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2014 PRESIDENT’S MESSAGE

Dear Appraisal Institute Colleague:

Last year, the Appraisal Institute significantly expanded its three strategic initiatives originally unveiled in 2013.

The organization announced the formation of a new certification organization: the International Center for Valuation Certification. The ICVC will confer cross-disciplinary valuation certifications to individuals who meet select criteria, while addressing current market needs and opportunities, advancing professionals and serving the public and clients.

Also, with regard to the strategic initiatives, the Appraisal Institute Board of Directors adopted the proposed Standards of Valuation Practice. The Board also approved proposed amendments to the Definitions, Canons and Ethical Rules of the Code of Professional Ethics.

The Appraisal Institute also made progress on its third strategic initiative: expanded education delivery.

Another notable achievement in 2014 was the launching of AI’s new and improved website, which features a wide range of improvements to the overall user experience, including a comprehensive facelift and enhanced navigation. AI also unveiled a mobile website.

The Appraisal Institute also conferred more MAI and SRA designations in 2014 than in any year since 1994. Overall, AI awarded 935 designations last year (including AI-GRS and AI-RRS designations). The Appraisal Institute granted a combined 640 MAI and SRA designations last year, a 31 percent increase over the 2013 total, and the second-highest annual total in Appraisal Institute history, slightly behind 1994.

As the global leader of the valuation profession and as part of the ongoing effort to enhance the organization’s international outreach, the Appraisal Institute concluded an historic week-long teaching opportunity at Kuwait University – Real Estate Academy in Kuwait City, providing the organization’s first education in the Persian Gulf. AI returned to Kuwait City during the year, and also provided courses in Saudi Arabia.

In response to various clients’ requests, the Appraisal Institute in 2014 expanded its Valuation of Sustainable Buildings Professional Development Program’s registries of residential and commercial appraisers, which may be found on the AI website. The registries now list the names of all professionals who have successfully attended and passed the examinations of the courses in the program.


The 2014 AI leadership team of President-Elect M. Lance Coyle, MAI, SRA; Vice President J. Scott Robinson, MAI, SRA, AI-GRS; Immediate Past President Richard L. Borges II, MAI, SRA, AI-GRS, AI-RRS; Chief Executive Officer Frederick H. Grubbe, MBA, CAE; and the AI Board of Directors, as well as other volunteer leaders and the organization’s dedicated staff, played a key role in helping take the organization to the next level.

Sincerely,

Ken P. Wilson, MAI, SRA
2014 President
Appraisal Institute
STRATEGIES & CORE VALUES

Strategic Initiatives Implementation

The Appraisal Institute announced three major strategic initiatives in 2013 that have the potential to reshape fundamentally the global valuation profession. These strategies are part of a coordinated effort to address global market need and demand, to strengthen the valuation profession and to reinforce the Appraisal Institute’s leadership of the valuation profession. AI made great strides in 2014 toward the full implementation of each of the three strategies.

Standards of Valuation Practice

AI introduced Standards of Valuation Practice, which could serve as an alternative for valuation professionals where national or other standards are not required. Valuation professionals could use these standards when Uniform Standards of Professional Appraisal Practice, International Valuation Standards or other standards are not required and the use of Appraisal Institute standards would be appropriate.

New Certification Organization

The Appraisal Institute officially set up the International Center for Valuation Certification in 2014. The new organization eventually will confer cross-disciplinary valuation certifications to individuals who fulfill select criteria and meet high professional standards. ICVC’s goal is to become the foremost organization for cross-disciplinary valuation professionals in the U.S. and eventually in the world.

Expanded AI Education Delivery

AI took several steps in 2014 toward expanding its delivery of Appraisal Institute education through a wider number and scope of providers including colleges and universities. By expanding its education delivery, the Appraisal Institute will be able to strengthen its well-established position as the leader in appraiser education.

The Appraisal Institute conferred more MAI and SRA designations in 2014 than in any year since 1994. Overall, AI conferred 935 designations in 2014 (including review designations).

Candidate for Designation Program

On Jan. 1, 2013, the Appraisal Institute introduced the Candidate for Designation program, which kicked off with 4,451 enrollees. As of Dec. 31, 2014, total Candidate program enrollment stood at 3,652 after AI conferred 481 MAI and 159 SRA designations in 2014.

