APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED MARCH 31, 2019 AND 2018

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
TABLE OF CONTENTS
YEARS ENDED MARCH 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT	**1**
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	**3**
STATEMENTS OF ACTIVITIES	**5**
STATEMENT OF FUNCTIONAL EXPENSES	**6**
STATEMENTS OF CASH FLOWS	**7**
NOTES TO FINANCIAL STATEMENTS	**8**
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	**17**
SUPPLEMENTARY INFORMATION	
SCHEDULES OF CHANGES IN NET ASSETS	**18**

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
APPA: The Association of Higher
Education Facilities Officers
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of APPA: The Association of Higher Education Facilities Officers (the Organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended March 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Board of Directors
APPA: The Association of Higher
Education Facilities Officers

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2019 and 2018, 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.

Other Matters

Adoption of Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

Arlington, Virginia
REPORT DATE

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,268,541	$ 1,692,864
Accounts Receivable, Less Allowance for Doubtful Account of $-0- and $6,290 in 2019 and 2018, Respectively	416,760	561,933
Prepaid Expenses, Current Portion	267,827	233,182
Inventory	90,242	109,941
Products in Process, Current Portion	37,342	32,457
Total Current Assets	3,080,712	2,630,377
ACCOUNTS RECEIVABLE - CERTIFICATION	848,104	821,346
PRODUCTS IN PROCESS, NET OF CURRENT PORTION	48,822	38,228
CERTIFICATES OF DEPOSIT	9,867	9,843
DEFERRED COMPENSATION INVESTMENTS	351,387	365,316
PROPERTY AND EQUIPMENT		
Land	189,830	189,830
Building	1,099,971	1,099,971
Furniture, Equipment, and Software	859,942	931,559
Total Property and Equipment	2,149,743	2,221,360
Less: Accumulated Depreciation and Amortization	907,600	923,732
Property and Equipment, Net	1,242,143	1,297,628
Total Assets	$ 5,581,035	$ 5,162,738

See accompanying Notes to Financial Statements.

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2019 AND 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 962,567	$ 889,028
Notes Payable, Current Portion	100,439	96,893
Dues Collections for Regions	263,699	221,250
Deferred Revenue - Dues, Convention and Other	1,554,674	1,420,126
Total Current Liabilities	2,881,379	2,627,297
NOTES PAYABLE, NET OF CURRENT PORTION	193,878	294,317
DEFERRED COMPENSATION	351,387	365,316
Total Liabilities	3,426,644	3,286,930
NET ASSETS		
Without Restrictions:		
General	1,644,524	1,366,059
Operating Reserve	400,000	400,000
Capital Renewal Reserve	100,000	100,000
Total Net Assets Without Restrictions	2,144,524	1,866,059
Net Assets With Restrictions - Purpose	4,567	4,449
Net Assets With Restrictions - Perpetuity	5,300	5,300
Total Net Assets	2,154,391	1,875,808
Total Liabilities and Net Assets	$ 5,581,035	$ 5,162,738

See accompanying Notes to Financial Statements.

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2019 AND 2018

	2019				2018			
	Net Assets Without Restrictions	Net Assets With Restrictions - Purpose	Net Assets With Restrictions - Perpetuity	Total	Net Assets Without Restrictions	Net Assets With Restrictions - Purpose	Net Assets With Restrictions - Perpetuity	Total
REVENUE								
Education	$ 2,029,318	$ -	$ -	$ 2,029,318	$ 1,736,831	$ -	$ -	$ 1,736,831
Publications	718,089	-	-	718,089	668,651	-	-	668,651
Annual Conference	1,082,650	-	-	1,082,650	935,196	-	-	935,196
Membership	1,856,566	-	-	1,856,566	1,853,474	-	-	1,853,474
Planning and Governance	-	-	-	-	23,000	-	-	23,000
Research and Development	61,000	-	-	61,000	120,000	-	-	120,000
Facilities Management Evaluation Program (FMEP)	249,000	-	-	249,000	158,487	-	-	158,487
Supervisor's Toolkit	180,210	-	-	180,210	203,965	-	-	203,965
Interest and Dividends	19,989	118	-	20,107	3,441	-	-	3,441
Other	49,631	-	-	49,631	81,868	-	-	81,868
Total Revenue	6,246,453	118	-	6,246,571	5,784,913	-	-	5,784,913
EXPENSES								
Program Services:								
Education	1,815,341	-	-	1,815,341	1,537,844	-	-	1,537,844
Publication	853,989	-	-	853,989	906,911	-	-	906,911
Annual Meeting	896,240	-	-	896,240	1,053,849	-	-	1,053,849
Membership	453,970	-	-	453,970	499,764	-	-	499,764
APPANet	486,754	-	-	486,754	503,498	-	-	503,498
Research and Development (R&D)	148,378	-	-	148,378	254,544	-	-	254,544
Facilities Management Evaluation Program (FMEP)	179,018	-	-	179,018	152,096	-	-	152,096
Total Program Services	4,833,690	-	-	4,833,690	4,908,506	-	-	4,908,506
Supporting Services:								
Planning and Governance	865,495	-	-	865,495	1,122,875	-	-	1,122,875
General and Administrative (G&A)	268,803	-	-	268,803	273,865	-	-	273,865
Total Supporting Services	1,134,298	-	-	1,134,298	1,396,740	-	-	1,396,740
Total Expenses	5,967,988	-	-	5,967,988	6,305,246	-	-	6,305,246
CHANGE IN NET ASSETS	278,465	118	-	278,583	(520,333)	-	-	(520,333)
Net Assets - Beginning of Year	1,866,059	4,449	5,300	1,875,808	2,386,392	4,449	5,300	2,396,141
NET ASSETS - END OF YEAR	$ 2,144,524	$ 4,567	$ 5,300	$ 2,154,391	$ 1,866,059	$ 4,449	$ 5,300	$ 1,875,808

