Accounting Committee Summer Session

NCREIF
National Council of Real Estate Investment Fiduciaries

Agenda

- Reporting Standards 101
- Reporting Standards Project Updates
- ILPA Reporting Template
- Fair Value Manual Update
- Debt Manual Update

NCREIF PREA
Reporting Standards

Reporting Standards 101

NCREIF Accounting Committee Session

Jamie Kingsley
RS Director

Agenda

- Introduce you to the NCREIF PREA Reporting Standards
  - Often referred to as the “Reporting Standards” or “RS”
  - What are the Reporting Standards
    - Structure and Governance
    - Document Organization
  - How the Reporting Standards can help you
    - Finding Information
    - Staying Connected

Polling Question 1

- How familiar are you with the Reporting Standards?
  - Very familiar
  - Somewhat familiar
  - Just learning
  - I don’t know

NCREIF PREA
Reporting Standards

NCREIF PREA REPORTING STANDARDS

Our Mission

Establish, manage, and enhance transparent and consistent reporting standards for the real estate industry fostering comparability and informed investment decision-making.

Key Pillars

LEAD ➤ Take active role around most pressing and challenging issues

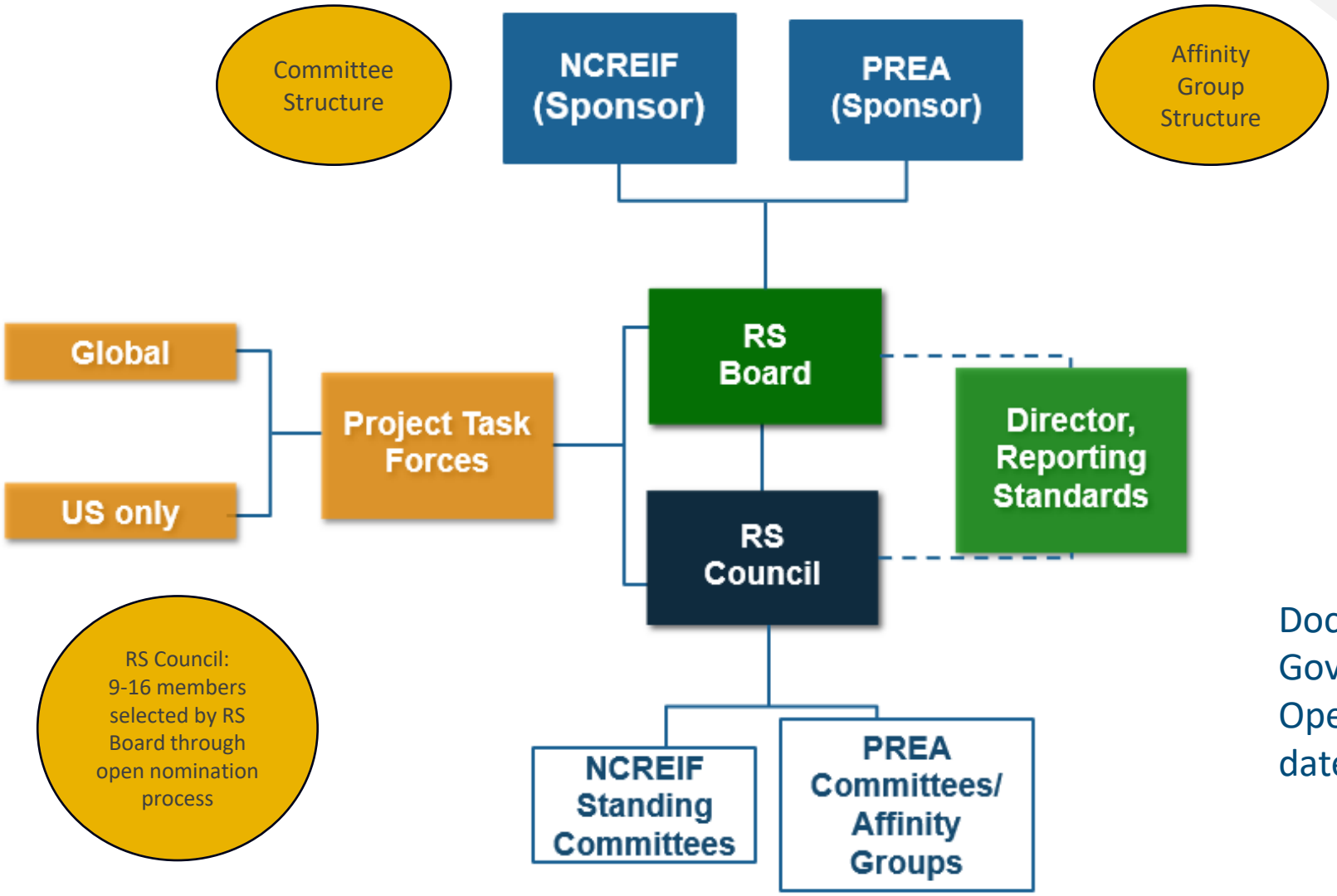
COLLABORATE ➤ Domestic and global across all disciplines

