cash, cash equivalents, and restricted cash provided by operating activities	1,220,616	1,716,406
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemptions of certificates of deposit	1,003,475	606,507
Reinvestment of certificates of deposit	(1,003,475)	(800,000)
Additional purchases of certificates of deposit	(342,904)	(400,000)
Purchases of property	(249,782)	(233,747)
Proceeds from sales of investments	329,875	193,538
Reinvestment of proceeds from sale of investments	(329,875)	(193,538)
Additional purchases of investments	(254,017)	(107,732)
Net cash, cash equivalents, and restricted cash used in investing activities	(846,703)	(934,972)
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	373,913	781,434
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	33,422	(27,958)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Beginning of year	5,983,465	5,229,989
End of year	\$ 6,390,800	\$ 5,983,465

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, 2018 AND 2017**

**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 11,000 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 47 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, CoreNet Global Community Reinvestment Challenge, 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. 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 resources be maintained in perpetuity. The donors of these assets 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, 2018 and 2017.

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

E. 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

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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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.

F. 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, 2018 and 2017.

G. Investments are stated at fair market value.

H. Property is stated at cost 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.

I. Membership dues are amortized into revenue in the applicable membership period. Dues paid in advance on a calendar year are recorded as deferred revenue in the accompanying combined financial statements.

J. Meeting and event fees and expenses are recognized upon occurrence of the event. The Qualified Professional of Corporate Real Estate designation revenue is amortized over the two year duration of the program from the date the member enrolls.

K. 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.

L. The costs of providing programs and other activities of the Organization are summarized on a functional basis on the Combined Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

M. 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.

N. Income from certain activities not directly related to CoreNet and CRC's tax-exempt purposes is subject to taxation as unrelated business income. During the years ended March 31,

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2018 and 2017, CoreNet had net profits of approximately \$17,000 and \$41,000 of unrelated business income, respectively, from the sale of advertisements. Therefore, tax provisions of approximately \$2,700 and \$9,000, respectively, were recorded on the Combined Statements of Activities and Net Assets as of March 31, 2018 and 2017.

O. 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.

P. In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) and ASU 2016-18 Statement of Cash Flows (Topic 230). ASU 2016-14 improves the prior net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. The ASUs would be required for the Organization's fiscal year ended March 31, 2019, with early adoption permitted. Management has elected to early adopt the ASUs for the year ended March 31, 2018. As required, the provisions of the ASUs were retroactively applied to the Organization's combined financial statements for the year ended March 31, 2017.

Q. Certain prior year balances have been reclassified to conform to the current year presentation.

R. Subsequent events have been evaluated by management through August 21, 2018, 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, the Organization's current assets are 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

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
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of unpaid interest. Additionally, as more fully described in Note 8, 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, which may at times exceed the Federally insured limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### **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, 2018 and 2017, amounts payable under agency transactions totaled \$383,753 and \$347,970, 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 six months to twenty-four months from the date of purchase. The interest rates for all certificates of deposit vary between 1.15% and 2.55%. Certificates of deposit totaling \$1,241,937 and \$1,098,155 and maturing within one year from March 31, 2018 and 2017, respectively, are classified as current assets on the Combined Statements of Financial Position. Certificates of deposit totaling \$898,759 and \$699,586 and maturing after twelve months from March 31, 2018 and 2017, respectively, are classified as non-current assets on the Combined Statements of Financial Position.

### **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

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
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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, 2018 and 2017, 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.

The following is a summary of investments, stated at fair value, held at March 31:

	<b>2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual funds	\$ 4,913,244	\$ -	\$ 4,913,244
U.S. Treasuries	70,363	-	70,363
Mortgage-backed securities	-	24,080	24,080
Total investments	<b>\$ 4,983,607</b>	<b>\$ 24,080</b>	<b>\$ 5,007,687</b>
	<b>2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual funds	\$ 4,449,192	\$ -	\$ 4,449,192
U.S. Treasuries	71,694	-	71,694
Mortgage-backed securities	-	29,117	29,117
Total investments	<b>\$ 4,520,886</b>	<b>\$ 29,117</b>	<b>\$ 4,550,003</b>

Investment income on the Combined Statements of Activities and Net Assets for the years ended March 31, 2018 and 2017 includes realized and unrealized gain of \$203,667 and \$367,258, interest and dividend income of \$280,589 and \$157,262, less investment fees of \$31,544 and \$29,318, respectively.

