American Psychological Association, Inc.
and Subsidiaries

Audited Consolidated Financial Statements

YEARS ENDED DECEMBER 31, 2019 AND 2018

AMERICAN
PSYCHOLOGICAL
ASSOCIATION

American Psychological Association, Inc. and Subsidiaries

Audited Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
American Psychological Association, Inc.
Washington, D.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Psychological Association, Inc. and subsidiaries (collectively, referred to as the Association), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Psychological Association, Inc. and subsidiaries as of December 31, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

McLean, Virginia
June 25, 2020

Consolidated Financial Statements

American Psychological Association, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31,	**2019**	2018
Assets		
Current assets		
Cash and cash equivalents	**$ 24,731,318**	$ 37,402,922
Cash and cash equivalents, divisions	**8,369,640**	7,547,935
Investments, divisions	**4,240,992**	3,215,723
Accounts receivable	**19,818,260**	19,462,176
Publications inventory	**5,068,846**	3,624,100
Other current assets	**3,821,410**	2,560,586
Total current assets	**66,050,466**	73,813,442
Investments	**87,552,069**	77,944,031
Property and equipment, net	**79,418,243**	79,092,542
Deferred leasing costs, net	**5,511,679**	6,438,298
Rental abatements	**11,327,875**	8,971,850
Other assets	**4,396,631**	3,579,519
Total assets	**$ 254,256,963**	$ 249,839,682
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 25,721,149**	$ 19,023,006
Current portion of long-term debt	**4,789,537**	4,605,739
Amounts collected/held for divisions and other groups	**12,532,919**	10,980,869
Deferred revenue	**49,768,278**	53,710,087
Total current liabilities	**92,811,883**	88,319,701
Post-retirement medical benefit obligation	**2,530,142**	2,213,386
Deferred compensation	**4,576,574**	3,906,070
Other liability	**187,000**	222,500
Long-term debt, net	**103,887,925**	108,716,185
Total liabilities	**203,993,524**	203,377,842
Net assets		
Without donor restrictions		
Board-designated	**34,829,846**	35,371,311
Undesignated	**15,433,593**	11,090,529
Total net assets	**50,263,439**	46,461,840
Total liabilities and net assets	**$ 254,256,963**	$ 249,839,682

See accompanying notes to the consolidated financial statements.

American Psychological Association, Inc. and Subsidiaries

Consolidated Statements of Activities and Change in Net Assets

Years Ended December 31,	**2019**	2018
Revenues		
Licensing, royalties and rights	**$ 81,099,176**	$ 77,850,100
Publications and journal subscriptions	**23,429,177**	21,064,296
Member dues and fees	**9,256,821**	10,670,870
Service and application fees	**4,861,819**	4,734,373
Conference fees	**3,713,996**	3,161,449
Grants and contracts	**1,917,052**	2,332,316
Advertising and other revenue	**3,317,178**	4,107,243
Total revenues	**127,595,219**	123,920,647
Expenses		
Program services		
Publication programs	**48,122,862**	42,717,465
Education programs	**10,546,290**	9,446,224
Policy and research programs	**9,124,506**	9,135,289
Outreach programs	**41,911,141**	31,877,207
Total program services	**109,704,799**	93,176,185
Support services		
Fundraising	**250,569**	357,884
Member recruitment and engagement	**2,263,207**	2,053,829
Management and general	**22,966,642**	30,974,539
Total support services	**25,480,418**	33,386,252
Total expenses	**135,185,217**	**126,562,437**
Decrease in net assets before other income (expense)	**(7,589,998)**	(2,641,790)
Other income (expense)		
Investment return (loss), net	**16,062,355**	(5,252,515)
Rental income from buildings	**18,061,265**	16,963,042
Cost of building operations	**(17,920,412)**	(17,088,534)
Interest expense	**(4,438,122)**	(4,620,846)
Loss on disposal of deferred financing costs	**-**	(80,965)
Provision for income taxes	**(373,489)**	(365,406)
Total other income (expense)	**11,391,597**	(10,445,224)
Change in net assets	**3,801,599**	(13,087,014)
Net assets, beginning of the year	**46,461,840**	59,548,854
Net assets, end of the year	**$ 50,263,439**	$ 46,461,840

See accompanying notes to the consolidated financial statements.

American Psychological Association, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019	Salaries and employee benefits	Conference and other meeting expenses	Publication production expenses	Professional fees and marketing costs	Honoraria, grants and stipends	Office business, depreciation, and expense recoveries	Total
Program services							
Publication programs	$ 20,268,829	$ 1,291,722	$ 16,559,677	$ 3,817,394	$ 2,410,924	$ 3,774,316	$ 48,122,862
Education programs	6,924,855	1,622,164	15,517	696,134	216,508	1,071,112	10,546,290
Policy and research programs	8,588,408	1,533,633	3,326	938,999	652,777	(2,592,637)	9,124,506
Outreach programs	23,838,928	5,884,745	1,823,506	3,955,728	2,164,860	4,243,374	41,911,141
Total program services	59,621,020	10,332,264	18,402,026	9,408,255	5,445,069	6,496,165	109,704,799
Support services							
Fundraising	112,054	31,306	-	33,201	23,100	50,908	250,569
Member recruitment and engagement	937,034	48,291	-	417,512	-	860,370	2,263,207
Management and general	15,521,244	722,774	-	3,205,833	(5,801)	3,522,592	22,966,642
Total support services	16,570,332	802,371	-	3,656,546	17,299	4,433,870	25,480,418
Total operating expenses	76,191,352	11,134,635	18,402,026	13,064,801	5,462,368	10,930,035	135,185,217
Interest expense	-	-	-	-	-	4,438,122	4,438,122
Cost of buildings operations	-	-	-	-	-	17,920,412	17,920,412
Total expenses	$ 76,191,352	$ 11,134,635	$ 18,402,026	$ 13,064,801	$ 5,462,368	$ 33,288,569	$ 157,543,751

See accompanying notes to the consolidated financial statements.

American Psychological Association, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018	Salaries and employee benefits	Conference and other meeting expenses	Publication production expenses	Professional fees and marketing costs	Honoraria, grants and stipends	Office business, depreciation, and expense recoveries	Total
Program services							
Publications	$ 18,773,061	$ 1,010,257	$ 15,712,098	$ 3,645,079	$ 2,420,609	$ 1,156,361	$ 42,717,465
Education programs	6,277,438	1,478,726	1,331	752,339	124,568	811,822	9,446,224
Impact and research programs	8,293,182	889,581	11,941	1,092,244	390,860	(1,542,519)	9,135,289
Outreach programs	18,789,612	3,643,345	1,427,099	3,373,763	1,778,783	2,864,605	31,877,207
Total program services	52,133,293	7,021,909	17,152,469	8,863,425	4,714,820	3,290,269	93,176,185
Support services							
Fundraising	185,256	38,883	-	27,194	82,000	24,551	357,884
Member recruitment and engagement	890,840	35,089	439	316,118	-	811,343	2,053,829
Management and general	15,729,616	3,230,592	-	3,779,130	147,063	8,088,138	30,974,539
Total support services	16,805,712	3,304,564	439	4,122,442	229,063	8,924,032	33,386,252
Total operating expenses	68,939,005	10,326,473	17,152,908	12,985,867	4,943,883	12,214,301	126,562,437
Interest expense	-	-	-	-	-	4,620,846	4,620,846
Cost of buildings operations	-	-	-	-	-	17,088,534	17,088,534
Total expenses	$ 68,939,005	$ 10,326,473	$ 17,152,908	$ 12,985,867	$ 4,943,883	$ 33,923,681	$ 148,271,817

See accompanying notes to the consolidated financial statements.