AI Review Designations

The Appraisal Institute launched its first new designations in more than 20 years when it announced the AI-GRS and AI-RRS designations in November 2013. The first year of the program was extremely successful with 295 AI review designations conferred (218 AI-GRS and 77 AI-RRS). Beginning in 2014, AI introduced four new courses on appraisal review including “Review Theory — Residential,” “Review Theory — General,” “Review Case Studies — Residential” and “Review Case Studies — General.”
CORE VALUES

The Appraisal Institute is committed to the professional development and success of its Designated members, Candidates for Designation, Practicing Affiliates and Affiliates through benefits, education, advocacy and innovative products and services. The core values governing the Appraisal Institute’s continued growth and development include:

Leadership
Promoting the integrity and excellence of AI professionals in the real estate valuation profession.

Service
Responding to AI professionals’ needs in a timely, courteous, efficient and accurate manner.

Innovation
Developing AI benefits, education programs and information resources that set the standard for the profession.

Accountability
Continuously working toward, and on behalf of, the best interests of AI’s Designated members, Candidates for Designation, Practicing Affiliates, Affiliates and the profession.

Advancement
Advancing the future growth of Appraisal Institute professionals in the real estate valuation profession through training and new business opportunities and endorsements.

Professional Responsibility
Encouraging and supporting the highest level of ethical and professional behavior of AI’s Designated members, Candidates for Designation, Practicing Affiliates and Affiliates.

Advocacy
Representing the collective voice of real estate valuation professionals and positioning AI’s Designated members as the highest caliber professionals integral to the real estate valuation profession.
The Appraisal Institute continued to confer a high number of new MAI and SRA designations by adding 640 new designees (159 SRA and 481 MAI) in 2014, a 31 percent increase over the 2013 total and the second-highest annual total in Appraisal Institute history, slightly behind 1994. The Appraisal Institute conferred 481 MAI, 159 SRA, 218 AI-GRS and 77 AI-RRS designations in 2014.

The total number of AI professionals in 2014 decreased from 2013. The Appraisal Institute added 1,297 individuals during the year, but 2,307 individuals left AI during 2014, mostly due to retirement and economic conditions. This resulted in a 4.7 percent decrease in AI professionals over year-end 2013.

As of Dec. 31, 2014, total AI Professionals stood at 20,697, including active Designated members, Candidates for Designation, Practicing Affiliates and Affiliates, as well as Retired Designated members and Life Designated members.

Total Designated: 935
Of the 2014 total, AI conferred 18 designations to international members.

New AI Professionals: 1,297

Total AI Professionals: 20,697

New Admits

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<tr>
<td>General Candidate</td>
<td>350</td>
</tr>
<tr>
<td>Residential Candidate</td>
<td>148</td>
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<tr>
<td>Practicing Affiliate</td>
<td>647</td>
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<tr>
<td>Affiliate</td>
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<td>Total Admits</td>
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Designations Awarded

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<tr>
<td>MAI</td>
<td>481</td>
</tr>
<tr>
<td>SRA</td>
<td>159</td>
</tr>
<tr>
<td>AI-GRS</td>
<td>218</td>
</tr>
<tr>
<td>AI-RRS</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>935</td>
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</table>
For more than 80 years, the Appraisal Institute has provided the finest quality education to the valuation profession, as well as a wide array of users of appraisal services. A leader in both the development and delivery of educational materials, the Appraisal Institute has expanded its global reach, providing education in countries such as:

- Korea,
- China,
- Germany,
- Kuwait and
- Saudi Arabia.

Through its education and publishing endeavors, the Appraisal Institute maintains its leadership position within the real estate industry and continues to be a major contributor in the U.S. – and the global – valuation profession.

The debut of synchronous education delivery (live online education) has been very positive. This includes three of AI’s four Advanced Education courses – “Advanced Income Capitalization,” “Advanced Market Analysis & Highest and Best Use,” and “Quantitative Analysis” – as well as two Continuing Education seminars: “Unraveling the Mystery of Fannie Mae Appraisal Guidelines” and “Using Spreadsheet Programs in Real Estate Appraisals – The Basics.”