PROMOTE ➤ Compliance, advocacy, education, and marketing

Structure and Governance

NCREIF PREA
Reporting Standards

Organizational Structure



RS Board: Four Reps appointed by each NCREIF and PREA

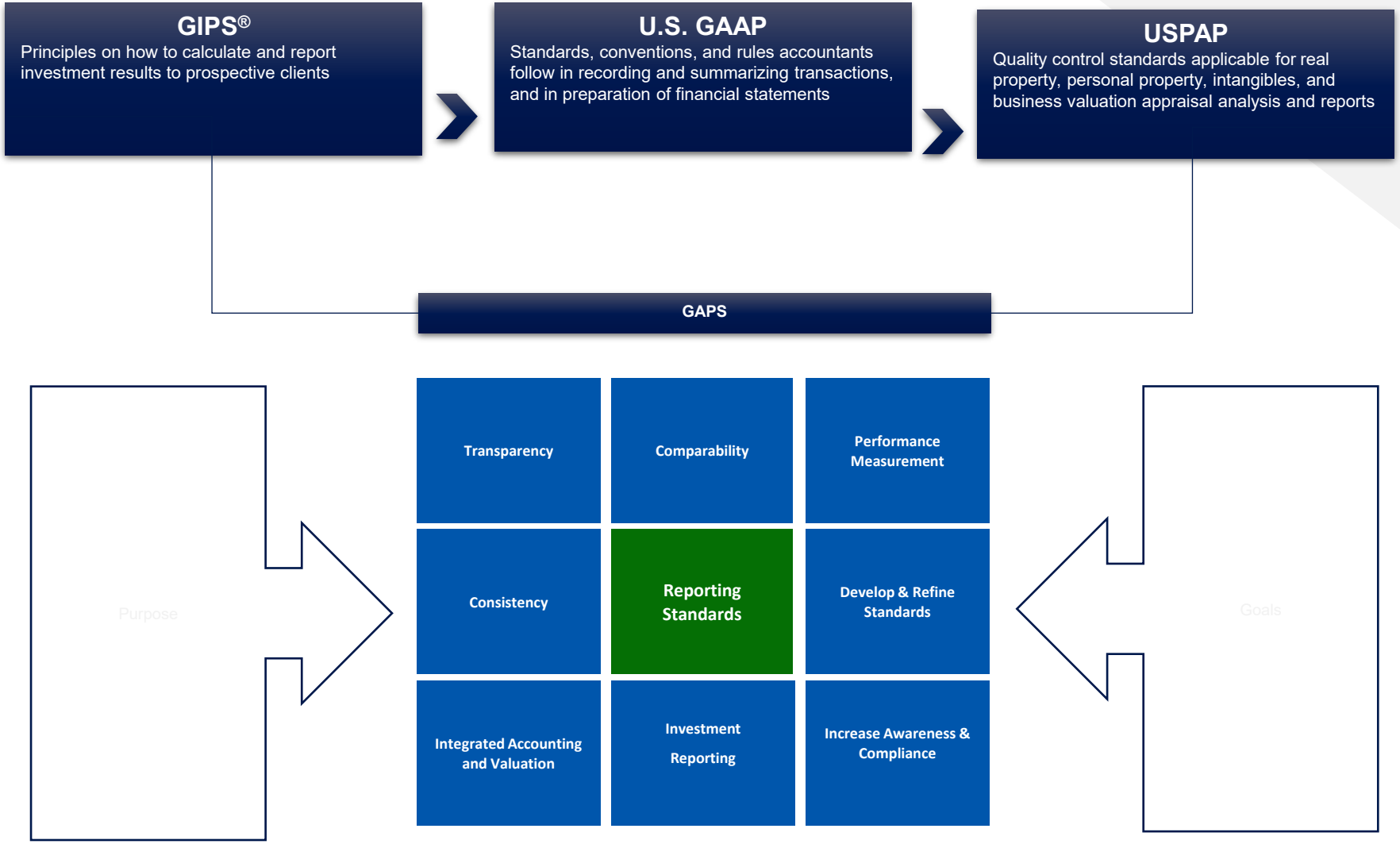
RS Council: 9-16 members selected by RS Board through open nomination process

Document Reference: Governance and Operations Manual dated October 11, 2023

Foundational Standards & Filling the Gap

NCREIF PREA
Reporting Standards

GIPS®, U.S. GAAP and USPAP form the Foundational Standards upon which RS depends; however, RS provides guidance when these Foundational Standards are silent or subject to interpretation.