American Psychological Association, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,	**2019**	2018
Cash flows from operating activities:		
Change in net assets	**$ 3,801,599**	$ (13,087,014)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**8,449,907**	8,120,264
Loss on disposal of deferred financing costs	**-**	80,965
Net realized and unrealized (gains) losses on investments	**(14,109,016)**	7,235,204
Interest on deferred financing costs	**88,710**	88,710
Changes in operating assets and liabilities:		
Accounts receivable	**(356,084)**	3,204,302
Publications inventory	**(1,444,746)**	36,897
Other current assets	**(1,260,824)**	(740,361)
Rental abatements	**(2,356,025)**	(1,076,155)
Deferred leasing costs	**(41,671)**	(1,368,817)
Other assets	**(817,112)**	455,322
Accounts payable and accrued expenses	**6,698,143**	2,259,573
Amounts collected/held for divisions and other groups	**1,552,050**	(498,492)
Deferred revenue	**(3,941,809)**	(2,494,283)
Post-retirement medical benefit obligation	**316,756**	292,226
Deferred compensation	**670,504**	(618,238)
Other liability	**(35,500)**	(32,500)
Total adjustments	**(6,586,717)**	14,944,617
Net cash (used in) provided by operating activities	**(2,785,118)**	1,857,603
Cash flows from investing activities:		
Net (increase) decrease in money market instruments held in investments	**(851,227)**	25,295,336
Purchases of investments	**(23,494,307)**	(43,925,151)
Proceeds from sales and maturities of investments	**27,821,243**	24,004,651
Purchases of property and equipment	**(7,807,318)**	(7,529,441)
Net cash used in investing activities	**(4,331,609)**	(2,154,605)
Cash flows from financing activity:		
Principal payments under long-term debt	**(4,733,172)**	(4,550,794)
Net cash used in financing activity	**(4,733,172)**	(4,550,794)
Net decrease in cash and cash equivalents and cash and cash equivalents, divisions	**(11,849,899)**	(4,847,796)
Cash and cash equivalents and cash and cash equivalents, divisions, beginning of the year	**44,950,857**	49,798,653
Cash and cash equivalents and cash and cash equivalents, divisions, end of the year	**$ 33,100,958**	$ 44,950,857
Reconciliation of cash and cash equivalents and cash and cash equivalents, divisions to statements of financial position:		
Cash and cash equivalents	**$ 24,731,318**	$ 37,402,922
Cash and cash equivalents, divisions	**8,369,640**	7,547,935
Cash and cash equivalents and cash and cash equivalents, divisions, end of the year	**$ 33,100,958**	$ 44,950,857
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 4,359,200**	$ 4,541,577
Cash paid for income taxes, net of refunds received	**$ 427,606**	$ 382,404

See accompanying notes to the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

The American Psychological Association, Inc. (APA), a District of Columbia not-for-profit corporation, is a national membership organization created to advance psychology as a science and profession and as a means of promoting health, education and human welfare. APA's operations are supported primarily by membership dues, subscriptions, and other publication revenue.

In addition to the accounts of APA, the consolidated financial statements include the accounts of the following entities:

APA Services, Inc.

The American Psychological Association Practice Organization (APAPO) is a District of Columbia nonprofit corporation that was created by APA to promote the mutual professional interests of practicing psychologists. On October 3, 2018, the APA Council of Representatives (Council) approved the name change from APAPO to APA Services, Inc. (APASI). APASI has expanded the mission and operations of the former APAPO and continues to perform as a 501(c)(6) organization. APASI focuses on advocating for the entire discipline and profession of psychology. APASI fully commenced expanded operations on January 1, 2019.

APASI's primary source of revenue in 2018 was practice dues collected from licensed healthcare practitioners who are members of APA. Beginning in 2019, APASI's membership consists of all members of APA that are in good standing. The Council has approved the 2019 and 2020 membership dues be allocated 60% to APASI and 40% to APA. The allocation percentage for membership dues between APA and APASI is reviewed and voted on annually.

APASI created the Education Advocacy Trust (EdAT) in 2005, a grantor trust under Sections 671 through 679 of the Internal Revenue Code (the IRC). The mission of EdAT is to promote the mutual professional interests of psychologists in advancing psychology education and psychology's role in the other areas of education. EdAT is not a separate entity, but the funds are maintained separately from APASI.

The APASI Political Action Committee (the PAC) was created in 2012 to provide the opportunity for individuals interested in the future of the psychology profession to contribute to the support of candidates for federal office who believe in, and have demonstrated their beliefs in, the principles to which the profession is dedicated. The PAC is organized and operates in compliance with the Federal Election Campaign Act of 1971. The PAC is a non-profit, unincorporated political committee that operates as a separate, segregated fund.

APA 750 LLC and Subsidiary

APA 750 LLC (APA 750) was formed on November 13, 2002 under the laws of the State of Delaware. APA is the sole member of the LLC. APA 750 was formed to own and operate a commercial office building containing approximately 370,000 square feet in Washington, D.C.

APA 750 created a subsidiary named Conference Center LLC (CCLLC or Spire) which was formed on July 28, 2014, under the laws of the State of Delaware. The purpose of CCLLC is to lease space from APA 750 for a conference center facility on the top floor of the building located at 750 First Street, as well as to manage the rental of the conference center to tenants and outside third parties. APA 750 is the sole member of CCLLC.

APA Ten G LLC

APA Ten G LLC (APA Ten G), was formed on November 12, 2002, under the laws of the State of Delaware. APA Ten G is 100% owned by APA. APA Ten G was formed to own and operate a commercial office building containing approximately 263,700 square feet in Washington, D.C.

Principles of Consolidation

All interorganizational transactions, which consist primarily of contracted services, rent, and intercompany borrowings and advances, are eliminated in consolidation.

The significant accounting policies followed by APA and its consolidated subsidiaries (collectively referred to as the Association) are described below.

Basis of Accounting

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, upon settlement, actual results could differ from those estimates.

Measure of Operations

APA's income includes all licensing, royalties and rights; publications and journal subscriptions; member dues and fees; conference and accreditation fees; grants and contracts; and advertising and other revenues and expenses critical to APA's mission. Investment return, net, interest expense related to long-term debt, provisions for income taxes, income and costs from building operations, and certain other non-recurring transactions are considered to be other income (expense).

Cash Equivalents

APA considers investments with original maturities of three months or less to be cash equivalents, and excludes cash equivalents held temporarily for long-term investment purposes by investment custodians. Cash equivalents consist primarily of commercial paper and money market funds.

