

PREA FOUNDATION, INC.

Financial Statements

Years ended December 31, 2019 and 2018

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Leonard, Mulherin & Greene, P.C.
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PREA Foundation, Inc.
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of PREA Foundation, Inc. (a New York nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of PREA Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of PREA Foundation, Inc. as of December 31, 2018, were audited by other auditors whose report dated July 25, 2019, expressed an unmodified opinion on those statements.

Leonard, Mulherin & Greene, P.C.

LEONARD, MULHERIN & GREENE, P.C.
Braintree, Massachusetts

March 30, 2020

PREA FOUNDATION, INC.Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,799,431	\$ 3,974,979
Due from affiliate	-	34,230
Contributions receivable, current portion, net	3,090,534	2,076,034
Prepaid grant	525,000	-
Prepaid expenses	1,198	-
Total current assets	10,416,163	6,085,243
OTHER ASSETS		
Contributions receivable, less current portion, net	4,142,890	4,821,397
Total assets	\$ 14,559,053	\$10,906,640
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 25,894	\$ 19,447
Due to affiliate	27,090	-
Grants payable	-	100,000
Total liabilities	52,984	119,447
NET ASSETS		
Without donor restrictions	7,272,645	3,889,762
With donor restrictions	7,233,424	6,897,431
Total net assets	14,506,069	10,787,193
Total liabilities and net assets	\$ 14,559,053	\$10,906,640

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

PREA FOUNDATION, INC.

Statements of Activities
Years ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
REVENUE AND SUPPORT	Total	Total	Total	Total
Contributions	\$ 1,310,005	\$ 2,708,026	\$ 4,018,031	\$ 2,218,164
In-kind contributions	-	-	59,881	-
Interest income	89,177	-	53,075	-
Net assets released from restrictions	2,272,033	(2,272,033)	2,198,533	(2,198,533)
Total revenue and support	3,671,215	435,993	4,107,208	19,631
			3,041,664	3,061,295
EXPENSES AND LOSSES				
Program Services				
Grants and outreach	77,000	-	77,000	-
Total program services	77,000	-	77,000	-
			67,585	67,585
Supporting Services				
Management and general	204,063	-	204,063	-
Fundraising	7,269	-	7,269	-
Total supporting services	211,332	-	211,332	-
			183,931	183,931
Total expenses	288,332	-	288,332	-
			251,516	251,516
Losses				
Uncollectible contributions receivable	-	100,000	100,000	-
Total expenses and losses	288,332	100,000	388,332	-
			251,516	251,516
CHANGE IN NET ASSETS	3,382,883	335,993	3,718,876	19,631
NET ASSETS, beginning of year	3,889,762	6,897,431	10,787,193	6,877,800
			1,099,614	7,977,414
NET ASSETS, end of year	\$ 7,272,645	\$ 7,233,424	\$ 14,506,069	\$ 6,897,431
			\$ 3,889,762	\$ 10,787,193

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

PREA FOUNDATION, INC.

**Statements of Functional Expenses
Years ended December 31, 2019 and 2018**

	2019				2018			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Grants and Outreach	Management and General	Fundraising	Total	Grants and Outreach	Management and General	Fundraising	Total
Grants/contributions	\$ 77,000	\$ -	\$ -	\$ 77,000	\$ 23,320	\$ -	\$ -	\$ 23,320
Accounting/audit fees	-	103,034	-	103,034	-	71,506	-	71,506
Legal fees	-	50,915	-	50,915	-	78,950	-	78,950
Consulting fees	-	29,600	-	29,600	2,438	-	-	2,438
Design services	-	2,790	4,258	7,048	-	-	19,871	19,871
Travel	-	5,374	-	5,374	-	631	-	631
Office expense	-	4,611	-	4,611	-	1,507	-	1,507
Taxes and licenses	-	3,668	-	3,668	-	2,400	-	2,400
Meals and entertainment	-	-	3,011	3,011	-	-	6,000	6,000
Bank fees	-	2,436	-	2,436	-	2,416	-	2,416
Business insurance	-	1,433	-	1,433	-	-	-	-
Payroll fees	-	202	-	202	1,092	-	-	1,092
Salaries and related	-	-	-	-	36,235	-	-	36,235
Housing stipends	-	-	-	-	4,500	-	-	4,500
Brand strategy/visual identity	-	-	-	-	-	-	650	650
Total expenses	\$ 77,000	\$ 204,063	\$ 7,269	\$ 288,332	\$ 67,585	\$ 157,410	\$ 26,521	\$ 251,516

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

PREA FOUNDATION, INC.**Statements of Cash Flows**

Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,718,876	\$ 2,809,779
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in asset accounts:		
Due from affiliate	34,230	(34,230)
Contributions receivable	(335,993)	(350,431)
Prepaid grant	(525,000)	-
Prepaid expenses	(1,198)	-
Increase (decrease) in liability accounts:		
Accounts payable and accrued expenses	6,447	19,447
Due to Affiliate	27,090	-
Grants payable	(100,000)	(630,000)
Net cash provided by (used in) operating activities	2,824,452	1,814,565
Net increase (decrease) in cash and cash equivalents	2,824,452	1,814,565
Cash and cash equivalents, beginning of year	3,974,979	2,160,414
Cash and cash equivalents, end of year	\$ 6,799,431	\$ 3,974,979

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

PREA Foundation, Inc. (the “Foundation”) was incorporated on April 4, 2017, under the laws of the State of New York. The mission of the Foundation is to further the interests and values of the institutional real estate investment community by advancing industrywide diversity and inclusion. To this end, the Foundation provides financial support to qualified grantee(s), which provide professional development programs and training to encourage minorities to pursue careers in the real estate industry. These activities are funded primarily through contributions from corporations.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Foundation’s implementation of ASU 2018-08.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers cash and cash equivalents to include all highly liquid investments with an initial maturity of three months or less, including money market funds.

