

PREA FOUNDATION, INC.

Financial Statements

Years ended December 31, 2022 and 2021

PREA FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of PREA Foundation, Inc. (a New York nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 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 Financial Statements section of our report. We are required to be independent of the Foundation 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

INDEPENDENT AUDITOR'S REPORT

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the 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 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 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 the Foundation's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's 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.

Leonard, Mulherin & Greene, P.C.

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

April 4, 2023

PREA FOUNDATION, INC.Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,243,271	\$ 11,594,227
Contributions receivable, current portion, net	3,008,500	1,924,500
Prepaid grant	272,441	-
Prepaid expenses	1,980	6,419
Total current assets	17,526,192	13,525,146
OTHER ASSETS		
Contributions receivable, less current portion, net	5,664,377	1,819,843
Total assets	\$ 23,190,569	\$ 15,344,989
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,551	\$ 41,838
Due to affiliate	-	1,200
Total liabilities	5,551	43,038
NET ASSETS		
Without donor restrictions	14,512,141	11,557,608
With donor restrictions	8,672,877	3,744,343
Total net assets	23,185,018	15,301,951
Total liabilities and net assets	\$ 23,190,569	\$ 15,344,989

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

PREA FOUNDATION, INC.

Statements of Activities

Years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions of cash and other financial assets	\$ 2,787,000	\$ 6,696,034	\$ 9,483,034	\$ 1,154,700	\$ 1,515,622	\$ 2,670,322
Contributions of nonfinancial assets	14,072	-	14,072	13,355	-	13,355
Interest income	159,451	-	159,451	935	-	935
Net assets released from restrictions	1,767,500	(1,767,500)	-	2,538,200	(2,538,200)	-
Total revenue and support	4,728,023	4,928,534	9,656,557	3,707,190	(1,022,578)	2,684,612
EXPENSES AND LOSSES						
Program Services						
Grants and outreach	1,391,732	-	1,391,732	1,230,992	-	1,230,992
Total program services	1,391,732	-	1,391,732	1,230,992	-	1,230,992
Supporting Services						
Management and general	250,286	-	250,286	178,269	-	178,269
Fundraising	131,472	-	131,472	122,683	-	122,683
Total supporting services	381,758	-	381,758	300,952	-	300,952
Total expenses	1,773,490	-	1,773,490	1,531,944	-	1,531,944
CHANGE IN NET ASSETS	2,954,533	4,928,534	7,883,067	2,175,246	(1,022,578)	1,152,668
NET ASSETS , beginning of year	11,557,608	3,744,343	15,301,951	9,382,362	4,766,921	14,149,283
NET ASSETS , end of year	\$ 14,512,141	\$ 8,672,877	\$ 23,185,018	\$ 11,557,608	\$ 3,744,343	\$ 15,301,951

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

PREA FOUNDATION, INC.

Statements of Functional Expenses
 Years ended December 31, 2022 and 2021

	2022				2021			
	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	\$ 1,234,859	\$ -	\$ -	\$ 1,234,859	\$ 1,067,650	\$ -	\$ -	\$ 1,067,650
Salaries and related	118,472	159,823	79,912	358,207	114,297	85,723	85,722	285,742
Consulting fees	23,637	13,432	12,582	49,651	16,067	34,054	22,030	72,151
Accounting/audit fees	-	26,965	-	26,965	-	25,200	-	25,200
Travel	11,911	-	11,910	23,821	6,110	-	6,111	12,221
Legal fees	-	17,073	-	17,073	-	13,474	-	13,474
Meals and entertainment	-	-	16,345	16,345	-	-	1,211	1,211
Bank fees	-	11,856	-	11,856	-	7,098	-	7,098
Marketing	1,125	-	8,994	10,119	24,364	-	5,105	29,469
Technology Services	-	8,114	-	8,114	-	-	-	-
Payroll fees	-	6,129	-	6,129	-	2,089	-	2,089
Office expense	1,728	1,729	1,729	5,186	2,504	2,505	2,504	7,513
Business insurance	-	2,901	-	2,901	-	2,631	-	2,631
Taxes and licenses	-	2,264	-	2,264	-	5,495	-	5,495
Total expenses	\$ 1,391,732	\$ 250,286	\$ 131,472	\$ 1,773,490	\$ 1,230,992	\$ 178,269	\$ 122,683	\$ 1,531,944

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

PREA FOUNDATION, INC.

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,883,067	\$ 1,152,668
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in asset accounts:		
Contributions receivable	(4,928,534)	1,022,578
Prepaid grant	(272,441)	540,000
Prepaid expenses	4,439	(5,212)
Increase (decrease) in liability accounts:		
Accounts payable and accrued expenses	(36,287)	23,580
Due to affiliate	(1,200)	-
Net cash provided by (used in) operating activities	2,649,044	2,733,614
Net increase (decrease) in cash and cash equivalents	2,649,044	2,733,614
Cash and cash equivalents, beginning of year	11,594,227	8,860,613
Cash and cash equivalents, end of year	\$ 14,243,271	\$ 11,594,227

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 September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to clarify and enhance the presentation and disclosure of contributed nonfinancial assets. This ASU is effective for years beginning after June 15, 2021 and has been applied by the Foundation on a retrospective basis.