Accounts Receivable

Accounts receivable consists of amounts billed to customers for goods and services provided by year-end. Included in these amounts at December 31, 2019 and 2018 are billed invoices totaling $12,127,810 and $15,803,637, respectively, for annual licenses of electronic products for which the service period has commenced. APA provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic

conditions. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. APA has determined that no allowance is necessary for 2019 or 2018.

Publications Inventory

Inventory consists primarily of books available for sale. APA records inventory at lower of cost, at the time of purchase. Annually, inventory value is reviewed and items with net realizable value less than cost are written off.

Property and Equipment

The Association's policy is to capitalize property and equipment purchases in excess of $5,000. Property and equipment is recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Buildings and improvements are amortized from the dates that the related buildings and improvements were substantially completed using the straight-line method over estimated useful lives not to exceed forty years. Tenant improvements are amortized over the term of the tenants' leases. Furniture, fixtures, and equipment are depreciated on a straight-line basis over their estimated useful lives, which range from three to ten years. Land is not depreciated or amortized.

Investments

Investments in equity securities, common stocks and mutual funds are reported at fair value in the consolidated statements of financial position based on quoted market prices. Investments are exposed to certain risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities and volatility in the capital markets, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

Investment return earned is presented net of related investment fees. Investment return, including changes in market value, is reported in the consolidated statements of activities and change in net assets as an increase or decrease in net assets without donor restrictions unless their use is restricted by donor stipulation. Changes in market value of investments as well as dividends and interest are reported as other income (expense) in the accompanying consolidated statements of activities and change in net assets.

Valuation of Long-Lived Assets

The Association provides for the valuation of long-lived assets and reviews for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of their carrying amounts to future undiscounted net cash flows they are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which their carrying amounts exceed their estimated fair values.

Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. No indicators of impairment were identified for the years ended December 31, 2019 and 2018.

When assets are sold or retired, the related cost and accumulated amortization and depreciation are removed. Any gains or losses resulting from disposition are credited or charged to operations. Expenditures for repairs and maintenance are expensed as incurred.

Deferred Leasing Costs

Deferred leasing costs consist of commissions, fees and costs incurred in the successful negotiation of leases and are deferred and amortized on the straight-line basis over the terms of the respective leases. Deferred leasing costs of $5,511,679 and $6,438,298 are shown net of accumulated amortization of $12,868,461 and $11,899,306 as of December 31, 2019 and 2018, respectively. Amortization expense for the years ended December 31, 2019 and 2018 was $968,290 and $978,720, respectively.

Deferred Financing Costs

Deferred financing costs consist of fees and costs incurred to obtain long-term financing and are amortized over the term of the related financing agreement using the effective interest method. The amortization of these costs is included in interest expense in the accompanying consolidated statements of activities and change in net assets. Deferred financing costs are netted with the long-term debt balance in the accompanying consolidated statements of financial position. Deferred financing costs of $1,518,115 and $1,606,824 are recorded net of accumulated amortization of $254,930 and $166,220 at December 31, 2019 and 2018, respectively. Interest expense was $88,710 each for the years ended December 31, 2019 and 2018, respectively.

Net Assets

All of APA's net assets are without donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor or grantor imposed restrictions. These net assets also include board-designated net assets.

Net Assets Without Donor Restriction - Undesignated

APA's net assets are classified as without donor restrictions. APA's and APASI's net assets result from revenues derived from providing goods and services, less expenses incurred in providing goods and services, and performing administrative functions. For the years ended December 31, 2019 and 2018, APASI undesignated net assets totaled ($137,742) and $380,188, respectively.

Net Assets Without Donor Restriction - Board-designated

APA has board-designated net assets for accreditation stabilization, investment in APA, investment in APA 2.0, APA Insurance Trust (APAIT) business agreement, strategic investment, and 750 debt reserve. The accreditation stabilization designation was established to moderate fees charged for accreditation over time. The investment in APA plan designation was established in 2010 to fund the creation of new publication products, enhance IT support to facilitate the delivery of these new products, and expand marketing efforts. The investment in APA 2.0 was established in 2014 to expand APA's family of products. The APAIT business agreement was established in 2013 to set aside

the revenue received consistent with an agreement with the APAIT for future expenditures as determined by the Board of Directors. The special purpose fund was established in 2014 to fund projects of importance to the Association with up to five percent of the value of the long-term investment portfolio, averaged over the preceding three years. The strategic investment fund is to provide support for transformational changes in the Association over the next five years. The 750 debt reserve fund is to provide a reserve fund for possible long-term cash shortfalls for APA and APA 750 LLC.

APASI has board-designated net assets for the membership initiative fund. This designation was established in 2015 to fund member retention and recruiting activities, including products and services that will enhance APASI member value proposition.

Without donor restrictions - Board-designated net assets consist of the following at December 31:

	2019	2018
Strategic Investment	**$ 20,591,620**	$ 19,800,739
Investment in APA Plan 2.0	**4,754,685**	6,595,042
750 Debt Reserve	**6,057,713**	5,168,816
APAIT Business Agreement	**2,307,576**	2,307,576
Investment in APA Plan	**866,839**	1,330,237
Accreditation Stabilization	**251,413**	-
APASI Member Initiative fund	**-**	168,901
	$ 34,829,846	$ 35,371,311

Functional Expenses

The Association is a national membership organization created to advance psychology as a science and profession and as a means of promoting health, education, and human welfare. APASI promotes and advocates on behalf of the discipline of psychology and the professions of psychologists in scientific, educational, public interest, health service practice and applied practice settings. The Association's expenses related to providing these program services are categorized as follows:

- The publication program services relate to the Association's Publishing Office. This office reflects the field of psychology by publishing current psychological knowledge in both print and electronic formats. These products — written for researchers, therapists, students, academics, related professionals, and the general public — include scholarly journals and books, trade and reference books, children's books, research databases, and psychotherapy training videos.

- The education program services relate primarily to the Association's Education Directorate. This directorate seeks to advance education and training in psychology and the application of psychology to education and training by: enhancing the quality of teaching and learning outcomes at all levels; meeting the demands of the changing demographics in a multicultural society; and increasing the level and availability of financial and public policy support.

- The policy and research program services relate primarily to the Association's Science & Practice directorates. The Science directorate works to advance the discipline of psychological science and to represent and meet the needs of psychological scientists at all

training and career stages. Its programs include science policy and government relations, research ethics, psychological testing and assessment, scientific awards, summer research training, and communications with the scientific community and general public. The Practice directorate promotes the practice of psychology and the accessibility and availability of mental and behavioral health services through legislative, regulatory and judicial advocacy, public education and outreach, and research. The Practice Directorate helps develop policies and guidelines for the delivery of psychological services as well as educational material for psychologists and the public.

- The outreach program services relate primarily to the Association's Membership Office and Public Interest directorates. The APA Membership Office is focused on making membership in APA even more valuable and enjoyable. This office supports the efforts to attract and acquire new members, while also retaining and engage the current members. This office commits energy and resources to strengthen the ties between APA and its 56 Membership Divisions. This directorate applies the science and practice of psychology to the fundamental problems of human welfare and social justice. Through education, training and public policy, we: promote equitable and just treatment of all segments of society; encourage the advancement of equal opportunity; foster empowerment of those who do not share equitably in society's resources.