The Appraisal Institute also premiered its “Application and Interpretation of Simple Linear Regression” course as part of the new Analytics for Valuation Professional Development Program. On the continuing education front, the “Residential Applications 2: Using Microsoft Excel” seminar made its debut in the spring.

Finally, the success of the General Demonstration Report Alternative Capstone Program carried through 2014 with nine sold-out offerings held throughout the United States. This program continues to be a popular option for Candidates. In 2014, the Appraisal Institute was able to bestow more than 250 MAI designations as a result of the Capstone program.
The Appraisal Institute continued to offer significant value to AI professionals in 2014 through its benefits programs, including discounts on AI education, insurance options, an ethics and counseling hotline, appraisal news periodicals, legislative advocacy, marketing and public relations tools and networking opportunities. AI offered discount programs with companies such as:

- Reis Reports,
- Site-To-Do-Business,
- Narrative1,
- Real Estate Research Corp.,
- ExactBid,
- IREM,
- National Collateral Database,
- Expert Witness Profiler,
- Hewlett-Packard and
- OfficeMax.

The AI partnership with FedEx expanded in 2014 to include small business amenities such as print, copy, sign, banner, marketing, design and packing services.

In 2014, the AI Service Center handled more than 22,200 calls, receiving an average of 432 calls per week. Service Center staff also processed 858 publication orders.

The Find an Appraiser Directory continues to be a favorite AI benefit, with search features including area of practice, designation, city, state or zip code. AI professionals in 2014 received augmented functionality of online search in the Y.T. and Louise Lee Lum Library with the installation of the Illumin Request/Knowledge Management software. In total for 2014, the library’s online catalog received 43,661 searches, the librarian completed 1,082 reference requests, and the EBSCO Business Information Database in the Library received 53,008 searches from Designated members.

AI’s Service Center representatives are known for the ongoing assistance they provide to AI professionals and chapters on a variety of topics including website navigation, education, publications order placement, log-in assistance, designation questions, advocacy updates, dues/fees, AI benefits and chapter business tools. In 2014, the AI Service Center handled more than 22,200 calls, receiving an average of 432 calls per week. Service Center staff also processed 858 publication orders.
The Appraisal Institute published four new books in 2014:

- “The Student Handbook to The Appraisal of Real Estate, 14th Edition;”
- “Residential Green Valuation Tools;”
- “Market Analysis for Real Estate,” second edition; and
- “Valuing Contaminated Properties, Volume II.”

All four were released in both print and digital formats.

“The Student Handbook to The Appraisal of Real Estate” was released in January 2014 to facilitate use of the Appraisal Institute’s new textbook as a teaching text by providing content summaries, practical examples and review exercises. “The Student Handbook to The Appraisal of Real Estate,” “The Appraisal of Real Estate, 14th edition,” and “Market Analysis for Real Estate” are sold in a number of convenient packages that are popular with colleges, universities and proprietary schools.

The $114,717 earned from digital publications, on sales of 1,852 books, in 2014 is a 12 percent increase over digital sales in 2013 and represents 15.8 percent of total book sales.

“Residential Green Valuation Tools” is a groundbreaking text that contains new information on identifying and valuing the energy-efficient and sustainable features of residential properties. This text and the new “Valuing Contaminated Properties” anthology both appeal to niche markets and establish the Appraisal Institute’s leadership in exploring new valuation issues and techniques.

The most popular new book of 2014 was “Market Analysis for Real Estate,” second edition. This classroom staple includes new thinking on highest and best use and marketability analysis, and a new case study application.

Revenues from book sales in 2014 totaled $730,323 on 11,703 books sold. The $114,717 earned from digital publications, on sales of 1,852 books, in 2014 is a 12 percent increase over digital sales in 2013 and represents 15.8 percent of total book sales.

In 2014, the Appraisal Institute continued to address questions and serve a wide range of needs among Designated members, Candidates, Practicing Affiliates and Affiliates in the areas of standards and ethics, AI continuing education cycles, admission requirements, minimum progress and designation timelines.

