



CHARTER OF THE AUDIT COMMITTEE

Purpose

The purpose of the Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of AppFolio, Inc. (the “*Company*”) is to oversee the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements.

Membership

The Committee shall consist of three or more members of the Board, with the exact number determined by the Board. Each member of the Committee must:

- (i) be an “independent director” in accordance with the listing rules of the national securities exchange on which the Company’s securities are listed for trading;
- (ii) satisfy the independence requirements applicable to the Committee members set forth in the rules and regulations promulgated by the Securities and Exchange Committee (the “*SEC*”);
- (iii) not have participated in the preparation of the financial statements of the Company or any of its subsidiaries at any time during the past five years; and
- (iv) be able to read and understand financial statements, including the Company’s balance sheet, income statement and cash flow statement.

In addition, at least one member of the Committee shall have prior experience in accounting, financial management, financial oversight, a requisite professional certification in accounting, or any other comparable experience or background, and qualify as an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of SEC Regulation S-K.

The members of the Committee shall be appointed by and serve at the discretion of the Board based on recommendations from the Nominating and Corporate Governance Committee. Committee members may be removed, without cause, by the affirmative vote of a majority of the Board at any time. Any Committee member may resign effective upon giving oral or written notice to the Chairperson of the Board (unless the notice specifies a later time for the effectiveness of such resignation). If there is no Chairperson of the Board, the notice of resignation shall be delivered to the full Board. Vacancies occurring on the Committee shall be filled by the Board.

The Board may designate a Chairperson of the Committee. In the absence of that designation, the Committee may designate a Chairperson by majority vote of the Committee members. The



Chairperson of the Committee shall be an independent director. The Chairperson of the Committee will set the agenda for Committee meetings and will conduct proceedings of those meetings.

Responsibilities, Duties, and Powers

To carry out its purpose, the Committee shall have the responsibilities, duties, and powers set forth below.

A. Selection, Performance and Independence of Independent Auditor

- (i) Be directly responsible for the selection, retention, compensation, and termination of any independent auditor engaged by the Company for the purpose of preparing and issuing an audit report, or other audit, review, or attestation service, as approved by the Committee.
- (ii) Oversee the work of the independent auditor, including resolution of any disagreements between management and the independent auditor regarding financial reporting.
- (iii) Not less than annually, obtain and evaluate the independent auditor's qualifications, performance, and independence, and ensure the regular rotation of its audit partners, as required under the rules promulgated by the SEC.
- (iv) Review and assess the continuing independence of the Company's independent auditor in compliance with applicable laws, rules, regulations, and accounting guidance, and, in this regard,
 - a. receive from the independent auditor a formal written statement delineating all relationships between the auditor and the Company, consistent with the Public Company Accounting Oversight Board ("*PCAOB*") Rule 3526, Communication with Audit Committees Concerning Independence;
 - b. actively engage in dialogue with the auditor with respect to any disclosed relationship or services that may impact the objectivity and independence of the auditor; and
 - c. review with management and with the independent auditor the Company's audited financial statements and the reports delivered to the Committee by the independent auditor, including:
 - i. critical accounting policies, estimates and practices used;
 - ii. alternative treatments of financial information within generally accepted accounting principles ("*GAAP*");



- iii. other material written communications between the independent auditor and Company management, such as any management letter or schedule of unadjusted differences;
 - iv. any significant financial reporting issues that have arisen in connection with the preparation of the Company's audited financial statements; and
 - v. any changes in accounting principles.
- (v) Approve the fees and other compensation to be paid to the independent auditor, and pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditor to ensure that the provision of such services does not impair the independent auditor's independence; provided, however, that the Committee may establish pre-approval policies and procedures, as permitted by applicable laws, rules, regulations and listing standards, for the engagement of the independent auditor to render services to the Company, including, without limitation, policies that would allow the delegation of pre-approval authority to one or more members of the Committee provided that any such services that are so pre-approved must be reported to the full Committee at the next meeting.
- (vi) Review the Company's overall audit plan (both internal and external) with the independent auditor, management, and internal audit function.

B. SEC Filings, Financial Statements and Disclosures

- (i) Review with management the Company's quarterly and annual financial statements and any report or opinion by the independent auditor, prior to distribution to the public or filing with the SEC.
- (ii) Review any items required to be communicated by the independent auditor in accordance with the applicable auditing guidance, including, among other things, the independent auditor's judgments about the quality and appropriateness of the Company's accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the Company's financial statements, any significant difficulties encountered during the course of the audit, and any restrictions on the scope of work or access to required information; review with management and the independent auditor any analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
- (iii) Recommend to the Board whether the annual financial statements should be included in the Company's Annual Report on Form 10-K.