The costs of providing the Association's programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and change in net assets and by natural and functional classification in the consolidated statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Certain categories of expenses are attributable to one or more program or supporting functions of the Association. Accordingly, certain management and general costs have been allocated among program services, fundraising and membership recruitment and engagement.

Expense	Method of Allocation
Depreciation and Amortization	Square footage
Space Allocation	Square footage
Benefit Allocation	Year-to-date salary

Income Taxes

APA is exempt from Federal income tax under Section 501 (c)(3) of the IRC and from District of Columbia franchise tax under applicable tax regulations, except for income from activities not related to its tax-exempt purpose, which primarily includes its share of income from APA Ten G and a portion of its income from APA 750. APA is not a private foundation under Section 509(a)(1) of the IRC.

APASI is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code on income other than unrelated business income. APASI is subject to income tax in the District of Columbia on its unrelated business income. APASI had no significant unrelated taxable business income during the years ended December 31, 2019 and 2018. The PAC is generally exempt from federal income tax under Section 527 of the IRC. However, investment income earned on PAC funds is subject to federal and District of Columbia income taxes. The PAC generated no taxable income for the years ended December 31, 2019 and 2018. The EdAT is not a

separate entity but is part of APASI for the purposes of Section 501(c)(6) of the Internal Revenue Code. EdAT did not generate any taxable income for the years ended December 31, 2019 and 2018.

APA 750, APA Ten G and CCLLC are generally not subject to income taxes due to their tax status as disregarded entities. As such, the income, deductions, credits and other tax attributes of the LLCs flow directly to the sole member (i.e. APA).

APA recognizes tax liabilities when, despite the management's belief that tax return positions are supportable, APA believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. APA is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2015 and prior. Management has evaluated APA's tax positions and has concluded that APA has taken no material uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Fair Value of Financial Instruments

The fair value of the Association's cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses, and other accrued liabilities approximate their carrying amounts due to the relatively short maturity of these items.

Concentrations of Credit Risk

The Association's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Association has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2019 approximate $23.2 million. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statements of financial position. The Association's accounts receivable consists primarily of amounts due from various licensees and institutions of higher education. Historically, the Association has not experienced significant losses related to accounts receivable and, therefore, believes that the credit risk related to accounts receivable is minimal.

Post-Retirement Medical Benefit Plan

APA is required to fully recognize the overfunded or underfunded positions (the difference between the fair value of plan assets and the benefit obligation) of the postretirement medical benefit in the consolidated statements of financial position. The guidance also requires employers to recognize the actuarial gains and losses and the prior service costs and credits that arise during the period.

Recently Adopted Authoritative Guidance

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The new standard was effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Association adopted this update, along with all subsequent amendments (collectively, "ASC 606"), in 2019 under the modified retrospective method. This initial application was applied to all contracts as of January 1, 2019.

The Association opted to apply the practical expedient which allows for application of the guidance to a portfolio of contracts (or performance obligations) with similar characteristics if the entity reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within the portfolio. An analysis was performed of the various provisions of this standard and no significant changes resulted in the way the Association recognizes revenue; however, the presentation and disclosures of revenue has been modified and enhanced. Additionally, the Association applied the practical expedient to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by the Association in periods beginning after December 15, 2018. The Association adopted this update in 2019 under the modified prospective basis. The adoption of this update did not materially impact contribution revenue (grants and contracts and APASI's contributions) in the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10), *Recognition and Measurement of Financial Assets and Financial Liabilities.* The update affects the accounting for equity investments and financial liabilities, and the presentation and disclosure requirements for financial instruments. The adoption of the new standard removed disclosure of the fair value financial instruments in the notes to the financial statements in 2019. The Association has adopted the ASU and there was no effect on the change in net assets reported at December 2019 and 2018.

In March 2017, FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined in Topic 715, are required to be presented in the consolidated statements of activities and change in net assets separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the consolidated statements of activities and change in net assets to present the other components of net benefit cost must be disclosed. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable. The Association has adopted the ASU and there was no effect on the change in net assets reported at December 2019. The adoption of this update did not materially impact contribution revenue in the consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842*). ASU 2016-02 requires a lessee to record, 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. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally using the straight-line method. The guidance is effective for the Association for the fiscal year ending December 31, 2022. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Association is evaluating the effect that adoption of ASU 2016-02 will have on the Association's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU has a second part that will assist in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transaction. The ASU is effective for contributions made by the Association in periods beginning after December 15, 2019.The Association is currently evaluating the impact of this ASU on the Association's grant expense in the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Association's consolidated financial statements for fiscal years beginning after December 15, 2019. The Association is currently evaluating the impact of this ASU on the Association's consolidated financial statements.

In March 2020 the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The ASU applies only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of the reference rate reform. The ASU is effective for the Association's consolidated financial statements as of March 12, 2020 through December 31, 2022.

The Association has assessed other accounting pronouncements issued or effective during the years ended December 31, 2019 and 2018 and deemed they were not applicable to the Association and are not anticipated to have a material effect on the consolidated financial statements.

2. Revenue Recognition

APA's significant revenue recognition policies are described below:

Contracts with Customers

APA recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration APA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, APA combines it with other performance obligations until a distinct bundle of goods or services exists. APA management expects that the period between when APA transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, APA has elected the practical expedient not to adjust the promised amount of consideration for the effect of a significant financing component. Amounts received in advance of services performed, but not yet earned, are held and recorded as deferred revenue, unless otherwise noted below. Invoices resulting from APA's contracts with customers are generally due within 30-90 days of the invoice date.

Licensing, Royalties, and Rights

Royalties – APA grants customers a license to use APA's copyrighted products in exchange for royalty payments. The copyrighted products represent functional intellectual property which has significant stand-alone functionality and there is no expectation that APA will undertake activities to change the functionality of the content during the license period. The contract with customers for copyrighted products is considered under specific licensing guidance and the right to use the intellectual property is satisfied at a point in time, either when the copyrighted product is transferred to the customer, or when the customer subsequently sells the copyrighted product in a sale-based royalty arrangement.

Licensing - APA grants customers a license to access APA's copyrighted electronic products in exchange for an agreed-upon fee. The copyrighted electronic products represent symbolic intellectual property which does not have significant stand-alone functionality as the usefulness of the electronic product to the customer is serviced with APA's on-going business activities to support and maintain the value of the electronic product. The right to access the intellectual property is satisfied over time as APA fulfills its promise to grant the customer the right to access the electronic product and as APA supports and maintains the platform through which the product is delivered. Certain of APA's licensing contracts are considered under the licensing guidance or considered

software as a service "SaaS" agreement. This distinction is dependent on the platform on which the electronic product is delivered. A customer who purchased a licensed electronic product under a SaaS agreement is delivered on an APA-supported software platform called APAPsyc Net. For contracts considered under the licensing guidance, APA established business partnerships with other vendors who can deliver the licensed electronic product using their software platform. The revenue associated with these services is recognized over time using an output method that ultimately result in straight-line recognition over the entire access period.