See accompanying Notes to Financial Statements.

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2018

	Education	Publication	Annual Meeting	Membership	APPANET	R&D	FMEP	G&A	Governance	2019 Total	2018 Total
Wages	$ 166,843	$ 301,928	$ 112,932	$ 166,752	$ 87,526	$ 22,128	$ 45,027	$ 247,373	$ 293,273	$ 1,443,782	$ 1,568,987
Meeting Expense	614,151	4,256	455,592	4,666	-	22,164	-	-	112,681	1,213,510	1,378,601
Consultants, Honoraria	297,057	133,917	122,738	39,021	95,356	41,733	95,950	9,805	21,405	856,982	776,521
Travel	226,245	4,975	12,573	41,256	117	50,452	2,767	6,604	239,339	584,328	701,067
Employee Benefits	69,313	112,968	41,951	56,412	26,310	6,377	15,725	97,628	81,296	507,980	517,075
Staff Development	-	1,400	-	5,089	1,204	-	-	3,483	-	11,176	-
Office Expenses	77,457	37,189	33,005	5,766	124,963	550	584	42,882	10,070	332,466	352,169
Editing, Design, and Advertising	51,794	79,963	6,598	25,644	-	950	7,425	9,559	6,405	188,338	285,763
Publication Prod and Multimedia	175,833	75,089	-	-	-	-	-	-	459	251,381	200,205
Occupancy Expenses	688	3,493	-	-	-	-	-	106,538	-	110,719	115,598
Bank/Credit Card/Investment Fee	49,638	21,528	33,648	54,310	12,574	-	-	2,940	-	174,638	139,038
Insurance/Filing Fees/Taxes	3,223	7,594	3,223	-	-	19	-	18,870	-	32,929	49,231
Gifts/Awards/Scholarships	10,507	397	42,154	781	-	548	-	820	32,485	87,692	67,686
Professional Fees	-	-	-	-	-	-	-	92,936	-	92,936	93,327
Depreciation and Amortization	-	-	-	-	115,143	-	-	3,347	-	118,490	123,214
Office Equipment	-	-	-	-	-	-	-	16,452	-	16,452	32,327
Miscellaneous Expense	32,264	-	7,040	-	-	-	-	-	12,553	51,857	7,507
Total Direct Expense	1,775,013	784,697	871,454	399,697	463,193	144,921	167,478	659,237	809,966	6,075,656	6,408,316
Other Expense:											
Overhead Allocation	40,328	69,292	24,786	54,273	23,561	3,457	11,540	(282,766)	55,529	-	-
Staff Effort for Certification	-	-	-	-	-	-	-	(107,668)	-	(107,668)	(103,070)
Total Expenses	$ 1,815,341	$ 853,989	$ 896,240	$ 453,970	$ 486,754	$ 148,378	$ 179,018	$ 268,803	$ 865,495	$ 5,967,988	$ 6,305,246

DRAFT

See accompanying Notes to Financial Statements.