**Designations conferred and experience submissions were at a record high for 2014.**

Candidate for Designation Program
In 2014, the Appraisal Institute continued to monitor and implement policies and procedures related to the AI’s Candidate for Designation program. The Admissions team continued to work on streamlining processes for Candidates entering and completing this program. Designations conferred and experience submissions were at a record high for 2014.

AI Review Designations
In 2014, the Appraisal Institute launched its first new designations in more than 20 years. The Appraisal Institute established a professional appraisal review designations program in response to the growing and critically important role that appraisal review plays in risk management and mitigation for many clients/users of appraisal services. The newest courses affiliated with the designation programs include “Review Theory—Residential,” “Review Theory—General,” “Review Case Studies—General,” and “Review Case Studies—Residential.” The review Comprehensive Examination is scheduled to launch in 2015.

AI Continuing Education
The Appraisal Institute Continuing Education department implemented a points system, effective Jan. 1, 2014, for the continuing education of Designated members, Candidates and Practicing Affiliates. A yearlong communications campaign assisted AI professionals, in particular Designated members, in learning about the policies and requirements of the points program. As a result, AI observed a higher than usual rate of CE completion from Designated members whose AI CE cycles expired on Dec. 31, 2014. For the first time in AI history, no AI professional was terminated for failure to complete a CE cycle (for year ended Dec. 31, 2014).
The Appraisal Institute is the historic leader in establishing standards for the valuation profession. The Appraisal Institute’s two predecessor organizations were among the first to establish standards for the valuation profession; the American Institute of Real Estate Appraisers created standards in 1932 and the Society of Real Estate Appraisers did so in 1936. AIREA and the Society regularly revised and strengthened their Standards over the decades that followed.

In 2014, the Appraisal Institute completed work on the Standards of Valuation Practice, a set of high-quality, straight-forward and principles-based valuation standards that may be used as an alternative to the Uniform Standards of Professional Appraisal Practice or the International Valuation Standards when the use of USPAP or IVS is not required and the use of the SVP would be appropriate. The SVP is an alternative set of standards, not an additional set of required standards. In 2014, the Appraisal Institute also completed work on a revised version of its Code of Professional Ethics. Through its development of valuation standards and ethics the AI serves to promote and maintain a high level of public trust and confidence in the valuation profession and in valuation professionals.


In 2014, the Appraisal Institute also was active in providing input to other organizations on professional practice matters relevant to real property valuation:

- AI submitted comments to the Appraisal Standards Board on three exposure drafts of proposed revisions to USPAP.
- AI submitted comments to the Appraisal Practices Board on two exposure drafts of the valuation of green and high performance property.
- AI sent representatives to ASB meetings and to meetings of The Appraisal Foundation Advisory Council.
- AI sent a representative to meetings of the International Valuation Standards Council’s Standards Board.
- AI sent representatives to meetings of The Appraisal Foundation’s Board of Trustees.

The standards and ethics hotline continues to be an important resource for AI Designated members, Candidates, Practicing Affiliates and Affiliates and the AI responded to 2,430 professional practice inquiries in 2014, covering a broad range of topics.
### Appraisal Institute Professional Practice Statistics

#### Professional Practice Inquiries
Professional practice, standards and ethics questions from members, AI professionals, users of appraisal services and the public

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<td></td>
<td>2,430</td>
<td>2,240</td>
<td>2,562</td>
<td>2,762</td>
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#### New Peer Review Files Opened

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<td></td>
<td>95</td>
<td>109</td>
<td>133</td>
<td>145</td>
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#### Closed Professional Practice Files

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<td>Average per year</td>
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<td>Closed with no action</td>
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<td>Publishable Actions</td>
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<td>2</td>
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<tr>
<td>TOTAL</td>
<td>113</td>
<td>126</td>
<td>168</td>
<td>173</td>
<td>146</td>
<td>179 per year</td>
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2014 was another very good year for media coverage featuring AI and its professionals. The total number of media outlets covering the organization and its individuals increased nearly 25 percent from the previous year. 2014 President Ken P. Wilson, MAI, SRA, was featured in a story on Yahoo! News discussing ways consumers can invest in home improvements with the highest expected pay-off, reaching an estimated audience of more than 70 million.