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, 2022 and 2021

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, 2022:

Subject to the passage of time (including \$200,000 restricted for grant programs):

2023	\$ 3,008,500
2024	2,100,064
2025	1,893,352
2026	1,438,050
2027	232,911
Total net assets with donor restrictions	\$ 8,672,877

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, 2022:

Satisfaction of time restrictions	\$ 1,717,500
Satisfaction of purpose and time restrictions (grant programs)	50,000
Total net assets released from restrictions	\$ 1,767,500

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

Subject to the passage of time:

2022	\$ 1,924,500
2023	1,026,064
2024	475,860
2025	317,919
Total net assets with donor restrictions	\$ 3,744,343

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, 2021:

Satisfaction of time restrictions	\$ 2,538,200
Total net assets released from restrictions	\$ 2,538,200

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, 2022 and 2021, the Foundation considers its contributions receivable to be fully collectible and, therefore, no allowance for uncollectible contributions receivable has been recorded.

Contributed Nonfinancial Assets

The Foundation records donated assets at the fair market value on the date the assets are unconditionally promised to the Foundation. Donated services are recorded at fair market value on the date the services are provided if the services create or enhance nonfinancial assets or the services are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation.

For the years ended December 31, contributed nonfinancial assets recognized within the Statement of Activities included:

	2022	2021
Bank fees	\$ 11,813	\$ 6,905
Travel	1,238	1,983
Office expenses	889	1,037
Tax and licenses	132	3,430
Total in-kind contributions	\$ 14,072	\$ 13,355

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The Foundation captures direct costs when possible. Certain expenses attributable to one or more program or supporting function of the Foundation are allocated on a reasonable basis which has been consistently applied.

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. The Foundation believes it is no longer subject to income tax examinations for years prior to 2019.

Subsequent Events

The Foundation evaluated events that occurred after December 31, 2022, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, April 4, 2023, for potential recognition or disclosure in the financial statements. The Foundation did not identify any subsequent events that had a material effect on the accompanying financial statements.

Reclassifications

Certain amounts in the prior year column 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.

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 as of December 31:

	2022	2021
Cash and cash equivalents	\$ 14,243,271	\$ 11,594,227
Contributions receivable, current portion, net	3,008,500	1,924,500
Total financial assets available within one year	\$ 17,251,771	\$ 13,518,727

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	2022	2021
Less than one year	\$ 3,008,500	\$ 1,924,500
One to five years	6,143,500	1,875,000
Total contributions receivable	9,152,000	3,799,500
Less: discount to net present value	(479,123)	(55,157)
Total contributions receivable, net	8,672,877	3,744,343
Less current portion	(3,008,500)	(1,924,500)
Long-term contributions receivable, net	\$ 5,664,377	\$ 1,819,843

The Foundation used the average daily treasury yield curve rate to determine the net present value factor for the years ended December 31, 2022 and 2021.

4 – PREPAID GRANT

During the year ended December 31, 2022, the Foundation prepaid a grant in the amount of \$272,441. The grant was made to support the Robert A. Toigo Foundation graduate level real estate program. There were no prepaid grants at December 31, 2021.

5 – EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution retirement plan (the “Plan”) under Section 401(k) of the Internal Revenue Code. The plan covers all employees who have attained 16 years of age and completed one month of service and the Foundation will match employee contributions at their discretion. In April 2022, the Plan was amended to require six months of service, and provisions for a Foundation match of employee contributions up to 6% of the employee’s base salary. Further, the Plan requires employees to be employed for one year prior to becoming fully vested in the Foundation’s contributions. The Foundation incurred expenses totaling \$10,250 and \$9,750 for employer contributions to the Plan during the years ended December 31, 2022 and 2021, respectively.

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.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

7 – RELATED PARTY TRANSACTIONS (continued)

During the years ended December 31, 2022 and 2021, the Association provided in-kind contributions of \$14,072 and \$13,355, respectively, to the Foundation, which represented the cost of various administrative costs of the Foundation. These costs are included in management and general and fundraising expenses in the accompanying Statements of Activities.

On January 15, 2020, the Foundation entered into a service agreement with the Association where the Association provides the Foundation certain accounting, receptionist and IT services. During the years ended December 31, 2022 and 2021, the Association charged the Foundation \$1,200 for these services, which is included as accounting fees expense on the Statements of Functional Expenses.

As of December 31, 2021, the Foundation owed the Association \$1,200 for services. No amounts were owed to the Association as of December 31, 2022.

Three Members of the Foundation's Board of Directors are also board members of certain of the Foundation's grantees. During the years ended December 31, 2022 and 2021, the Foundation awarded grants totaling \$1,014,859 and \$864,650, respectively, to the related grantees.