Reporting Standards Formation

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Reporting Standards

- Developed and maintained by industry professionals
  - Investors
  - Investment Managers
  - Service Providers
  - Academics
  - Portfolio and Asset Management
  - Accounting
  - Performance and Risk
  - Valuation
- Multi-disciplined
- Collaborative
  - Sponsors
  - Foundational Standards
  - Other industry groups
    - INREV, ANREV, ILPA

"For the industry. By the industry."

Relationship to Data Products

"Standards underlie the very fundamentals of databases."

- Blake Eagle, Founder of NCREIF

Evolution of the Reporting Standards

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Reporting Standards

1970 - 1990

- **1974** — 01 ERISA: Mandates diversification of US pensions. Early 1970's: non-listed core commingled funds emerge
- **1982** — 02 NCREIF Formed: NPI First Published
- **1986** — 03 NCREIF: Issues guidelines for fair value accounting in RE
- **1987** — 04 GIPS & USPAP Formed

1991 - 2000

- **1991** — 05 REITs: US REIT market takes off
- **1993** — 06 REIS is Born!: 1993: NCREIF PREA, and NAREIM launch joint standards initiative
- **1996** — 07 1st Standards: Real Estate Information Standards (REIS) issued - property centric, core focus-supporting NPI. Reviewed annually.

2001 - 2010

- **2001** — 08 Opportunistic: Early 2000's: Opportunistic investing begins, easy financing
- **2003** — 09 Standards 2.0: Substantial rewrite with emphasis on investment vehicles, accounting, performance and valuation.
- **2004** — 10 REIS Council: Formed by NCREIF for technical expertise and implementation
- **2005** — 11 ODCE
- **2007** — 12 REIS Board: Independent Board formed by PREA & NCREIF focusing on strategy and advocacy.
- **2008** — 13 Funds: Fund level chapter added to standards

2011 - present

- **2011** — 14 Standards 3.0: incorporated a hierarchy, established a mechanism for compliance. Compliance checklists developed.
- **2014** — 15 CEVA Published: REIS becomes RS
- **2014** — 16 Global SSC: Global standards initiative between NCREIF/PREA/INREV/AN REV launched.
- **2015** — 17 GDD: Global Definitions Database published
- **2018** — 18 TGER: 1st global standard published – Total Global Expense Ratio
- **2019** — 19 Closed End: Focus on closed- end funds
- **2020** — 20 RS 2020
- **2023** — 23 Debt Funds: Expanded beyond equity to include debt