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 278,583	$ (520,333)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	142,934	155,311
Loss on Disposal of Property and Equipment	-	243
(Increase) Decrease in Assets:		
Accounts Receivable	118,415	(93,360)
Prepaid Expenses	(34,645)	(4,459)
Inventory	19,699	(48,479)
Products in Process	(15,479)	42,136
Increase (Decrease) in Assets:		
Accounts Payable and Accrued Expenses	73,539	530,947
Dues Collections for Regions	42,449	93,794
Deferred Revenue - Dues, Convention, and Other	134,548	637,150
Net Cash Provided by Operating Activities	760,043	792,950
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificates of Deposit - Reinvested Interest	(24)	(61)
Purchases of Property and Equipment	(87,449)	(131,121)
Net Cash Used by Investing Activities	(87,473)	(131,182)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Payments) on Line of Credit	-	(100,000)
Principal Payments on Notes Payable	(96,893)	(93,454)
Net Cash Used by Financing Activities	(96,893)	(193,454)
NET INCREASE IN CASH AND CASH EQUIVALENTS	575,677	468,314
Cash and Cash Equivalents - Beginning of Year	1,692,864	1,224,550
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,268,541	$ 1,692,864
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid on Notes Payable	$ 12,574	$ 16,014

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

APPA: The Association of Higher Education Facilities Officers (the Association) is a nonprofit organization that was incorporated in the District of Columbia on January 1, 1974. The Association was formed to develop and maintain high standards for physical plants/facilities organizations utilized by educational institutions and to promote professional ideals and standards to better serve the objectives of the educational enterprise.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligation is incurred.

Income Tax Status

The Association is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as other than a private foundation.

The Association evaluated its tax positions and determined that its positions are more likely than not to be sustained on examination. No provision for income tax is required for 2019 or 2018.

Cash Equivalents

For financial statement purposes, the Association considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Certificates of Deposit

Certificates of deposit are recorded at cost, which approximates fair value.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Accounts 90 days past due are analyzed for collectability and when all collection efforts have been exhausted the account is written off to bad debt expense. Management established an allowance for doubtful accounts at March 31, 2019 and 2018 in the amount of $0 and $6,290, respectively.

Prepaid Expenses

Prepaid expenses consist of costs related to future events or time periods. Amounts have been classified as short-term in the financial statements based on timing of expected recognition of one year or less.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of publications held for resale at the lower of cost (first-in, first-out method) or net realizable value. Inventory is reviewed by management for consideration of expected future sales based on historical sales of each item. Any inventory item deemed to be obsolete is written off from the inventory balance and expensed.

Products in Process

Products in process consist of work in process for books, computer tools, and educational programs that will be reclassified as inventory and result in future sales once the products are completed. Products also include electronic publications available for unlimited sale. As future sales are unknown, these electronic publications are amortized over the span of time they are available for sale, which is between one to three years, and considered to be a reasonable estimate of cost of sales. Amounts have been classified as short-term in the statement of activities based on estimated amortization in one year or less.

Property and Equipment

Acquisitions of property and equipment greater than $1,000 are capitalized and are depreciated over the estimated useful lives (building – 45 years, furniture, equipment, and software – 3 to 10 years), using the straight-line method.

Dues Collected for Other Regions

The Association acts as an agent on behalf of the regional APPA organizations throughout the United States, which are affiliated with the Association and work simultaneously to further the mission of the Association specifically in their region states. Membership dues for the regions can be paid in conjunction with the Association membership dues and are subsequently remitted by the Association to the region. According to the accounting codification guidance, the Association does not possess variance power over these funds, and therefore these activities do not flow through the Association's revenue and expenses. A liability is recorded for any funds that are held by the Association at year-end.

Revenue Recognition

Revenue is recognized during the period in which it is earned. Deferred revenue consists of testing fees, application fees, and other revenue received in advance of the period to which they relate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Association reports its net assets in the following categories:

Without Restrictions:

General – represents an undesignated fund without restrictions that accounts for the general operations of the Association.

Operating Reserve – represents a board-designated fund established to offset unexpected Association contingencies or commitments. This appropriation is conditioned upon an excess of revenue over expenses.

Capital Renewal Reserve – represents a board-designated fund established to accumulate funds for the replacement of major property and equipment.

With Restrictions - Purpose – represents investment income earned on permanently restricted funds that are available to support selected projects. Also, includes sponsorships restricted to support selected projects. The net assets with restrictions – purpose are released when the program or time restrictions have been met.

With Restrictions - Perpetuity – represents endowment funds that require the original contributions to be invested in perpetuity.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services of the Association have been summarized on a functional basis in the statements of activities. Most expenses are recorded as direct costs specific to a certain program. The remaining costs including depreciation and utilities are recorded in a pool of overhead costs to later be allocated based on the estimated staff time devoted to each area.