The composition of licensing, royalties and rights revenues is as follows at December 31:

		2019		2018
Licensing	**$**	**80,193,190**	$	76,660,943
Royalties and rights		**905,986**		1,189,157
Total licensing, royalties and rights	**$**	**81,099,176**	$	77,850,100

Publications and Journal Subscriptions

Book publications - APA publishes and sells scholarly, trade, and reference books in exchange for a fixed transaction price. A customer may enter into a contract with APA to purchase book publications in bulk with the intent to resell. These customers receive a specified discount related to the bulk purchase. For customers that purchase directly from APA, the book retail price is fixed at the time of purchase. Control of the product is transferred from APA to the customers when the customers receive the ordered shipment. Therefore, revenue for all book publications is recognized at the point in time when the customers receive the shipment. Some of these contracts may include additional services, such as advertising services to promote APA products. These advertising costs are recorded in professional fees and marketing costs in the accompanying consolidated statements of functional expenses.

Journal subscriptions – APA publishes and sells scholarly psychological journals in the form of annual subscriptions in exchange for a fixed transaction price. The subscription pricing is fixed at the time of purchase. There are certain situations where a customer will receive a complimentary issue. Management determined the complimentary issue is immaterial to APA's consolidated financial statements. Therefore, APA has elected the practical expedient to not assess whether certain promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer. Control of the product is transferred from APA to its customers when each separate journal issue is made available to a customer. Therefore, revenue for publications and journal subscriptions is recognized at the point in time when the separate journal issues are made available.

The composition of publications and journal subscriptions is as follows at December 31:

		2019		2018
Journal subscriptions	**$**	**8,479,864**	$	8,522,090
Book publications		**14,896,797**		12,508,700
Shipping charges		**52,516**		33,506
Total journal subscriptions and publications	**$**	**23,429,177**	$	21,064,296

Membership Dues and Fees

Amounts charged by APA to members for the general rights of membership, includes access to the members-only section of APA's website; advocacy representation for members on issues affecting psychology; one-year subscription to certain psychology publications; annual credit towards additional journal subscriptions; and providing access to valuable training, resources, and information. Although APA does not execute a contract with its members, management considers payment of annual dues, based on prices determined by APA, to constitute member acceptance of the offered benefits. Within the membership benefits described above, annual credits towards additional journal subscriptions and access to training, resources and information are considered marketing offers and are accounted for only when the member exercises the option to purchase the additional goods or services. The remaining performance obligations are satisfied over the membership period, using the input method, which coincides with APA's reporting period. Membership dues and fees are reported in the accompanying consolidated statements of activities and change in net assets totaling $9,256,821 and $10,670,870 in 2019 and 2018, respectively.

Service and Application Fees

APA enters into arrangements with customers to provide certain services that provide reciprocal value to the customer. These services include customers seeking accreditation and sponsor approval from APA.

Universities and other organizations seek accreditation and sponsor approval from APA, which is considered the benchmark for measuring the quality of a university's psychology education program or other organizations continued education program for psychologists. APA's accreditation/sponsor process includes the review of the organization's or university's application, as well as a site visit to the university seeking accreditation to assess the quality of the psychology education program. The application process and the site visit are two distinct performance obligation within the contract. The revenue is recognized by the Association at the point in time when these two distinct performance obligations are satisfied which occurs when the application is submitted and when the site visit is complete.

In addition to the initial accreditation process, a customer typically renews their accreditation and sponsor approval status annually. While the accredited/sponsor period is one year, the university and other organization consumes all benefits at the time of approval of the renewal. Therefore, APA has concluded the performance obligation related to the maintenance of accreditation and sponsor approval status is satisfied when the invoice for the annual renewal fee is made available to the customer. Therefore, the revenue will be recognized at a point in time when the customer is invoiced.

The composition of service and application fees is as follows at December 31:

		2019		2018
Accreditation	**$**	**4,233,234**	$	4,098,639
CESA		**628,585**		635,734
Total service and application fees	**$**	**4,861,819**	$	4,734,373

Conference Fees

APA holds and sponsors events throughout the year, such as APA's annual convention, that require the purchase of registration fees or sponsorship proposals. Performance obligations are satisfied at the time of the conference, when the services are transferred.

For registration fees, discounts are offered to members as part of their membership and to others for early payment depending on the time of purchase. Refunds are allowed for registrations within 30 days before the convention. Refunds have not been significant based upon a historical analysis performed, and therefore, no refund liability has been recorded. Payment is primarily due at the time of purchase.

Event sponsorship and exhibitions includes revenue received from exhibit space and sponsorship related to APA's annual convention. Sponsors and exhibitors receive benefits such as complementary registrations, name recognition within certain APA publications, various degrees of advertising opportunities, and other benefits during the conference. The advertising opportunities are material rights and are recognized when the right is exercised or expires. There are several levels of sponsorship, and benefits vary by level of sponsorship for the APA conference. Refunds are not allowed for sponsorships and payment is due at the time of purchase. Based on the terms of the contract, exhibitors may receive a refund if the request for the refund is received, in writing, no later than three months before the start of the convention. Refunds are not significant based on a historical analysis performed. Therefore, no refund liability has been recorded. Payment is primarily due at the time of purchase.

The composition of conference fees is as follows at December 31:

		2019		2018
Conference fees	**$**	**3,244,953**	$	2,687,869
Sponsorships		**469,043**		473,580
Total conference fees	**$**	**3,713,996**	$	3,161,449

Advertising and Other Revenue

APA offers a variety of monthly printed journals, digital newsletters, and job boards targeted to different audience segments. Organizations can advertise in any of these publications or digital products. APA recognizes revenue in an amount equal to the amount APA has the right to invoice when the advertisement appears in the publication or when the impressions on APA's website are delivered. APA has concluded they have a right to consideration from the customer in an amount that corresponds directly to the value to the customer of the advertising services performed by APA.

As part of APA's membership benefits, business partnerships may be formed to provide members the ability to purchase products and services from industry providers at a discount. In return for marketing the program to members, APA receives a royalty payment based on the total purchases of products or services by APA's members as defined in the contract. This variable element of consideration is recognized in the year the sales occur. Payment is typically received within a couple months after year end and is accrued for in the year the sale occurred.

The composition of advertising and other revenue is as follows at December 31:

		2019		2018
Advertising	**$**	**2,479,066**	$	2,784,769
Affinity program revenue		**111,621**		500,667
Contributions, see below		**188,420**		281,492
Other revenue		**538,071**		540,315
Total advertising and other revenue	**$**	**3,317,178**	$	4,107,243

Revenue Accounted for as Contribution

Within the consolidated statement of activities and change in net assets, grants and contracts revenue consist of the following:

Grants and contracts

Grants awarded by federal agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes, and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. APA recorded revenue from federal grants totaling $1,775,724 and $2,129,546 in 2019 and 2018, respectively. There were no outstanding performance obligations, unrecognized funds, or unspent federal funds at December 31, 2019 and 2018.