Today: RS mission continues

RS Timeline Summary

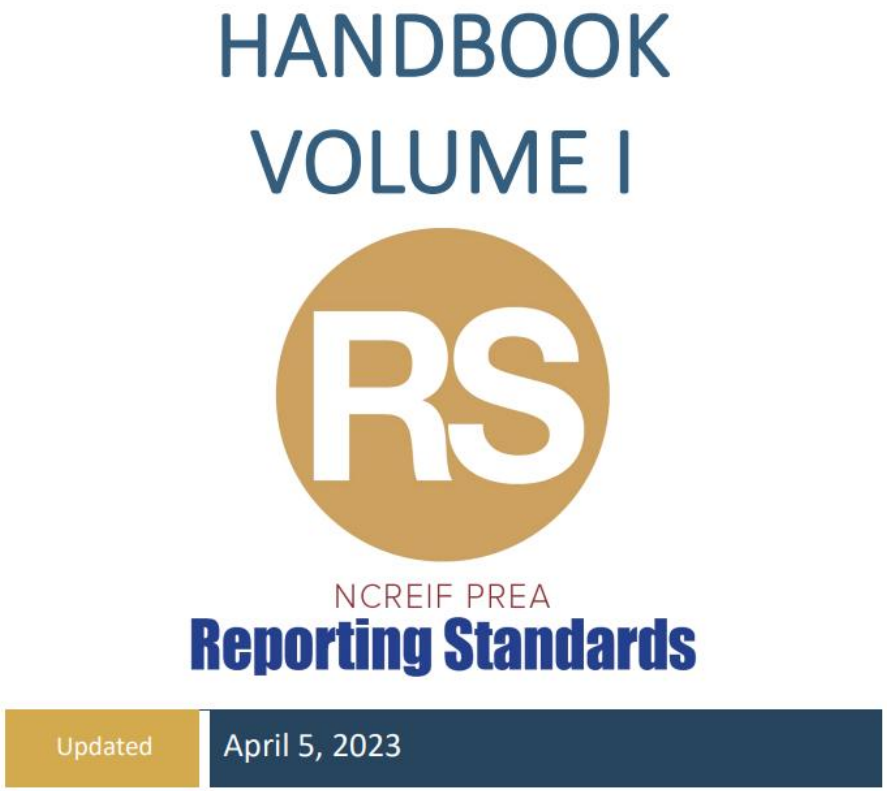
- 1995
  - Provide standards for calculating, presenting and reporting investment results to the institutional real estate investment community in the United States. Updated by NCREIF Standing Committees.
- 2004 and 2007 (respectively)
  - RS Council and Board established by the Sponsors to oversee the initiative.
  - RS Council = 16 members, RS Board = 8 members.
- 2011
  - Re-issued as a codified compliable set of reporting standards for the private, institutional, real estate equity industry.
- 2015
  - Partnered with INREV and ANREV to develop global set of reporting standards
- 2021
  - Added ESG Principles of Reporting and KPIs
- 2023
  - Expanded to include Reporting Standards for Debt Funds
- 2025
  - Expanded to include Asset Level Reporting

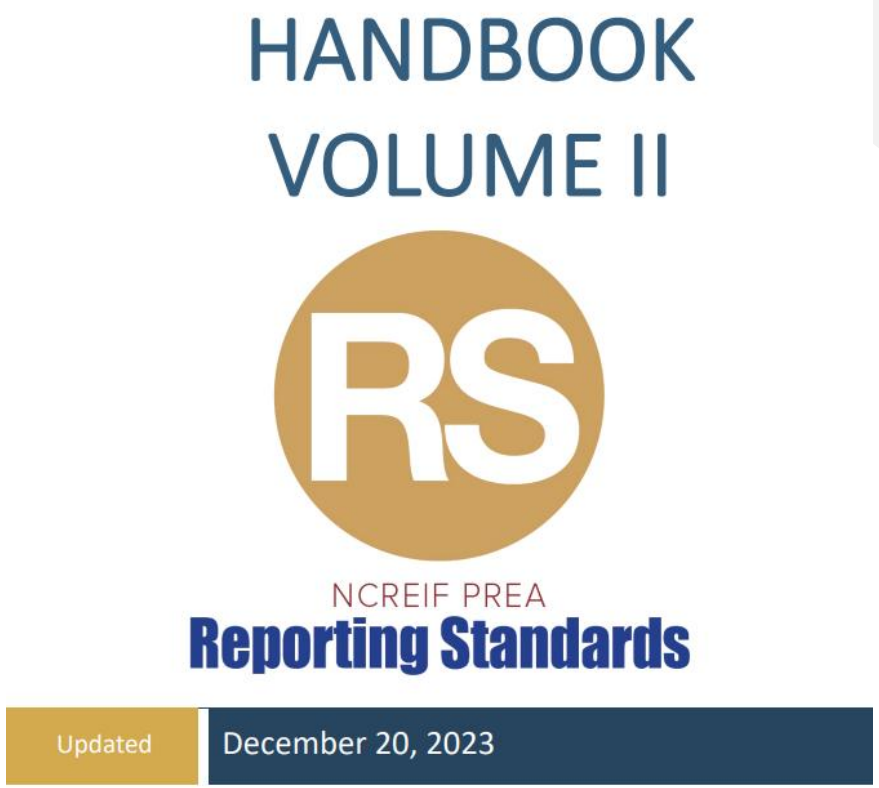
*NCREIF Standing Committees and PREA Affinity Groups are a critical part of the RS initiative.

