

PREA FOUNDATION, INC.

Financial Statements

Years ended December 31, 2021 and 2020

PREA FOUNDATION, INC.

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CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12



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, 2021 and 2020, 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, 2021 and 2020, 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, including omissions, 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

March 31, 2022

PREA FOUNDATION, INC.Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,594,227	\$ 8,860,613
Contributions receivable, current portion, net	1,924,500	2,788,200
Prepaid grant	-	540,000
Prepaid expenses	6,419	1,207
Total current assets	13,525,146	12,190,020
OTHER ASSETS		
Contributions receivable, less current portion, net	1,819,843	1,978,721
Total assets	\$ 15,344,989	\$14,168,741
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 41,838	\$ 18,258
Due to affiliate	1,200	1,200
Total liabilities	43,038	19,458
NET ASSETS		
Without donor restrictions	11,557,608	9,382,362
With donor restrictions	3,744,343	4,766,921
Total net assets	15,301,951	14,149,283
Total liabilities and net assets	\$ 15,344,989	\$14,168,741

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

PREA FOUNDATION, INC.

Statements of Activities

Years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 1,154,700	\$ 1,515,622	\$ 2,670,322	\$ 133,200	\$ 491,031	\$ 624,231
In-kind contributions	13,355	-	13,355	7,114	-	7,114
Interest income	935	-	935	17,624	-	17,624
Net assets released from restrictions	2,538,200	(2,538,200)	-	2,957,534	(2,957,534)	-
Total revenue and support	3,707,190	(1,022,578)	2,684,612	3,115,472	(2,466,503)	648,969
EXPENSES AND LOSSES						
Program Services						
Grants and outreach	1,230,992	-	1,230,992	735,000	-	735,000
Total program services	1,230,992	-	1,230,992	735,000	-	735,000
Supporting Services						
Management and general	178,269	-	178,269	262,466	-	262,466
Fundraising	122,683	-	122,683	8,289	-	8,289
Total supporting services	300,952	-	300,952	270,755	-	270,755
Total expenses	1,531,944	-	1,531,944	1,005,755	-	1,005,755
CHANGE IN NET ASSETS	2,175,246	(1,022,578)	1,152,668	2,109,717	(2,466,503)	(356,786)
NET ASSETS , beginning of year	9,382,362	4,766,921	14,149,283	7,272,645	7,233,424	14,506,069
NET ASSETS , end of year	\$ 11,557,608	\$ 3,744,343	\$ 15,301,951	\$ 9,382,362	\$ 4,766,921	\$ 14,149,283

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

PREA FOUNDATION, INC.

Statements of Functional Expenses
 Years ended December 31, 2021 and 2020

	2021				2020			
	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	\$ 1,067,650	\$ -	\$ -	\$ 1,067,650	\$ 725,000	\$ -	\$ -	\$ 725,000
Salaries and related	114,297	85,723	85,722	285,742	-	31,989	-	31,989
Consulting fees	16,067	34,054	22,030	72,151	-	177,225	-	177,225
Accounting/audit fees	-	25,200	-	25,200	-	21,191	-	21,191
Marketing	24,364	-	-	24,364	10,000	-	-	10,000
Legal fees	-	13,474	-	13,474	-	16,307	-	16,307
Travel	6,110	-	6,111	12,221	-	1,989	-	1,989
Office expense	2,504	2,505	2,504	7,513	-	2,194	-	2,194
Bank fees	-	7,098	-	7,098	-	6,619	-	6,619
Taxes and licenses	-	5,495	-	5,495	-	2,245	-	2,245
Design services	-	-	5,105	5,105	-	-	3,900	3,900
Business insurance	-	2,631	-	2,631	-	2,623	-	2,623
Payroll fees	-	2,089	-	2,089	-	84	-	84
Meals and entertainment	-	-	1,211	1,211	-	-	4,389	4,389
Total expenses	\$ 1,230,992	\$ 178,269	\$ 122,683	\$ 1,531,944	\$ 735,000	\$ 262,466	\$ 8,289	\$ 1,005,755

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

PREA FOUNDATION, INC.