**7. 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.

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
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Amounts due to chapters at March 31, 2018 and 2017, were \$884,708 and \$1,026,565, respectively, and are included in accounts payable on the Combined Statements of Financial Position.

**8. 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 \$3,295,033 and \$3,013,488 at March 31, 2018 and 2017, respectively. The interest rate varies and is dependent on the balance of the loan. The interest rate ranged from 3.63% to 8.0% during the year ended March 31, 2018. 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, 2018 and 2017.

**9. LEASES**

During the year ended March 31, 2011, CoreNet entered into a 112-month non-cancelable leasing agreement for office space at 133 Peachtree Street. The cash payments related to the future minimum payments under non-cancelable operating leases are as follows:

<u>Year Ending</u>	<u>Building</u>	<u>Storage</u>	<u>Total</u>
March 31, 2019	\$ 221,364	\$ 2,593	\$ 223,957
March 31, 2020	\$ 226,865	\$ 2,671	\$ 229,536
March 31, 2021	\$ 134,230	\$ 1,597	\$ 135,827

The accrued lease liability at March 31, 2018 and 2017 was \$114,284 and \$149,034, respectively, and was included in accrued liabilities on the Combined Statements of Financial Position. Rent expense was \$197,248 and \$210,386 for the years ended March 31, 2018 and 2017, respectively.

**10. EMPLOYMENT AGREEMENT AND POSTRETIREMENT BENEFIT 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

**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
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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 \$3,909 and \$4,417 for future retirement benefits for the years ended March 31, 2018 and 2017, respectively. The liability for future retirement benefits totaled \$51,715 and \$59,254 at March 31, 2018 and 2017, respectively, and was included in accrued liabilities on the Combined Statements of Financial Position.

## **11. RETIREMENT PLAN**

CoreNet has a 401(k) plan for the benefit of its U.S. employees. CoreNet matches 50% of the first 6% of the employees' contributions. Effective January 1, 2017, CoreNet moved to a safe harbor match in which CoreNet 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. Contributions to the plan for the years ended March 31, 2018 and 2017 were \$110,975 and \$71,719, respectively.

## **12. HOTEL CONTRACTS**

CoreNet has contracted with various hotels used to host its conferences through fiscal year 2021. 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 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. CoreNet did not incur any attrition fees for the years ended March 31, 2018 and 2017 and does not currently anticipate incurring any attrition fees for future events.



**CORENET GLOBAL, INC. AND RELATED ENTITIES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**13. FOREIGN OPERATIONS**

A summary of 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>2018</u>	<u>2017</u>
Assets	\$ 3,108,092	\$ 2,608,090
Liabilities	\$ 1,463,992	\$ 1,378,731
Net assets	\$ 1,644,100	\$ 1,229,359
Change in net assets from operations	\$ 414,741	\$ 374,094

**14. FOREIGN CURRENCY EXPOSURE**

CoreNet, as a non-profit entity with global operations, collects and holds multiple foreign currencies, including the Euro, Australian Dollar and the Chinese Yuan. 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 gain (loss) reported on the Combined Statements of Activities and Net Assets for the fiscal years ended March 31, 2018 and 2017 were \$84,784 and (\$5,779), respectively.

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

March 31, 2016	\$ (119,193)
FYE 2017 loss	<u>(5,779)</u>
March 31, 2017	(124,972)
FYE 2018 gain	<u>84,784</u>
March 31, 2018	<u><u>\$ (40,188)</u></u>