Advertising Costs

The Association's advertising costs, which include various media and other forms of communications, are expensed as incurred. Advertising costs for the years ended March 31, 2019 and 2018 were $10,057 and $52,124, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair Value Measurements

The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Association also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

The Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access.

Level 2: Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or nonactive market.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

As of March 31, 2019, the Association has approximately $2,421,000 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents of approximately $2,004,000 and receivables of approximately $417,000. The Association has approximately $264,000 of restricted cash for dues collected for regions that not included in liquid cash and cash equivalents balance above. The Association's assets that are subject to donor or contractual restrictions, making them unavailable for general expenditure within one year of the statement of financial position date, are immaterial to these financial statements. The Association will use funds from its investment portfolio account when operational expenses are higher than operations revenues, but are not included in the amount categorized as a liquid asset.

The Association has a goal to maintain financial assets, which consist of cash, cash equivalents and reserves on hand to meet 90 days of normal operating expenses, which are, on average, approximately $675,000. In general, the Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 6, the Association has a committed line of credit of $500,000, which it could draw upon in the event of an unanticipated liquidity need.

In addition, as part of its liquidity management, the Association moves cash in excess of daily/ weekly requirements to its savings account (which to date have provided a greater return on investment than CD's at this time).

Adoption of Recent Accounting Pronouncement

The Association adopted the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented except the liquidity disclosure. There has been no net asset impact as a result of this application.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through REPORT DATE, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF RISK

Financial instruments that subject the Association to concentrations of credit risk consist of checking accounts with financial institutions, which may, at times, exceed federally insured limits. Management believes that there is no significant financial risk on these balances at March 31, 2019 and 2018.

NOTE 3 ACCOUNTS RECEIVABLE – CERTIFICATION

The APPA Board for Educational Facilities Professionals Certification (Certification Board) is a 501(c)(6) organization established to support the exempt mission, purpose and activities of APPA. The Certification Board has a separate board of directors and is not controlled by APPA. The board of APPA authorized APPA to provide initial start-up funding to the Certification Board. The Certification Board will repay the start-up costs incurred by APPA within a reasonable period of time following a balanced income and expenses stream. Annually, APPA determines the amount due from the Certification Board for payroll and related overhead expenses. Collection is fully expected and, accordingly, no allowance has been provided. Balances as of March 31, 2019 and 2018 are comprised of the following:

	2019	2018
Beginning Balance	$ 821,346	$ 794,482
Allocated Payroll and Related Overhead	107,668	103,070
Direct Expenses Paid by the Association	93,775	155,569
Collections on Behalf of the Certification Board	(174,685)	(231,775)
Ending Balance	$ 848,104	$ 821,346

NOTE 4 RETIREMENT PLAN

The Association has a qualified 403(b) retirement plan for employees who are at least 21 years of age and have worked for the Association for at least one year. Under the terms of the plan, the Association contributes 10% of the individual's compensation. Contributions to the plan amounted to $143,639 and $156,305 for the years ended March 31, 2019 and 2018, respectively.

NOTE 5 DEFERRED COMPENSATION

The Association has a nonelective Internal Revenue Section 457 deferred compensation plan open to the executive officer and certain employees who meet compensation requirements. Investments held for deferred compensation obligations are recorded at market value. Amounts deferred from compensation under this plan amounted to $14,471 for the years ended March 31, 2019 and 2018.

Following is a description of the valuation methodologies used for assets measured at fair value.

Pooled separate accounts: The pooled separate accounts are valued based on the NAV of units, which are based on market prices of the underlying investments, held by the Plan at year-end. Investments in the fixed accounts are valued at contract value, which approximates fair value. These accounts, excluding the real estate type, have a daily redemption frequency and notice period. The real estate pooled separate account has a redemption frequency of quarterly and a redemption notice period of daily.

Guaranteed investment contract: The TIAA Traditional Annuity is segregated by TIAA-CREF into benefit responsive and nonbenefit responsive categories and is reported at contract value, which approximates fair value. The contract value of the TIAA Traditional Annuity equals the accumulated cash contributions and interest credited to the Plan's contracts, less any withdrawals. While transactions involving the purchases and sales of individual TIAA Traditional Annuities contracts are not observable in a public marketplace, contract value may provide a good approximation of fair value. This conclusion is supported by the following two lines of reasoning; (1) theoretical transfer of an asset owned by a pension plan and (2) a quantitative model based on assumptions of future interest rates and related discounted cash flows. Certain contract types contain liquidity restrictions on the redemption of the TIAA Traditional Annuity accumulations, which could impact the value upon exiting the contracts. Generally, transfers and distributions from the TIAA Traditional Annuity accounts are allowed in 10 annual installments and do not require an advance notice period. The Plan has no unfunded commitments with their guaranteed investment contract investments. Such investments are typically valued using Level 3 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value for certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 DEFERRED COMPENSATION (CONTINUED)