AI’s weekly e-newsletter also achieved a milestone in 2014, with the Appraiser News Online article “Virginia Tech Releases Study on Appraisal Fees,” published in the October 15 issue, ranking as the most-read ANO article since readership tracking was instituted.

The Appraisal Institute’s blog, “Opinions of Value,” was honored with a Spotlight Award from the League of American Communications Professionals. The blog received a Gold Award in the Web/E-Mail: Web/Intranet Site category. More than 1,500 entries were received for the 2014 Spotlight Awards, representing a dozen countries and 300 entities.

In less than four years, the Appraisal Institute has won 21 awards in 12 contests for six different AI products (Opinions of Value blog, YouTube videos, Appraiser News Online weekly e-newsletter, Residential Update monthly e-newsletter, Valuation magazine and The Appraisal Journal).

AI increased social media activity and achieved record highs as of December 31, 2014:

- 4,601 “likes” on Facebook (28.9 percent increase from fourth quarter 2013).
- 3,316 followers on Twitter (30 percent increase from fourth quarter 2013).
- 4,471 followers on LinkedIn (47.9 percent increase from fourth quarter 2013).
- 450 blog subscribers (12.8 percent increase from fourth quarter 2013).
- 38,014 YouTube channel video views (82.4 percent from fourth quarter 2013).

During 2014, the Appraisal Institute also conveyed its messages directly to key audiences, usually appraisers’ clients. The organization’s officers and other leaders represented AI by attending more than 100 national and international events. AI representatives also spoke at conferences hosted by a wide variety of groups, including the American Bankers Association, CCIM Institute and U.S. Green Building Council, in addition to many others.
As part of its ongoing recruitment, retention, visibility and branding campaigns, the Appraisal Institute in 2014 participated at 26 trade shows and advertised in 38 banking, law, accounting and real estate publications.

The Appraisal Institute’s marketing efforts also helped achieve other important results:

- AI promoted its education in its own publications and in other valuation professional outlets and consistently sent emails to more than 40,000 targeted appraisers and others.
- AI sent 6.6 million emails in 2014. More than 2 million of these emails promoted AI’s national educational offerings. National educational offerings were also advertised in print and online publications and at trade shows.
- The Appraisal Institute sent nearly 200,000 emails supporting special publications sales. Special sales helped AI sell more than 10,500 books and e-books in 2014.
- AI sent more than 500,000 emails to promote Appraisal Institute chapters’ education offerings.
  - A total of 55 chapters used AI’s broadcast email service. Nearly 200 broadcast emails were sent in 2014.
- Sales of sponsorships and exhibits supported the Annual Meeting. Sales made to more than 30 companies that sell products and services exceeded $110,000 (123 percent of budget).
- AI promoted the 2015 Annual Meeting “Call for Presentations” across the AI website, via email and to various external advertising venues, yielding more than 100 submissions.

The new Appraisal Institute website, launched in February 2014, attracted 582,283 visitors in 2014 for a total of 1,114,164 sessions. The Find an Appraiser section of the AI website accounted for nearly 30 percent of all website visits in 2014. More than 80,000 of website visitors came to the AI website through a mobile device. Nearly 40 percent of them were new users.
The Appraisal Institute’s federal advocacy efforts are conducted by a team of two full-time federal advocacy specialists, enhanced by a four-member professional government relations firm. AI also maintains the strongest state government relations program of all professional appraisal associations, helping to advance the advocacy activities of AI chapters and several AI-supported statewide coalitions. AI also maintains the only federal political action committee representing appraisers through the Appraisal Institute PAC.

Federal Relations

The Appraisal Institute continues to lead efforts to reinstate the ability of qualified real estate appraisers to perform “going concern appraisals” as part of the Small Business Administration’s requirements for appraisals involving special purpose properties where there is a change of ownership. AI continues working with Congressional oversight committees and with the SBA to find a long-term solution for SBA lenders and valuation professionals. A revised policy is expected to be released in 2015 and will be monitored closely by AI.

The Appraisal Institute is the only real estate appraisal association with an advocacy office in Washington, where it advocates on behalf of AI professionals.