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,152,668	\$ (356,786)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in asset accounts:		
Contributions receivable	1,022,578	2,466,503
Prepaid grant	540,000	(15,000)
Prepaid expenses	(5,212)	(9)
Increase (decrease) in liability accounts:		
Accounts payable and accrued expenses	23,580	(7,636)
Due to affiliate	-	(25,890)
Net cash provided by (used in) operating activities	2,733,614	2,061,182
Net increase (decrease) in cash and cash equivalents	2,733,614	2,061,182
Cash and cash equivalents, beginning of year	8,860,613	6,799,431
Cash and cash equivalents, end of year	\$ 11,594,227	\$ 8,860,613

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

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

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.

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.

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.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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, 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

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Subject to the passage of time:

2021	\$ 2,788,200
2022	1,215,186
2023	634,040
2024	129,495
Total net assets with donor restrictions	\$ 4,766,921

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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, 2020:

Satisfaction of time restrictions	\$ 2,957,534
Total net assets released from restrictions	\$ 2,957,534

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, 2021 and 2020, 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 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 2018.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

The Foundation evaluated events that occurred after December 31, 2021, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, March 31, 2022, 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.

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:

	2021	2020
Cash and cash equivalents	\$ 11,594,227	\$ 8,860,613
Contributions receivable, current portion, net	1,924,500	2,788,200
Total financial assets available within one year	\$ 13,518,727	\$ 11,648,813

3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	2021	2020
Less than one year	\$ 1,924,500	\$ 2,788,200
One to five years	1,875,000	2,071,000
Total contributions receivable	3,799,500	4,859,200
Less: discount to net present value	(55,157)	(92,279)
Total contributions receivable, net	3,744,343	4,766,921
Less current portion	(1,924,500)	(2,788,200)
Long-term contributions receivable, net	\$ 1,819,843	\$ 1,978,721

The Foundation used the average daily treasury yield curve rate to determine the net present value factor for the years ended December 31, 2021 and 2020.

4 – PREPAID GRANT

During the year ended December 31, 2020, the Foundation prepaid a grant in the amount of \$540,000. The grant was made to support the PREA/SEO real estate track summer 2021 internship program. There were no prepaid grants at December 31, 2021.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

5 - IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the years ended December 31:

	2021	2020
Bank fees	\$ 6,905	\$ 6,272
Tax and licenses	3,430	-
Travel	1,983	-
Office expenses	1,037	842
Total in-kind contributions	\$ 13,355	\$ 7,114

These amounts have been reported as both in-kind revenue and expenses on the Statements of Activities.

6 – 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. The Foundation incurred an expense totaling \$9,750 for employer contributions to the Plan during the year ended December 31, 2021. The Foundation did not contribute to the Plan during the year ended December 31, 2020.

7 – CONTINGENCIES AND CONCENTRATION OF CREDIT RISK

Contingencies

On March 13, 2020, a national emergency was declared in the United States as a result of the COVID-19 pandemic. This ongoing public health crisis has had a significant and wide-ranging effect on the United States and local economies. Although management continues to actively assess and respond to the pandemic and related government orders for public health and safety, the longer-term impact of the pandemic on the Foundation’s operations and financial position cannot be reasonably determined at this time.

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.

8 – 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 years ended December 31, 2021 and 2020, the Association provided in-kind contributions of \$13,355 and \$7,114, 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.

PREA FOUNDATION, INC.

Notes to Financial Statements
December 31, 2021 and 2020

8 – RELATED PARTY TRANSACTIONS (continued)

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, 2021 and 2020, the Association charged the Foundation \$1,200 for these services, which is included as consulting fees expense on the Statements of Functional Expenses.

Prior to January 15, 2020, 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 the financial statements. The majority of the Foundation's fundraising efforts were conducted by its volunteer Board of Directors.

As of December 31, 2021 and 2020, the Foundation owed the Association \$1,200 for services.

A member of the Foundation's Board of Directors is also a board member of one of the Foundation's grantees. Two other members of the Foundation's Board of Directors are also board members of another one of the Foundation's grantees. During the years ended December 31, 2021 and 2020, the Foundation awarded grants totaling \$864,650 and \$525,000, respectively, to the related grantees.