The following tables present the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31:

	2019			
	Level 1	Level 2	Level 3	Total
Money Market	$ 876	$ -	$ -	$ 876
Pooled Separate Accounts by Type:				
Cref Annuities - Equities	-	107,221	-	107,221
Cref Annuities - Real Estate	-	27,873	-	27,873
Cref Annuities - Fixed Income	-	90,337	-	90,337
Total Pooled Separate Accounts	-	225,431	-	225,431
Cref Annuities - Guaranteed Investment Contract	-	-	125,080	125,080
Total	$ 876	$ 225,431	$ 125,080	$ 351,387

	2018			
	Level 1	Level 2	Level 3	Total
Money Market	$ 435	$ -	$ -	$ 435
Pooled Separate Accounts by Type:				
Cref Annuities - Equities	-	138,125	-	138,125
Cref Annuities - Real Estate	-	25,288	-	25,288
Cref Annuities - Fixed Income	-	85,931	-	85,931
Total Pooled Separate Accounts	-	249,344	-	249,344
Cref Annuities - Guaranteed Investment Contract	-	-	115,537	115,537
Total	$ 435	$ 249,344	$ 115,537	$ 365,316

The table below sets forth a summary of changes in fair value of the Plan's Level 3 assets for the years ended March 31:

	2019	2018
Balance, Beginning of Year	$ 115,537	$ 98,106
Investment Income	4,438	3,968
Purchases	5,105	13,463
Balance, End of Year	$ 125,080	$ 115,537

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net appreciation in fair value of deferred compensation investments in the statement of financial position.

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Guaranteed Investment Contract	$ 125,080	Discounted Cash Flow Theoretical Transfer (Exit Value)	Risk-Adjusted Discount Rate Applied*	3.0% - 4.0%

*Unobservable Inputs include discount rate applied

NOTE 6 LINE OF CREDIT

The Association has a line of credit to cover working capital needs that extends through March 5, 2020. The maximum amount available is $500,000 with an initial interest rate of 5% (Lender's Prime Rate plus .5%). The outstanding balance was $-0- as of March 31, 2019 and 2018.

NOTE 7 NOTE PAYABLE

The Association has a promissory note secured by all of its real property in Alexandria, Virginia with a local financial institution. The terms of the note call for monthly principal and interest payments of $9,122, with a maturity date of January 26, 2022. The note has a fixed interest rate of 3.57%. Future minimum principal payments are as follows for the year ended December 31:

Year Ending March 31,	Amount
2020	$ 100,439
2021	104,155
2022	89,723
Total	$ 294,317

NOTE 8 HOTEL COMMITMENTS

The Association has entered into agreements with hotels for room accommodations and other functions for its meetings to be held subsequent to March 31, 2019. These agreements contain clauses whereby the Association may be liable for liquidated damages in the event of cancellation. At March 31, 2019, the maximum potential amount of liquidated damages is approximately $1,990,000.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
APPA: The Association of Higher
Education Facilities Officers
Alexandria, Virginia

We have audited the financial statements of APPA: The Association of Higher Education Facilities Officers as of and for the years ended March 31, 2019 and 2018, and our report thereon dated REPORT DATE, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of changes in net assets, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

Arlington, Virginia
REPORT DATE

APPA: THE ASSOCIATION OF HIGHER EDUCATION FACILITIES OFFICERS
SCHEDULES OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Net Assets Without Restriction						
	General	Operating Reserve	Capital Renewal Reserve	Total	Net Assets With Restrictions - Purpose	Net Assets With Restrictions - Perpetuity	Total
Net Assets - March 31, 2017	$ 1,886,392	$ 400,000	$ 100,000	$ 2,386,392	$ 4,449	$ 5,300	$ 2,396,141
Change in Net Assets	(520,333)	-	-	(520,333)	-	-	(520,333)
Net Assets - March 31, 2018	1,366,059	400,000	100,000	1,866,059	4,449	5,300	1,875,808
Change in Net Assets	278,465	-	-	278,465	118	-	278,583
Net Assets - March 31, 2019	$ 1,644,524	$ 400,000	$ 100,000	$ 2,144,524	$ 4,567	$ 5,300	$ 2,154,391