Fair Value Measurements

The Foundation applies the provisions of GAAP for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. These provisions define fair value as the price that would be received in selling an asset or paid in transferring a liability in an orderly transaction between market participants at the measurement date. The provisions also establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Application of these provisions has not resulted in any change in the measurement of the carrying value of the Foundation’s financial assets or liabilities.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Net Assets**

Net assets, revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Consist of net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Consist of net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or the expending of the net assets for particular purposes as specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the principal is to be maintained in perpetuity (donor-restricted endowment) and only the income from such net assets may be expended as specified by the donor or in accordance with the applicable law. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released to net assets without donor restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019:

Subject to the passage of time:

2020	\$ 3,090,534
2021	2,440,857
2022	1,171,984
2023	511,889
2024	18,160
Total net assets with donor restrictions	<u>\$ 7,233,424</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows during the year ended December 31, 2019:

Satisfaction of time restrictions	\$ 2,272,033
Total net assets released from restrictions	<u>\$ 2,272,033</u>

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions were restricted for the following purposes at December 31, 2018:

Subject to the passage of time:

2019	\$ 2,036,034
2020	2,086,531
2021	2,012,302
2022	762,564
Total net assets with donor restrictions	<u>\$ 6,897,431</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows during the year ended December 31, 2018:

Satisfaction of time restrictions	\$ 2,198,533
Total net assets released from restrictions	<u>\$ 2,198,533</u>

Contributions

Contributions are recognized at the earlier of when received or when a donor declares an unconditional intent to contribute cash or other assets to the Foundation.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable, if any, will be recorded (valuation loss) based upon management's judgment of potential collectability and includes such factors as prior collection history, type of contribution and nature of fundraising activity. As of December 31, 2019 and 2018, the Foundation considers its contributions receivable to be fully collectible, and therefore, no allowance for uncollectible contributions receivable has been recorded.

Donated Materials and Services

Donated materials and services are recorded at fair market value on the date of the donation. Donated services are recorded if the services create or enhance non-financial assets or the services are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of programs and supporting activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification of expenses by function. Accordingly, costs have been reported based on the programs and supporting services benefited. The Foundation does not allocate any general and administrative expenses to program services.

Tax Status

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code (the "Code") as exempt from federal and state income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Foundation evaluated events that occurred after December 31, 2019, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, March 30, 2020, for potential recognition or disclosure in the financial statements. Except as disclosed below, the Foundation did not identify any subsequent events that had a material effect on the accompanying financial statements.

On March 13, 2020, a national emergency was declared in the United States as a result of the coronavirus epidemic. This public health crisis has had a significant and wide-ranging effect on the United States economy. Foundation management is actively assessing the impact of this evolving situation on its operations and financial position.

Reclassifications

Certain 2018 amounts have been reclassified from the prior year audited financial statements to conform to the current year presentation. These reclassifications had no effect on the change in net assets.

2 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of its programs as well as the conduct of services undertaken to support those activities to be general expenditures.

At December 31, 2019, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date consist of the following:

Cash and cash equivalents	\$ 6,799,431
Contributions receivable, current portion, net	3,090,534
Total financial assets available within one year	\$ 9,889,965

3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	2019	2018
Less than one year	\$ 3,090,534	\$ 2,076,034
One to five years	4,370,200	5,103,733
Total contributions receivable	7,460,734	7,179,767
Less: discount to net present value	(227,310)	(282,336)
Total contributions receivable, net	7,233,424	6,897,431
Less current portion	(3,090,534)	(2,076,034)
Long-term contributions receivable, net	\$4,142,890	\$ 4,821,397

The Foundation used the average daily treasury yield curve rate to determine the net present value factor for the years ended December 31, 2019 and 2018.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2019 and 2018

4 – PREPAID GRANT

During the year ended December 31, 2019, the Foundation prepaid a grant in the amount of \$525,000. The grant was made to support the PREA/SEO real estate track summer 2020 internship program.

5 - IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following as of December 31, 2018:

	2018
Legal fees	\$ 45,394
Meals	6,000
Office Expenses	4,921
Advertising	2,285
Other professional and consulting fees	650
Travel	631
Total In-Kind Contributions	\$ 59,881

These amounts have been reported as both in-kind revenue and as expenses on the Statements of Activities. The Foundation had no in-kind contributions for the year ended December 31, 2019.

6 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

7 – RELATED PARTY TRANSACTIONS

The Foundation was formed by the Pension Real Estate Association (the "Association") and is related to the Association through several shared Board members although there is no requirement in the Foundation's governing documents that any specified numbers of Board members overlap between the Association and the Foundation.

During the year ended December 31, 2018, the Association provided an in-kind contribution of \$59,881 to the Foundation, which represented the cost of various start-up and administrative costs of operations of the Foundation. These costs are included in general and administrative and fundraising expenses in the accompanying Statements of Activities. There were no in-kind contributions from the Association to the Foundation during the year ended December 31, 2019.

The Association also provided the Foundation with staff support and general office services. The value of the estimated staff support and general office services provided by the Association was not considered significant to the Foundation's financial statements and, accordingly, not recognized in these financial statements. The majority of the Foundation's fundraising efforts were conducted by its volunteer Board of Directors.

The Association and Foundation collect certain receipts on behalf of each other. The Foundation owed the Association \$27,090 as of December 31, 2019. The Association owed the Foundation \$34,230 as of December 31, 2018.