At December 31, 2019, APA had remaining available award balances on the federal grants and contracts of $1,832,878. These award balances are not recognized as assets and will be recognized as revenue as the project progress and conditions are met, generally as expenses are incurred. APA has awarded conditional grants to a subrecipient related to performance of a federal sponsored project, which have outstanding commitments of up to $11,350 as of December 31, 2019.

Rental Income from Buildings

Certain tenant leases contain rental abatement provisions and rental rate escalation clauses. The aggregate rent payments due over the lives of the leases are recognized as rental revenue on a straight-line basis over the full term of the leases. The differences between cash rental revenues received and rental revenues due from tenants over the lives of the leases using a straight-line calculation are recorded as rental abatements with a corresponding offset to current period rental revenue. As of December 31, 2019 and 2018, the rental abatement is $11,327,875 and $8,971,850, respectively, and is reported in the accompanying consolidated statements of financial position. Rental income is reported in the accompanying consolidated statements of activities and change in net assets totaling $18,061,265 and $16,963,042 in 2019 and 2018, respectively.

3. Liquidity and Availability of Resources

The following represents the Association's financial assets available within one year of the consolidated statements of financial position date for general expenditures:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	**$ 24,731,318**	$ 37,402,922
Accounts receivable	**19,818,260**	19,462,176
Investments	**87,552,069**	77,944,031
Less: financial assets not available for general expenditures within one year; Board-designated net assets	**(34,829,846)**	(35,371,311)
Financial assets available to meet cash needs for general expenditures within one year	**$ 97,271,801**	$ 99,437,818

All APA investments can be liquidated immediately upon management's request. The APA board designated a certain amount of the investment portfolio to be set aside for board approved projects and initiatives.

All APASI investments can be liquidated immediately upon management's request. The APASI board designated a certain amount of the investment portfolio to be set aside set aside for board approved projects and initiatives.

APA did not consider cash and cash equivalents and investments related to divisions as those are not considered to be available for general expenditure. See Note 7.

To further supplement liquidity, the Association has a $20 million line-of-credit with a bank, which it can draw upon if conditions dictate. See Note 6.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Land	**$ 9,705,320**	$ 9,705,320
Buildings and improvements	**138,237,662**	136,049,357
Furniture, fixtures and equipment	**37,705,383**	34,956,881
	185,648,365	180,711,558
Less: accumulated depreciation and amortization	**(106,230,122)**	(101,619,016)
	$ 79,418,243	$ 79,092,542

Depreciation and amortization expense on property and equipment totaled $7,481,617 and $7,141,544 for the years ended December 31, 2019 and 2018, respectively.

5. Benefit Plans

401(k) Plan

APA provides a defined contribution retirement plan (the Plan) that is a savings plan operating under Section 401(k) of the IRC for all employees who are over the age of 21. The purpose of the Plan is to provide retirement benefits for participating employees. Under the Plan, APA makes contributions to an insurance company based on a percentage of the payroll of covered employees. The contributions, together with voluntary employee contributions, are used to purchase annuities and other investments, the rights to which immediately vest with the employees. APA recorded contributions to the Plan of $3,162,006 and $2,898,678 for the years ended December 31, 2019 and 2018, respectively.

Post-Retirement Medical Benefit Plan

In 2004, APA established a post-retirement medical benefit plan for employees with 15 years of service who retire at or after age 59 1/2. Spouses are eligible for coverage when the retiree obtains coverage. Retiree and spouse coverage ends when each becomes eligible for Medicare. Effective January 1, 2007, the post-retirement medical benefit was modified to close this benefit to employees who were not hired prior to January 1, 2008.

APA's post-retirement medical benefit obligation was $2,530,142 and $2,213,386 as of December 31, 2019 and 2018, respectively. These amounts are reflected as a non-current liability in the accompanying consolidated statements of financial position.

The following table presents the change in post-retirement medical benefit obligation in the consolidated statements of financial position for the years ended December 31:

		2019		2018
Changes in benefit obligations				
Benefit obligations at the beginning of the year	**$**	**2,213,386**	$	1,921,160
Service cost		**79,630**		81,596
Interest cost		**92,291**		73,111
Actuarial gain		**284,521**		244,758
Benefits paid		**(139,686)**		(107,239)
	$	**2,530,142**	$	2,213,386

The post-retirement medical benefit cost is included in benefits expense in the accompanying consolidated statements of activities and change in net assets and is comprised of the following for the years ended December 31:

		2019		2018
Service cost	**$**	**79,630**	$	81,596
Interest cost of the projected benefit obligation		**92,291**		73,111
Appreciation of unrecognized prior service cost		**8,975**		(36,855)
	$	**180,896**	$	117,852

For 2019 and 2018, the discount rate used in the calculation of the projected benefit obligation and cost was 3.15% and 4.15%, respectively. Assumed health care cost trend rates are as follows for the years ending December 31:

	2019	2018
Healthcare cost trend rate assumed for next year	**5.00%**	8.00%
Rate to which the cost trend rate is assumed to decline	**3.15%**	4.15%
Year that the rate reaches the ultimate trend rate	**2041**	2034

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement plan. A one-percentage-point change in assumed health care cost trend rates would have the following effect as of and for the years ended:

	2019		2018	
	1% increase	**1% decrease**	1% increase	1% decrease
Effect on accumulated postretirement benefit obligation	**$ 179,683**	**$ (163,632)**	$ 158,621	$ (144,297)
Effect on total service and interest cost components	**$ 14,585**	**$ (13,173)**	$ 19,421	$ (8,184)

As of December 31, 2019, the following post-retirement medical benefit payments are expected to be paid:

Years Ending December 31,	
2020	$ 165,000
2021	183,000
2022	229,000
2023	305,000
2024	304,000
2025 – 2030	1,943,000

Section 457(b) Plan

APA provides a defined contribution retirement plan (the 457(b) Plan) under Section 457(b) of the IRC. To be eligible to participate, an employee must have an employment contract with APA and a base annual salary of $110,000 or greater. The 457(b) Plan allows eligible employees to contribute up to 25% of their gross earnings on a pretax basis, subject to IRC limitations. There are no employer matching contributions. Employee contributions are remitted to an insurance company and are used to purchase annuities and other investments. Until paid or made available to the participant or beneficiary, all deferred amounts and investments earnings related to deferral amounts are solely the property and rights of APA and are subject to claims of APA's general creditors. Participants' rights under the 457(b) Plan are equal to those of a general creditor of APA. As of December 31, 2019 and 2018, the 457(b) Plan assets totaled $3,964,875 and $3,389,373, respectively, and are included in other assets and in deferred compensation in the accompanying consolidated statements of financial position.

Executive Supplemental Compensation

APA provides an executive supplemental compensation and termination benefit allowance to eligible employees. To be eligible, an employee must be an executive director and have been employed by APA for at least five years. The benefit is forfeited if the employee is terminated with cause, or voluntarily terminates prior to their employment contract expiration date. At December 31, 2019 and 2018, accrued supplemental compensation under this arrangement totaled $611,699 and $516,697, respectively, and are included in deferred compensation in the accompanying consolidated statements of financial position. APA recorded related expense totaling $252,796 and $222,819 in 2019 and 2018, respectively. Additionally, APA recorded payouts related to this benefit totaling $157,793 and $505,118 in 2019 and 2018, respectively.