Polling Question 2

- What is your role in preparing the reports sent to investors?
  - Prepare financial statements and disclosures only
  - Prepare financials and performance reporting
  - Prepare financials and analyze/review valuations
  - Prepare financials and provide additional asset/investment level info
  - None of the above

The Reporting Standards





- Required and recommended elements
- Organized by discipline
- Checklists (Volume II) developed for assistance

- Discipline specific manuals
- Tools
- Research papers & adopting releases

RS Handbook Volume I

- Required and Recommended Elements of Reporting
  - Portfolio Management
  - Performance and Risk
  - Asset Management
  - Financial Reporting
  - Valuation
  - Statement of Compliance

- Frequency of reporting may vary by account type and element

RS Handbook Volume I

Reporting Standards Compliance Checklist				
Disciplines	**Element description**	**Frequency**	**Required or recommended element**	**Handbook Reference**
Financial Reporting	Condensed Fair Value (FV) GAAP-based financial reporting	Quarterly	Required	FR.01
	Fair Value (FV) GAAP-based financial statements	Annually	Required	FR.02
	Financial statement audits	Annually	Required	FR.03
	Schedule of investments	Annually	Required	FR.04

Financial Reporting

Note: The NCREIF PREA Reporting Standards Fair Value Accounting Policy Manual contains additional guidance to support the required and recommended financial elements shown below.

Required: All Equity and Debt Funds and SMAs:

FR.01: Condensed Fair Value GAAP-based financial statements (Quarterly): The condensed financial statements, at a minimum, must include: a Statement of Assets and Liabilities or equivalent (e.g., balance sheet); a Statement of Operations or equivalent (e.g., income statement); a Cash Flow Statement; and a Statement of Changes in NAV. This requirement may be fulfilled by using a Fund or SMA primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information. Most Open-end Funds may amortize organization costs over a period (typically 5, 10, or 15 years) as described in their governing documents. Investors in these funds understand that for trading NAV purposes such costs will be spread over the specified period as opposed to expensed up front as prescribed by GAAP. This practice is common to Open-End Funds and would not preclude the Open-end fund from meeting this requirement.

FR.02: Fair value GAAP-based financial statements (Annually): The Compliant Report must contain Fair Value GAAP-based Financial Statements that are prepared no less frequently than annually. This requirement can be satisfied using a Fund or SMA primary basis of accounting under GAAP to prepare its financial statements and adding supplemental fair value financial information.

FR.03: Financial statement audits (Annually): An independent financial statement audit of the Fair Value GAAP-based Financial Statements is required for all Funds or SMAs.

FR.04: Schedule of investments (Annually): The Schedule of Investments must separately disclose, at a minimum, the following information for all investments:

- Investment name: The Fund or SMA Identifier.
- Property type: See Portfolio Diversification (PM.06).
- Investment structure: See Portfolio Diversification (PM.06).
- Acquisition date: The year or date acquired by the Fund or SMA.
- Location: If practical, use City/State, Metropolitan Statistical Area, or Country if outside of the United States. For Funds and SMAs which include investments outside of the U.S., the manager should apply professional judgement to report meaningful location diversification (e.g., country, region, etc.).
- Fair value as of statement date: The Fund or SMA share of the fair value of the investment as reported in the Fund or SMA financial statements. For consolidated joint ventures, this requirement can be met by listing the fair value of the investment at 100% in the Schedule of Investments with an accompanying footnote stating the Fund or SMA share of the fair value.
- Size (unaudited): Use square footage or other appropriate measure based upon the nature of the investment (e.g., number of rooms for hotels; acres for land).

Note: Compliance Checklists have been created as quick reference guides that should be used in conjunction with and not without reference to Volume I.

RS Handbook Volume II

- Manuals
  - Fair Value Accounting Policy Manual
  - Performance and Risk Manual
  - Valuation Manual
  - Debt Fund Manual (pending release!)
- Research
- Templates/Tools
- Adopting releases

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Reporting Standards

Fair Value Accounting Policy Manual

- Two Presentation Models
  - Operating
  - Non-Operating
- Three Levels of Accounting
  - Property
  - Investment
  - Fund
- Illustrative financial statement presentation with disclosures

Performance and Risk Manual

- TWR, IRR and Equity Multiples
- Definition and calculation
- But also:
  - Use
  - Grouping or composites
  - Component returns
  - Before and after fees
  - Property, Investment and Fund Levels
- Financial Risk (e.g., Leverage)

NCREIF PREA
Reporting Standards

Valuation Manual

- Frequency and Timing
- Independence and Internal Valuations
- Engagement Procedures
- Valuations at Three Levels
  - Property
  - Investment (Partnership interest)
  - Fund (Portfolio)

Debt Fund Manual

- Inaugural Edition!
- Accounting
  - Fund and Investment Level
  - Illustrative financial statements and disclosures
- Performance and Risk
  - Fund and Investment Level
- Valuation
- Appendices
  - Debt Fund Checklist
  - NCREIF/CREFC Debt Fund Aggregate
  - Acknowledgements