AI was instrumental to the development of a proposed rule from federal bank regulatory agencies relating to Appraisal Management Company Minimum Requirements. AI supported agency research activities and provided comments and feedback to help shape the scope of the proposed rule. The rule, expected to be finalized in 2015, would exempt appraisal “firms” from AMC registration requirements, among other things.

AI continues to call for regulatory relief for real estate appraisers in various capacities, including as part of legislative proposal in Congress and agency regulatory reviews of existing policies. Specifically, the AI supported a bill in the 113th Congress that would exempt appraisers from the Uniform Standards of Professional Appraisal Practice in certain situations involving higher priced mortgages. Such relief is necessary to maintain a level playing field for appraisers for various valuation services. Further, the AI called on the federal bank regulatory agencies to maintain the current $250,000 “de minimis” appraisal threshold as part of an agency review of paperwork reduction requirements, and to also review potential exemptions from USPAP for where evaluations are allowed under federal bank regulatory policy.

During the annual AI Leadership Development and Advisory Council event in Washington, D.C., more than 100 Appraisal Institute professionals met with members of Congress to discuss issues important to the valuation profession. Issues discussed included the SBA going concern appraisal policy and collateral initiatives that are under review as part of housing finance reforms.

State Relations

The Appraisal Institute’s work to allow appraisers doing valuation work for non-federally related transactions to comply with alternate valuation standards geared up in earnest in 2014. The groundwork was laid for consideration of legislation in several states in 2015.

There were far fewer state laws and regulations regarding appraisal management companies (AMCs) considered in 2014, as most states are waiting to see what the federal bank regulatory agencies adopt as minimum requirements that states must enact. AI continued to monitor state AMC-related issues, and worked to advance bills and regulations to make necessary changes to existing AMC laws. In particular, AI worked to ensure that appraisal firms were not inadvertently captured within states’ AMC registration and oversight laws.

Only one state considered major legislation regarding broker price opinions in 2014. The lack of BPO-related legislation is likely the result of the “hard line” stance taken by AI and its chapters in opposing previous bills to further allow brokers and salespeople to encroach into providing valuation services. The single BPO law enacted in 2014 actually removed the authorization for brokers to perform valuation services for non-federally related transactions, and clarified when and how they may perform BPO services.
Industry Relations

Work also continues within the accounting standards-setting bodies on efforts to advance the use of fair value measurements for the reporting of real estate assets on financial statements in the United States. AI submitted comments and testimony several times to the financial, international and governmental accounting standards boards, including the Government Accounting Standards Board, which finalized Statement 72, Fair Value Measurement in 2014, which requires government agencies to report real estate assets at fair value.

The Appraisal Institute hosted a President’s Council meeting with representatives from the largest real estate valuation firms in the world to discuss how the AI and those firms can collaborate on business, industry and professional issues. The meeting has resulted in the advancement of AI education and designation programs throughout the world.

AI has maintained its leadership position on the issue of sustainability and valuation of sustainable properties through the advancement of the AI Residential Green and Energy Efficiency Addendum, which is now licensed to be issued by residential energy raters (RESNET) and home builders (Home Innovation Labs, Inc.). The AI also developed a new addendum for use by commercial real estate appraisers – the AI Commercial Green and Energy Efficiency Addendum, which will be released in 2015.
The Appraisal Institute plans and executes a variety of meetings throughout the year, allowing AI professionals and sometimes others in the valuation and real estate profession the opportunity to network and to learn. AI’s most prominent events for 2014 were:

**Leadership Development Advisory Council**

More than 100 LDAC attendees spent two-and-a-half days in Washington, D.C., developing leadership strategies and lobbying on Capitol Hill for various issues of concern to the appraisal profession. Held at the Renaissance Washington DuPont Circle hotel in May 2014, this annual event identifies and encourages the Appraisal Institute’s future leaders.

**AI Connect**

The Appraisal Institute Annual Meeting drew nearly 500 attendees and more than 30 exhibitors and sponsors to the downtown Hilton in Austin, Texas, in August 2014. The event attracted valuation and real estate professionals from around the world who:

- networked with their peers;
- attended dozens of educational sessions,
  - earning state and AI continuing education credit;
- saw exhibits of the latest cutting-edge valuation products and services; and
- attended the annual Appraisal Institute awards dinner,
  - followed by dancing to the music of the Nightowls, an eight-piece Austin band playing Motown, funk and soul hits.

