PREA Foundation, Inc.

Financial Statements
For the Year Ended December 31, 2018 and the Period from April 4, 2017 (Inception) to December 31, 2017

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PREA Foundation, Inc.

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Independent Auditor's Report

To the Board of Trustees
PREA Foundation, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of PREA Foundation, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year ended 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PREA Foundation, Inc. as of December 31, 2018, 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.

Other Matter

The 2017 financial statements of PREA Foundation, Inc. were audited by other auditors, whose report dated July 12, 2018, expressed an unmodified opinion on those statements.

BDO USA, LLP

July 25, 2019

Financial Statements

PREA Foundation, Inc.

Statements of Financial Position

December 31,	**2018**	2017
Assets:		
Cash and cash equivalents	**$ 3,974,979**	$ 2,160,414
Due from affiliate	**34,230**	-
Pledges receivable, net	**6,897,431**	6,547,000
Total Assets	**$ 10,906,640**	$ 8,707,414
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 19,447**	$ -
Grants payable, net	**100,000**	730,000
Total Liabilities	**119,447**	730,000
Net Assets:		
Without donor restrictions	**3,889,762**	1,099,614
With donor restrictions	**6,897,431**	6,877,800
Total Net Assets	**10,787,193**	7,977,414
Total Liabilities and Net Assets	**$ 10,906,640**	$ 8,707,414

See accompanying notes to financial statements.

PREA Foundation, Inc.

Statements of Activities

Year Ended December 31, 2018 and Period from April 4, 2017 to December 31, 2017	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions	$ 730,175	$ 2,218,164	$ 2,948,339	$ 2,077,950	$ 6,877,800	$8,955,750
In-kind contributions	59,881	-	59,881	127,887	-	127,887
Interest income	53,075	-	53,075	1,689	-	1,689
Net assets released from restrictions	2,198,533	(2,198,533)	-	-	-	-
Total Revenue and Support	3,041,664	19,631	3,061,295	2,207,526	6,877,800	9,085,326
Expenses:						
Program Services:						
PREA/SEO Real Estate Track Program	67,585	-	67,585	980,000	-	980,000
Supporting Services:						
Management and general	157,410	-	157,410	125,439	-	125,439
Fundraising	26,521	-	26,521	2,473	-	2,473
Total Supporting Services	183,931	-	183,931	127,912	-	127,912
Total Expenses	251,516	-	251,516	1,107,912	-	1,107,912
Change in Net Assets	2,790,148	19,631	2,809,779	1,099,614	6,877,800	7,977,414
Net Assets, beginning of year	1,099,614	6,877,800	7,977,414	-	-	-
Net Assets, end of year	$ 3,889,762	$ 6,897,431	$ 10,787,193	$ 1,099,614	$ 6,877,800	$7,977,414

See accompanying notes to financial statements.

PREA Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018	Program Services	Management and General	Fundraising	Total
Legal fees	$ -	$ 78,950	$ -	$ 78,950
Accounting/audit fees	-	71,506	-	71,506
Salaries and related expenses	36,235	-	-	36,235
Grant/contribution expense	23,320	-	-	23,320
Design services	-	-	19,871	19,871
Meals and entertainment	-	-	6,000	6,000
Housing stipends	4,500	-	-	4,500
Consulting fees	2,438	-	-	2,438
Taxes and licenses	-	2,400	-	2,400
Office expense	-	1,507	-	1,507
Bank fees	-	2,416	-	2,416
Payroll fees	1,092	-	-	1,092
Brand strategy/visual identity	-	-	650	650
Travel expense	-	631	-	631
Total	$ 67,585	$ 157,410	$ 26,521	$ 251,516

See accompanying notes to financial statements.

PREA Foundation, Inc.

Statement of Functional Expenses

Period from April 4, 2017 to December 31, 2017	Program Services	Management and General	Fundraising	Total
Grant/contribution expense	$ 980,000	$ -	$ -	$ 980,000
Brand strategy/visual identity	-	79,107	-	79,107
Legal fees	-	35,067	-	35,067
Office expense	-	8,256	-	8,256
Design services	-	-	2,473	2,473
Travel expense	-	1,734	-	1,734
Consulting fees	-	1,275	-	1,275
	$ 980,000	$ 125,439	$ 2,473	$ 1,107,912

See accompanying notes to financial statements.

PREA Foundation, Inc.

Statements of Cash Flows

Year Ended December 31, 2018 and Period from April 4, 2017 to December 31, 2017	**2018**	2017
Cash Flows from Operating Activities:		
Change in net assets	**$2,809,779**	$ 7,977,414
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in cash resulting from changes in:		
Due from affiliate	**(34,230)**	-
Pledges receivable	**(350,431)**	(6,547,000)
Accounts payable	**19,447**	-
Grants payable	**(630,000)**	730,000
Net Cash Provided by Operating Activities	**1,814,565**	2,160,414
Net Increase in Cash and Cash Equivalents	**1,814,565**	2,160,414
Cash and Cash Equivalents - beginning of year	**2,160,414**	-
Cash and Cash Equivalents - end of year	**$3,974,979**	$ 2,160,414

See accompanying notes to financial statements.

1. Nature of the Organization

The 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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America ("GAAP"), as applicable to not-for-profit organizations. In the statements of financial position, assets and liabilities are presented in the order of liquidity or conversion to cash and their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of the Foundation's net assets is based on the existence or absence of donor-imposed restrictions, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives. The assets, liabilities, and net assets of the Foundation are reported as follows:

Net assets without donor restrictions: represent amounts not restricted for identified purposes by donors or grantors. These amounts are available to be used for the general purposes of the Foundation.