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Reporting Standards

Environmental, Social, Governance (ESG)

- *ESG Principles of Reporting for Private Real Estate* published October 2021.
- *ESG Key Performance Indicators* published in May 2022 to compliment the Principles of Reporting.
- Key points to remember about the ESG Principles of Reporting and KPIs
  - Principles based guidance not included in RS Volume I (no impact on RS compliance)
  - Provide a scalable framework for reporting
  - Prioritized to help the user regardless of where they are on their ESG journey
  - Will continue to evolve

Global Collaboration

ANREV - INREV - NCREIF
GLOBAL ALLIANCE

Global Standards Steering Committee

- Celebrating 10 years of collaboration!
- Major Milestones
  - Global Definitions Database (GDD)
  - Total Global Expense Ratio (TGER)
  - Alignment of reporting standards
  - Continues to evolve

Polling Question 3

- What is the biggest benefit of complying with the Reporting Standards?
  - Build trust
  - Answer questions in advance
  - Level the playing field by reflecting best practices
  - Advance real estate as an asset class
  - Allow for comparability

Most Common Points of Confusion

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Reporting Standards

Compliance with the Reporting Standards

- Account (i.e., Fund) level (not firm level like GIPS)
- REQUIRED elements must be reported
- Delivery method is not dictated by RS – all delivery methods collectively considered.

Discipline specific manuals

- Accounting, Performance, Valuation, Debt (new!)
- Purpose and ownership

Process for incorporating into RS Volume I and Volume II

- Dependent on what is being added/changed
- Detailed in the Governance and Operations Manual
- Process established by the industry to include all stakeholders

Follow the Reporting Standards!

LinkedIn

Monthly RS Council Meetings

Upcoming meeting: August 20 – 2:00 PM Central Time

Meeting Invite

Questions? Email administrator@reportingstandards.info

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Reporting Standards

How to Find Information

www.reportingstandards.info

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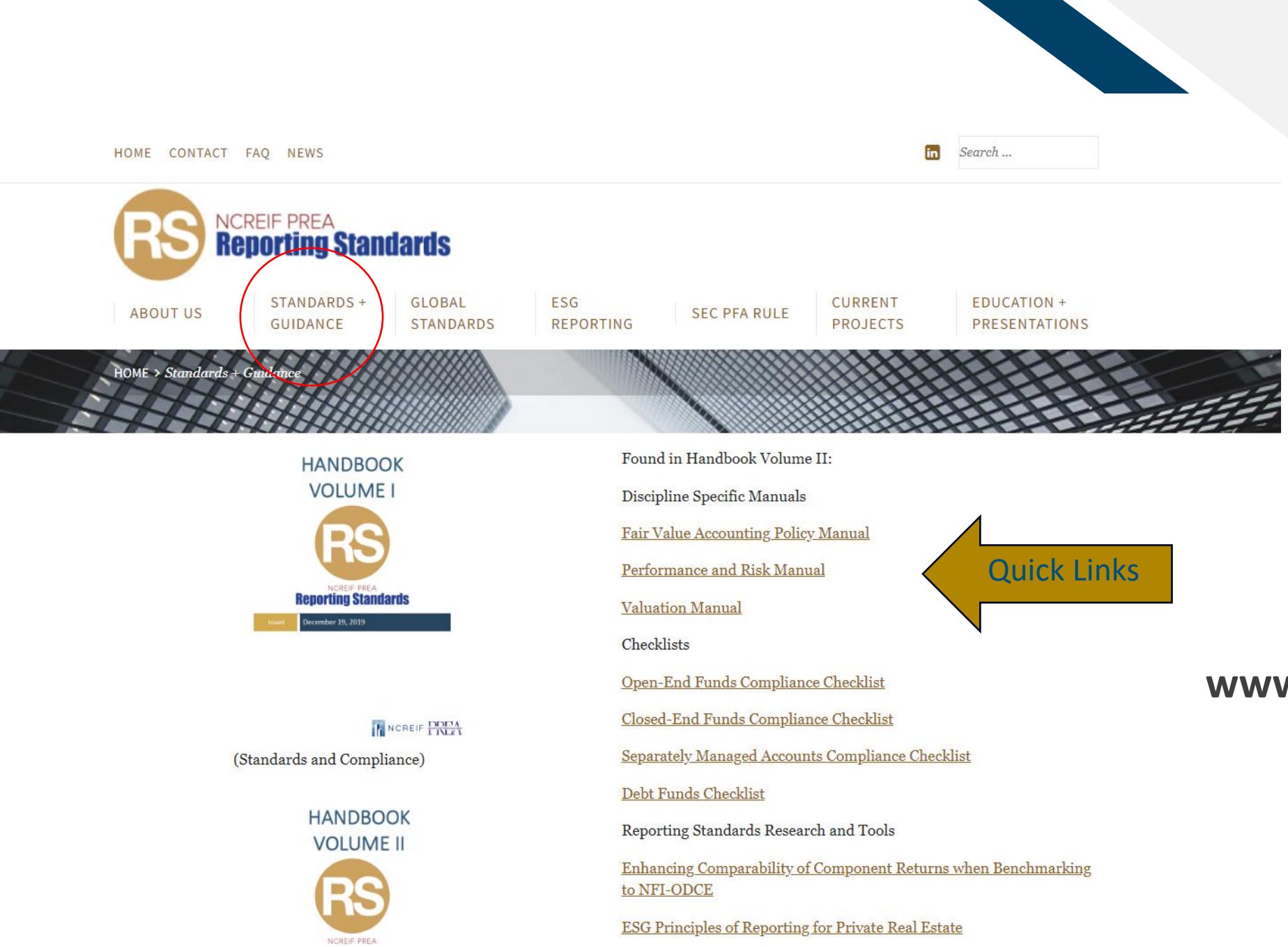
www.reportingstandards.info