In the opening general session, former astronaut Gene Cernan, the last man to walk on the moon, served as AI Connect keynote speaker, regaling attendees with stories of his two missions to the moon. Attendees also heard from Texas Commissioner of Agriculture Todd Staples, a temporarily non-practicing Designated member of the Appraisal Institute who received his SRA designation in 1998. Closing general session speakers were Mark G. Dotzour, Ph.D., chief economist and director of research, the Real Estate Center at Texas A&M University, who addressed “The Economic Outlook for Real Estate Investors and Decision Makers” and Brian Olasov, managing director, McKenna Long & Aldridge LLP, who talked about “A $19 Trillion Education: Are We Smarter Now than in 2008?”

During the awards dinner, Peter D. Bowes, MAI, of Denver and Reaves C. Lukens Jr., MAI, SRA, of Gladwyne, Pennsylvania, were honored with the Lifetime Achievement Award and Michael G. Miller, MAI, SRA, Al-GRS, of Richmond, Virginia, and Charles J. Lentz, MAI, of Orlando, Florida, were named the recipients of the Outstanding Service Award. Four individuals were honored with the President’s Award at the awards dinner: Craig M. Harrington, SRA, Al-RRS, of Chaska, Minnesota; Paula K. Konikoff, JD, MAI, Al-GRS, of New York; Richard L. Borges II, MAI, SRA, Al-GRS, Al-RRS, of Seymour, Indiana; and Leslie P. Sellers, MAI, SRA, of Clinton, Tennessee.

AI Connect continues to grow each year, drawing more and more attendees, exhibitors and sponsors while consistently increasing the quality of its educational sessions. After being held in Las Vegas, San Diego, Indianapolis and Austin, the 2015 event will take place in Dallas.

**Chapter Leadership Program**

About 120 incoming chapter presidents, other chapter officers and chapter executive directors spent a day-and-a-half in Chicago in August gaining information on chapter operations, including finance, governance and reporting. The annual event provides important training for chapter officers and staff.
# 2014 Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Revenue ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership</td>
<td>57%</td>
<td>$11,353,897</td>
</tr>
<tr>
<td>Education</td>
<td>30%</td>
<td>5,740,958</td>
</tr>
<tr>
<td>Publications</td>
<td>4%</td>
<td>831,474</td>
</tr>
<tr>
<td>Professional Resources</td>
<td>6%</td>
<td>1,210,397</td>
</tr>
<tr>
<td>Meetings and Conferences</td>
<td>2%</td>
<td>354,598</td>
</tr>
<tr>
<td>Communications</td>
<td>1%</td>
<td>177,000</td>
</tr>
<tr>
<td>Investments</td>
<td>0%</td>
<td>41,263</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>108,172</td>
</tr>
</tbody>
</table>

**Total Revenue:** $19,817,759

---

**Membership**
Revenue earned from membership dues, as well as Candidate, Practicing Affiliate and Affiliate fees.

**Education**
Revenue earned from educational offerings held in classroom, online and synchronous venues.

**Publications**
Revenue earned from sale of textbooks, guidebooks and other formats.

**Professional Resources**
Revenue earned from fees for admissions processing and from professional benefit royalties.

**Meetings and Conferences**
Revenue earned from the Appraisal Institute Annual Meeting and Leadership Development and Advisory Council.