Net assets with donor restrictions: Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by the actions of the Foundation.

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.

Pledges Receivable

Pledges receivable that are to be collected within one year are recorded at net realizable value. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks 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 pledge receivables is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and the nature of fund-raising activity. Revenue recognized on pledges that have been committed to the Foundation but not yet received is reflected as pledges receivable in the accompanying statements of financial position.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Foundation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, 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.

In-kind Contributions

Donated goods are reflected as contributions at the estimated fair value at the date of receipt, if there is an objective basis for recording and assigning value to such donations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Income Taxes

The Foundation is a not-for-profit organization and is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the “Code”) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying statements of activities.

Under Accounting Standards Codification (“ASC”) 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Foundation does not believe it has taken any material uncertain tax positions, and, accordingly, it has not recorded any liability for unrecognized tax benefits. For the year ended December 31, 2018 and the period ended December 31, 2017, there were no interest or penalties recorded or included in the statements of activities.

Functional Allocation of Expenses

The costs of providing the Foundation’s various programs and activities have been summarized on a functional basis in the accompanying statements of functional expenses. 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.

Statement of Activities

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the mission of the Foundation are reported as revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Recently Adopted Accounting Pronouncements

Financial Statements for Not-for-Profit Entities (Topic 958)

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities, (Topic 958)*. The ASU makes targeted improvements to the not-for-profit financial reporting model and enhances disclosures. A second phase of the project will address more controversial not-for-profit specific areas and potentially, more far reaching changes that could be driven by the financial performance reporting project for business entities currently on the FASB's research agenda. The ASU makes several improvements to current reporting requirements. The major changes include: (a) eliminates the distinction between resources with permanent restrictions and those with temporary restrictions, (b) requires disclosure of quantitative and qualitative information about how the Foundation manages its liquid resources to meet cash needs, (c) requires disclosure on the methods used to allocate costs among program and support functions, and (d) requires reporting of all expenses by their natural classification and functional classification. The Foundation has adopted ASU 2016-14, which is reflected in these financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for nonpublic entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the effect the provisions of this ASU will have on the financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the effect the provisions of this ASU will have on the financial statements.

Statement of Cash Flows (Topic 230)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*. The guidance clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The guidance is effective for private companies for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. Entities will have to apply the guidance retrospectively, but if it is impracticable to do so for an issue, the amendments related to that issue would be applied prospectively. Management is currently evaluating the effect the provisions of this ASU will have on the financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through July 25, 2019, which is the date the financial statements were available to be issued.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

December 31, 2018	
Cash	$ 3,974,979
Due from affiliate	34,230
Financial Assets Available to Meet General Expenditures Within One Year	**$ 4,009,209**

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Concentrations of Credit Risk

The Foundation has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount was $250,000 for interest and non-interest bearing accounts, which was applied per depositor, per insured bank for each account ownership category. As of December 31, 2018 and 2017, the Foundation had approximately $3,724,979 and $1,860,414 in excess of FDIC limits, respectively.

5. Pledges Receivable

Pledges receivable represent unconditional promises to give that are expected to be collected in future periods as follows:

December 31,	**2018**	2017
Amounts Due in:		
Less than one year	**$ 2,076,034**	$ 2,057,233
One to five years	**5,103,733**	4,740,767
Total Pledges Receivable (before discount)	**7,179,767**	6,798,000
Less: discount to net present value	**(282,336)**	(251,000)
Pledges Receivable, Net	**$ 6,897,431**	$ 6,547,000

All amounts are considered fully collectible as of December 31, 2018 and 2017. The Foundation used the Daily Treasury Yield Curve Rate to determine the net present value factor for the year ended December 31, 2018 and the period ended December 31, 2017.

6. Grants Payable

Grant payables as of December 31, 2018 and 2017, represent amounts due on an unconditional award which is due to be paid as follows:

December 31,	**2018**	2017
Amounts Due in:		
Less than one year	**$ 100,000**	$ 250,000
One to five years	**-**	500,000
Total Grants Payable (before discount)	**100,000**	750,000
Less: discount to net present value	**-**	(20,000)
Grants Payable, Net	**$ 100,000**	$ 730,000

An average discount rate of 0% and 1.67% was used to determine the net present value factor for the year ended December 31, 2018 and the period ended December 31, 2017, respectively.

7. In-kind Contributions

The Foundation benefited from in-kind contributions in the form of the following types of goods and services during the year (period) ended December 31:

	2018	2017
Legal fees	$ 45,394	$ 35,067
Meals	6,000	-
Office expenses	4,921	8,282
Advertising	2,285	2,422
Other professional & consulting fees	650	80,382
Travel	631	1,734
	$ 59,881	$ 127,887

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

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for support of the Foundation's overall program mission and general operations for the following time periods as of December 31, 2018:

December 31,	
2019	$ 2,036,034
2020	2,086,531
2021	2,012,302
2022	762,564
Total Net Assets With Donor Restrictions	$ 6,897,431

Net assets with donor restrictions totaling $2,198,533 and $-0- were released from time restrictions for the years ended December 31, 2018 and 2017, respectively.

9. Related Party

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 number of board members overlap between the two organizations. During the period ended December 31, 2017, the Association pledged $1 million in general support to the Foundation over a five-year period. These funds were received by the Foundation in full as of December 31, 2017. No amounts were pledged during the year ended December 31, 2018.

During the year ended December 31, 2018 and the period ended December 31, 2017, the Association also provided an in-kind contribution of $59,881 and $127,887, respectively, 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.

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.