Let’s Review

- Standards and best practices
- Developed BY the industry FOR the industry
- Multi-disciplined
- Provide consistent, transparent information
- Foster comparability
- Contain examples and formulas
- Updated regularly for changing industry needs
- Resource for YOU in your day-to-day role

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Reporting Standards

Find Reporting Standards Resources:

www.reportingstandards.info

LinkedIn

Follow the NCREIF PREA Reporting Standards on LinkedIn at https://www.linkedin.com/company/ncreif-prea-reporting-standards/

Questions or need help? Email jkingsley@ncreif.org

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Q&A

NCREIF PREA Reporting Standards

Benay Kirk - Alter Domus
Lauren DeMartini – MetLife

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Asset Level Reporting

- Exposure Draft was sent in November 2024
- Comments were due by January 31, 2025
- Finishing touches are being made to the final draft.
- Next step is to send to RS Board and Council for vote by end of July.

Negative NAV

- Performance team is working on updating the white paper from 2011.
- Plan is to share the updated white paper with Accounting and Valuation Committee for their input on the topic.
- Issues to be vetted from an accounting perspective:
    - How handle working capital:
        - Cash at property
        - Interest expense
        - Other assets & liabilities
    - How handle if fair value asset but don't elect to fair value debt?
    - Do we discuss questions for funds that are not Fair Value Investment Companies?

DIVIDEND YIELD

- **Goal:** Develop a standard calculation and include in Performance Manual
- Revised Goal: upon discussion and research the task force has decided to distinguish between the below and how they apply to the RE industry:
    - dividend vs. distribution
    - yield vs. performance return

On target to meet original publication goal date of end of September

Reporting Standards Council Nominations

RS Council Nominations Open through September 1st.

Two Council seats available on November 1st.

Nomination Form available on RS Website: https://reportingstandards.info

Reporting Standards Strategic Session 7/16

- RS Board and Council are having their 2025 strategic planning session that could lead to new priorities for 2026.

- Reminders:
  - Valuation Committee has formed a taskforce and are currently working on updating the Valuation Manual.
  - Performance Committee is just starting to gather a taskforce to update the Performance Manual– more to come!

ILPA Revised Templates Updates

Benay Kirk - Alter Domus
Lauren DeMartini – MetLife

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ILPA Reporting and Performance Templates – Updated 2025

Disclosure: The Reporting Standards is not suggesting firms become ILPA compliant; however if you already are compliant, or are looking to become compliant, a taskforce was formed to compare and contrast the ILPA templates to the Reporting Standards. The following slides provide a high-level update on the templates. More information will be shared once the Reporting Standards whitepaper is finalized.