**Communications**
Subscription and advertising revenue from AI’s periodicals.

**Investments**
Return earned from reserve fund investments.

**Other**
Revenue earned from advertising and other miscellaneous programs.
2014 Expense

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>25%</td>
<td>$4,767,370</td>
</tr>
<tr>
<td>Publications</td>
<td>4%</td>
<td>694,092</td>
</tr>
<tr>
<td>Professional Resources</td>
<td>15%</td>
<td>2,830,214</td>
</tr>
<tr>
<td>Marketing</td>
<td>5%</td>
<td>944,983</td>
</tr>
<tr>
<td>Professional Practice</td>
<td>3%</td>
<td>539,583</td>
</tr>
<tr>
<td>Meetings and Conferences</td>
<td>2%</td>
<td>375,189</td>
</tr>
<tr>
<td>Communications</td>
<td>5%</td>
<td>918,089</td>
</tr>
<tr>
<td>Government and Industry Relations</td>
<td>5%</td>
<td>997,267</td>
</tr>
<tr>
<td>International</td>
<td>1%</td>
<td>254,541</td>
</tr>
<tr>
<td>Governance</td>
<td>7%</td>
<td>1,402,114</td>
</tr>
<tr>
<td>Management &amp; General</td>
<td>28%</td>
<td>5,255,425</td>
</tr>
</tbody>
</table>

Total: $18,978,865

Education
Costs incurred for development, delivery and promotion of educational offerings.

Publications
Costs incurred for development and sale of publications.

Professional Resources
Costs incurred to support Designated members and Candidates for Designation.

Marketing
Costs incurred to recruit, retain and promote Designated members and Candidates for Designation.

Professional Practice
Costs incurred to administer the Ethics and Standards program.

Meeting and Conferences
Costs related to hosting the Appraisal Institute Annual Meeting and Leadership Development and Advisory Council conference.

Communications
Costs incurred to publish AI’s periodicals and communicate to various audiences.

Government and Industry Relations
Costs incurred to assist chapters, Designated members, Candidates for Designation, Practicing Affiliates and Affiliates with legislative, regulatory and industry advocacy.

International
Costs related to maintaining and expanding AI’s presence and influence internationally.
# Consolidated Statements of Financial Position

Dec. 31, 2014 and 2013

## Assets

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$3,944,568</td>
<td>$5,264,807</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>800,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Reserve fund investments</td>
<td>10,600,444</td>
<td>8,746,022</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>112,502</td>
<td>124,028</td>
</tr>
<tr>
<td>Inventory, net</td>
<td>169,371</td>
<td>106,042</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>401,999</td>
<td>428,883</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>1,913,198</td>
<td>2,157,835</td>
</tr>
<tr>
<td>Other assets</td>
<td>503,683</td>
<td>543,508</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$18,445,765</strong></td>
<td><strong>$18,371,125</strong></td>
</tr>
</tbody>
</table>

## Liabilities and net assets

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$1,399,318</td>
<td>$1,670,009</td>
</tr>
<tr>
<td>Deferred membership dues and fees</td>
<td>3,455,740</td>
<td>3,685,873</td>
</tr>
<tr>
<td>Unearned registrations and subscriptions</td>
<td>956,764</td>
<td>1,048,239</td>
</tr>
<tr>
<td>Due to chapters</td>
<td>836,575</td>
<td>880,404</td>
</tr>
<tr>
<td>Deferred rent credit</td>
<td>1,072,938</td>
<td>1,084,717</td>
</tr>
<tr>
<td>Tenant improvement allowance</td>
<td>1,211,891</td>
<td>1,314,304</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>766,555</td>
<td>845,489</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$9,699,781</strong></td>
<td><strong>$10,529,035</strong></td>
</tr>
</tbody>
</table>

## Net assets

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$8,734,922</td>
<td>$7,813,154</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>11,062</td>
<td>28,936</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>8,745,984</strong></td>
<td><strong>7,842,090</strong></td>
</tr>
</tbody>
</table>

## Total liabilities and net assets

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$18,445,765</strong></td>
<td><strong>$18,371,125</strong></td>
</tr>
</tbody>
</table>
2014 BOARD OF DIRECTORS
2014 NATIONAL STAFF

Chief Executive Officer
Frederick H. Grubbe, MBA, CAE

Communications & Marketing
Ken Chitester, APR

Education Resources
Sue Siradas

Finance
Beata E. Swacha, CPA

General Counsel
Jeff Liskar, Esq.

Governance
Darlene Grass

Government Relations & External Affairs
William Garber

Human Resources
Sheila Barnes

Meeting Services
Jasmina Nuhbegovic

Professional Services & Resources
Evan Williams, CAE, IOM

Strategic Planning & Research
Bill Godden, MBA, PRC