6. Long-Term Debt and Line-of-Credit

Long-term debt consists of the following at December 31:

	2019	2018
Note payable; 3.63%; collateralized by real property, improvements and leases; maturing December 2037	**$ 83,643,763**	$ 86,879,471
Note payable; 4.60%; collateralized by real property; maturing December 2032	**26,551,814**	28,049,277
	110,195,577	114,928,748
Less: current portion of long-term debt	**(4,789,537)**	(4,605,739)
	105,406,040	110,323,009
Less: unamortized deferred financing costs	**(1,518,115)**	(1,606,824)
	$ 103,887,925	$ 108,716,185

The following schedule shows principal payments due under long-term debt as of December 31, 2019:

Years Ending December 31,	APA 750	APA Ten G	Total
2020	$ 3,355,138	$ 1,434,399	$ 4,789,537
2021	3,478,977	1,635,208	5,114,185
2022	3,607,386	1,712,034	5,319,420
2023	3,740,535	1,792,469	5,533,004
2024	3,878,598	1,876,684	5,755,282
Thereafter	65,583,129	18,101,020	83,684,149
	$ 83,643,763	$ 26,551,814	$ 110,195,577

APA

APA has a revolving line-of-credit, under which it may borrow up to $20,000,000. Interest payments on outstanding borrowings are due monthly at LIBOR index rate plus 1.00% (2.75% at December 31, 2019). The line-of-credit agreement was renewed on August 31, 2018 and expires September 1, 2021. There were no outstanding balances due under the line-of-credit at December 31, 2019 and 2018, respectively.

APA 750

On November 30, 2017, APA 750 refinanced the property at 750 First Street for a $90,000,000 note and used the proceeds to pay off existing debt consisting of tax-exempt bonds, a long-term note, and interest rate swap agreements. The note payable has a 20-year term with a 3.63% fixed interest rate. The note payable is secured by a deed of trust, assignment of rents, security agreement and fixture filing that encumbers the real property and improvements thereon owned by APA 750.

APA Ten G

On November 15, 2002, APA Ten G entered into a note with a third-party lender in the amount of $43,000,000 at 5.66% interest amortized over 30 years. The note is secured by a deed of trust, assignment of leases and rents, and a security agreement and fixture filing that encumbers the real property and improvements thereon owned by APA Ten G and includes a blanket assignment of all rents and leases of the property. Certain agreements, permits, and contracts are also pledged as collateral. On September 4, 2012, this note was refinanced with the same lender in the amount of $36,000,000 at 4.60% interest amortized over 20 years. This note requires monthly payments of principal and interest of $229,702.

In conjunction with the note, APA has guaranteed certain provisions of the note specific to payment of non-recourse carve-out obligations defined as loss, costs, or damage arising out of fraud or misrepresentation. APA is not guaranteeing payment of any portion of the indebtedness or performance of any portion of the obligations under the terms of the note other than the non-recourse carve-out obligations.

In addition, APA Ten G is subject to various debt covenants, primarily related to leasing transactions, including lender approval for all leases over 15,000 square feet, and quarterly and annual certification of tenant and rent occupancy, as well as quarterly unaudited financial statements.

7. Related Parties

APA is affiliated with 54 divisions that represent major scientific and professional interests. The divisions operate independently from APA. Upon request, APA will act as a collection agent for dues and assessments paid by the divisions' members. Amounts collected and held by APA on behalf of the divisions are included in current assets and current liabilities in the accompanying consolidated statements of financial position. Cash and cash equivalents and investments held on behalf of the divisions totaled $12,610,632 and $10,763,658 as of December 31, 2019 and 2018, respectively.

Consolidated division data is obtained annually upon completion and filing of the division group income tax return. Selected financial data for the divisions for the year ended December 31, 2019, the latest year available, is as follows:

	Unaudited
Assets	$ 25,919,021
Liabilities	1,235,904
Net assets	24,683,117
Revenues	7,141,999
Expenses	6,267,329

The American Psychological Foundation, Inc. (the Foundation), is a nonprofit corporation that provides scholarships, grants, and awards in order to advance psychology as a science and a profession and as a means of understanding behavior and promoting health and human welfare. The Foundation reimburses APA at cost for administrative expenses incurred on behalf of the Foundation. During 2019 and 2018, APA incurred $1,068,940 and $968,912 of reimbursable expenses from the Foundation, respectively. As of December 31, 2019 and 2018, $685,884 and $254,200, respectively, was due from the Foundation for these expenses.

The accompanying consolidated financial statements exclude the accounts of the above organizations because APA has neither control nor ownership interest in them.

8. Tenant Lease Agreements

APA 750

At December 31, 2019, 94.5% of the space in APA 750 is rented to tenants under non-cancelable, multi-year leases that provide, in some instances, rental rate escalation clauses based on both the Consumer Price Index and increases in property operating expenses. These increases are generally payable in equal installments throughout the year, based on estimated increases, with any differences adjusted in the succeeding year.

At December 31, 2019, approximate minimum future lease payments to be received are as follows:

Years Ending December 31,	Total	Elimination of APA Rent	Net
2020	$ 14,865,000	$ (8,640,000)	$ 6,225,000
2021	14,427,000	(8,735,000)	5,692,000
2022	14,380,000	(8,953,000)	5,427,000
2023	14,287,000	(9,177,000)	5,110,000
2024	13,239,000	(9,407,000)	3,832,000
Thereafter	40,807,000	(29,652,000)	11,155,000
	$ 112,005,000	$ (74,564,000)	$ 37,441,000

Minimum future lease payments are based on existing leases as of December 31, 2019, and do not include amounts that may be received under tenant leases for charges to recover certain operating costs, lease extensions or new tenancies upon expiration of existing leases.

During the years ended December 31, 2019 and 2018, APA 750 had leases with two tenants (one of which is APA) that each comprised 10% or more of APA 750's gross rental receipts. Gross rental receipts from these tenants approximated $10,391,000 and $9,899,000 for the years ended December 31, 2019 and 2018, respectively.

APA leases approximately 193,126 square feet of net rentable space, which represents approximately 52% of total rentable space. APA's lease commenced on January 10, 1992 and extends through December 31, 2027. Gross receipts recorded by APA 750 from APA during 2019 and 2018 were $8,563,463 and $8,111,292, respectively. In addition, APA 750 incurred asset management fees of $29,568 and $30,086 for services provided by APA during the years ended December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, Conference Center LLC (subsidiary of APA 750) recorded meeting rental income from APA totaling $464,750 and $273,000, respectively. As of December 31, 2019 and 2018, amounts due from APA related to this income totaled $39,900 and $13,550, respectively.

APA and the District of Columbia government entered into a tax abatement agreement effective August 1, 2006, which reduces the amount of real estate tax that APA 750 is obligated to pay. In exchange for the tax abatement, APA is required to host its annual convention in Washington, DC once every three years. Real estate taxes paid to the District of Columbia have been reduced by approximately $1,535,000 and $1,637,000 for the years ended December 31, 2019 and 2018, respectively.