ILPA Reporting Template – Updated 2025

- Intended to replace the 2016 ILPA Reporting Template for Funds still in their investment period during Q1 2026 or for Funds commencing operations on or after January 1, 2026
- First Reporting Period Q1 2026
- GPs are encouraged to talk to their LPs, Fund Administrators, etc. prior to Q1 2026

Legacy Funds - For Funds no longer in their investment period as of January 1, 2026, optionality to continue to provide the 2016 Reporting Template – with mechanisms in place to support providing the updated Reporting Template without the need to reclassify historical and current period fees and expenses. The updated Reporting Template is not expected to be provided for Funds already out of their investment period as of Q1 2026; however, ILPA supports GPs that may wish to adopt the updated Reporting Template.

https://ilpa.org/industry-guidance/templates-standards-model-documents/updated-ilpa-templates-hub/ilpa-reporting-template/

ILPA REPORTING TEMPLATE – UPDATED 2025

Application to Legacy Funds Mechanism Options using Updated Template

OR

With reclassified historical and current period fees and expenses (i.e., fully implement the requirements of the updated Reporting Template)

Without reclassified historical and current period fees and expenses

Alternatively, GPs may continue to provide the 2016 Reporting Template for Funds that are no longer in their investment period as of Q1 2026.

This means that GPs may continue to provide the 2016 Reporting Template for certain Funds and the updated Reporting Template for other Funds ("Option 1"). GPs also have the option of shifting all reporting to the updated Reporting Template ("Option 2").

ILPA Reporting Template – Updated 2025

FUND COMMENCED OPERATIONS	REPORTING TEMPLATE VERSION	USE OF LINE ITEM: "OTHER: 2016 ILPA REPORTING TEMPLATE VALUE"
OPTION 1		
Q1 2026 or later	Updated Reporting Template	Do not use
Prior to Q1 2026, Still in Investment Period	Updated Reporting Template	Use to capture total YTD/ITD partnership expenses from prior template
Prior to Q1 2026, Investment Period concluded	2016 Reporting Template	Not applicable
OPTION 2		
Q1 2026 or later	Updated Reporting Template	Do not use
Prior to Q1 2026, Still in Investment Period	Updated Reporting Template	Use to capture total YTD/ITD partnership expenses from prior template
Prior to Q1 2026, Investment Period concluded	Updated Reporting Template	***Use to capture total QTD/YTD/ITD partnership expenses from prior template

ILPA Performance Templates

- Developed to standardize return calculation methodologies in the PE Industry by creating a framework for capturing performance metrics and corresponding contributions/distributions.
- Funds commencing operations on or after January 1, 2026
- Legacy Funds – N/A
- Best suited for close-ended Funds and Funds that utilize the IRR
- First Reporting Period occur four full quarters after commencement of operations (Delivery of first template will occur after March 31, 2027)
- GPs are encouraged to talk to their LPs, Fund Administrators, etc. prior to Q1 2026

https://ilpa.org/industry-guidance/templates-standards-model-documents/updated-ilpa-templates-hub/ilpa-performance-template/

ILPA Performance Templates

Two methods – two separate templates

GPs should select which method closely aligns with how they call capital.

Granular Method:

Fund to Investor cash flows for gross fund-level performance with itemized capital calls

Gross Up Method:

Fund to Investment cash flows

and/or

Does not itemize Investor capital calls (no detailed notices provided)

ILPA REPORTING & PERFORMANCE TEMPLATES

Performance Template – Key Features

- Cash flows between **Fund and Investors**:
  - Net IRR and TVPI both with and without the impact of fund-level subscription facilities
  - The gross IRR and MOIC both with and without the impact of fund-level subscription facilities (Optional metric)
- Cash flows **between Fund and Investments**:
  - The gross IRR and MOIC for the Realized Portfolio (Optional for Fund of Funds)
  - The gross IRR and MOIC for the Unrealized Portfolio (Optional for Fund of Funds)
  - The gross and net IRR and MOIC for the Total Portfolio
- See IPLA guidance for definitions

Above metrics do not necessarily align with the Reporting Standards guidance. The RS council is in the process of creating a white paper to bridge the gap.

IPLA is not defining "realized" or "unrealized." Funds need to be consistent in their definitions and provide appropriate disclosures.

ILPA CAPITAL CALL & DISTRIBUTION TEMPLATE

The Capital Call & Distribution Template was developed to standardize the accounting details captured within a capital call and distribution notice.

It is being redeveloped to promote easier adoption and ensure its relevance.

This work comes at an advantageous time for the industry, as the refreshed template will align with the new ILPA Performance Template and can be used to capture details to support reporting with the Performance Template.

Comment period for feedback and survey open through August 1st

Fair Value Manual Update

- Volunteers needed
  - Please email – John.Confrey@us.forvismazars.com
- Goal is to kickoff in August
- Finish prior to Fall Conference

Debt Manual

- Final reads and reviews of the Debt Fund Manual are currently ongoing
- Plan to share with the Reporting Standards Council for final approval
- Hope to have published within the next few weeks formally live and on the site

Thank you for joining us today!