APA 750 incurred expenses related to asset management services provided by APA in amounts totaling $54,200 and $49,300 in 2019 and 2018, respectively. As of December 31, 2019 and 2018, amounts totaling $54,200 and $49,300, respectively, were due to APA for these services.

APA Ten G

At December 31, 2019, 87% of the space in APA Ten G is rented to tenants under non-cancelable, multi-year leases that provide, in some instances, rental rate escalation clauses based on both the Consumer Price Index and increases in property operating expenses. These increases are generally payable in equal installments throughout the year, based on estimated increases, with any differences adjusted in the succeeding year.

At December 31, 2019, approximate minimum future lease payments to be received are as follows:

Years Ending December 31,	
2020	$ 9,623,000
2021	10,139,000
2022	10,383,000
2023	10,379,000
2024	10,320,000
Thereafter	29,981,000
	$ 80,825,000

Minimum future lease payments to be received are based on existing leases as of the report date, and do not include amounts that may be received under tenant leases for charges to recover certain operating costs, lease extensions, or new tenancies upon expiration of existing leases.

During the years ended December 31, 2019 and 2018, APA Ten G had leases with two tenants that comprised 10% or more of gross rental receipts. Gross rental receipts from these tenants approximated $5,968,000 and $7,112,000 for the years ended December 31, 2019 and 2018, respectively.

APA Ten G incurred expenses related to asset management services provided by APA in amounts totaling $29,700 and $26,800 in 2019 and 2018, respectively. As of December 31, 2019 and 2018, amounts totaling $29,700 and $26,800, respectively, were due to APA for these services.

9. Income Taxes

The Association records deferred income tax assets for estimated future tax consequences. Deferred income tax assets are measured by applying enacted statutory rates applicable to the future years in which deferred income tax assets are expected to be settled or realized. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amounts expected to be realized.

The provision for income taxes totaled $373,489 and $365,406 for the years ended December 31, 2019 and 2018, respectively.

10. Fair Value Measurements

Certain assets are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Association's assets recorded at fair value are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows**:**

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets.

- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Association uses to measure its assets at fair value.

Investments

Investments include money market funds, mutual funds and common stocks.

In general, and where applicable, the Association uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. All of the Association's investments are Level 1 investments.

Fair Value on a Recurring Basis

Financial assets measured at fair value on a recurring basis are summarized below:

	As of December 31, 2019			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Investments				
Money Market funds	$ 6,125,307	$ 6,125,307	$ -	$ -
Common stocks				
Consumer industry	6,509,526	6,509,526	-	-
Energy industry	4,937,218	4,937,218	-	-
Finance industry	12,144,941	12,144,941	-	-
Health care industry	6,209,300	6,209,300	-	-
Industrial industry	8,726,630	8,726,630	-	-
IT industry	8,716,681	8,716,681	-	-
Materials industry	1,215,363	1,215,363	-	-
	48,459,659	48,459,659	-	-
Mutual funds				
Government bond	875,166	875,166	-	-
Corporate bond	16,732,336	16,732,336	-	-
Large cap stock	3,702,307	3,702,307		
International stock	4,522,604	4,522,604	-	-
Mid cap equity	7,054,709	7,054,709		
Emerging markets	79,981	79,981	-	-
	32,967,103	32,967,103	-	-
Investments, divisions (see Note 7)				
Mutual funds				
Government bond	295,427	295,427	-	-
Corporate bond	254,025	254,025	-	-
Large cap stock	3,627,689	3,627,689	-	-
Mid cap stock	45,772	45,772	-	-
International stock	18,079	18,079	-	-
	4,240,992	4,240,992	-	-
457(b) Plan assets (see Note 5)				
Mutual funds				
Money fund	427,864	427,864	-	-
International equity	77,007	77,007	-	-
Large cap equity	1,357,244	1,357,244	-	-
Mid cap equity	119,555	119,555	-	-
Small cap equity	239,100	239,100	-	-
Corporate bond	1,074,988	1,074,988	-	-
Target dated funds	436,061	436,061	-	-
Real estate funds	233,056	233,056	-	-
	3,964,875	3,964,875	-	-
Total	$ 95,757,936	$ 95,757,936	$ -	$ -

	As of December 31, 2018			
	Assets Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Investments				
Money Market funds	$ 5,551,456	$ 5,551,456	$ -	$ -
Common stocks				
Consumer industry	5,292,615	5,292,615	-	-
Energy industry	4,182,955	4,182,955	-	-
Finance industry	9,726,773	9,726,773	-	-
Health care industry	5,051,447	5,051,447	-	-
Industrial industry	10,116,264	10,116,264	-	-
IT industry	7,637,000	7,637,000	-	-
Materials industry	948,800	948,800	-	-
	42,955,854	42,955,854	-	-
Mutual funds				
Government bond	374,795	374,795	-	-
Corporate bond	15,635,470	15,635,470	-	-
Large cap stock	2,954,147	2,954,147	-	-
International stock	4,373,798	4,373,798	-	-
Mid cap equity	6,031,286	6,031,286	-	-
Emerging markets	67,225	67,225	-	-
	29,436,721	29,436,721	-	-
Investments, divisions (see Note 7)				
Mutual funds				
Government bond	279,857	279,857	-	-
Corporate bond	222,469	222,469	-	-
Large cap stock	2,663,448	2,663,448	-	-
Mid cap stock	34,932	34,932	-	-
International stock	15,017	15,017	-	-
	3,215,723	3,215,723	-	-
457(b) Plan assets (see Note 5)				
Mutual funds				
Money fund	235,596	235,596	-	-
International equity	156,256	156,256	-	-
Large cap equity	1,326,691	1,326,691	-	-
Mid cap equity	118,155	118,155	-	-
Small cap equity	197,974	197,974	-	-
Target dated funds	718,087	718,087	-	-
Corporate bond	422,695	422,695	-	-
Real estate funds	213,919	213,919	-	-
	3,389,373	3,389,373	-	-
Total	$ 84,549,127	$ 84,549,127	$ -	$ -

11. Contingencies

Along with an international law firm, the Association is a defendant in a defamation lawsuit brought by five individuals. Although it cannot be concluded that an unfavorable outcome is either probable or remote or estimable, the Association's legal counsel does not expect it to result in a judgement against the Association which would have a material adverse effect on the Association's consolidated financial statements.

12. Subsequent Events

The Association has evaluated its December 31, 2019 consolidated financial statements for subsequent events through June 25, 2020, the date the consolidated financial statements were available to be issued. The Association is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, other than as described below.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin.

On March 11, 2020, the WHO declared COVID-19 a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. As of the date of this report, investment values have experienced a temporary decline of approximately $9.20 million, or 10.7% of the portfolio assets. Also, management will negotiate terms of relief with tenants in need of rental assistance due to COVID-19. The negotiated terms are memorialized with an executed tenant lease amendment. As of the date of this audit report, management fully executed insignificant lease amendments for two tenants.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Association, its performance, and its financial results.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The Association continues to examine the impact that the CARES Act may have on its business. Currently, the Association is unable to determine the impact that the CARES Act will have on its financial condition, results of operations or liquidity.