- (iv) Oversee the preparation of the report of the Committee required by the rules of the SEC to be included in the Company's annual proxy statement.
- (v) Review with management earnings press releases, adjusted or other non-GAAP financial information, and whether and to what extent earnings guidance and similar information shall be disclosed publicly by the Company.
- (vi) Review with management and the independent auditor, prior to the filing of the Company's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K, the Company's quarterly and annual financial statements and the Company's related disclosures under "Management's Discussion and Analysis of the Financial Condition and Results of Operations."
- (vii) Review the following:
 - a. adequacy of the Company's accounting and financial reporting process and systems of internal controls;
 - b. any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting; and
 - c. any fraud or allegation of fraud involving management or any employee of the Company that is disclosed to the Committee.
- (viii) Periodically review with management the Company's investor relations activities and practices.

C. Internal Controls

- (i) Obtain and review, at least annually, a report from the independent auditor describing:
 - a. the independent auditor's internal quality control procedures;
 - b. any material issues raised by the most recent internal quality control review of the independent auditor or by any inquiry or investigation by governmental or professional authorities, including peer review or the PCAOB, within the preceding five years, regarding one or more independent audits carried out by the independent auditor and any steps taken to deal with any such issues; and
 - c. all relationships between the independent auditor and the Company that may bear on the independence of the independent auditor.
- (ii) Review any comments or recommendations of the independent auditor outlined in its annual management letter or internal control reports;



- (iii) Oversee and maintain policies or procedures for:
 - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, disclosure controls, or auditing matters; and
 - b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and review any such complaints and submissions that have been received, including the current status and the resolution if one has been reached.
- (iv) Periodically consult with the independent auditor (without the presence of management) about internal controls, the completeness and accuracy of the Company's financial statements and any other matters that the Committee deems appropriate.
- (v) Review reports from the Company's disclosure committee regarding the Company's disclosure controls and procedures.

D. Internal Audit Function

- (i) Require that the Company, at all times, have established and maintain an internal audit function to provide the Committee with ongoing assessments of the Company's system of internal controls, which internal audit function may, with the approval of the Committee, be outsourced to a third-party service provider other than its independent auditor.
- (ii) Oversee and review (a) the responsibilities of the internal audit function, (b) the resourcing of the internal audit team, and (c) the composition of the internal audit team.
- (iii) Review and approve the hiring, firing, or reassignment of the internal audit team leader.
- (iv) Assure that the internal audit function team members can provide independent and objective assurance and advisory services.
- (v) Review the internal audit team's assessments of the Company's internal controls.
- (vi) Meet periodically, but not less than quarterly, with the internal audit team, or the leader thereof, to review the internal audit team's work impacting internal controls over financial reporting.
- (vii) Review with the Company's independent auditor the internal audit function, including regarding the scope of responsibilities.



- (viii) Require that the internal audit team report directly to the Committee regarding matters impacting internal controls over financial reporting.

E. Other

- (i) Review on a regular basis the status of any pending or threatened legal matters that could have a material adverse effect on the Company's financial statements.
- (ii) Administer the Company's Code of Business Conduct and Ethics (the "*Code*"), including: (a) overseeing policies and procedures related to, and receiving periodic reporting on, helpline activity; and (b) coordinating with the Nominating and Corporate Governance Committee of the Board, which is responsible for the oversight and maintenance of the Code, on recommending amendments to the Board for approval.
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- (iii) Review the fairness of, and make decisions regarding, any proposed transaction between the Company and any related persons that are brought to the attention of the Committee, in accordance with the Company's related party transaction policy.
- (iv) Review with the Company's independent auditor the independent auditor's evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
- (v) Annually review the Company's Investment Policy and approve any material amendments or modifications to such policy in alignment with the Company's financial objectives and risk tolerance.
- (vi) Form and delegate authority to subcommittees consisting of one or more of its members as the Committee deems appropriate to carry out its responsibilities and exercise its powers (to the extent allowable under applicable laws, rules, regulations and listing standards).
- (vii) Request that any officer or employee of the Company, the Company's independent legal counsel, the Company's independent auditor, or any other advisor retained by the Company, attend a meeting of the Committee, or meet with any members of or advisors to the Committee; provided that, (i) the Committee, and its members and advisors, shall only meet with such persons regarding matters applicable to the responsibilities and duties of the Committee, and (ii) the Committee shall retain the discretion to exclude any such person from all or any portion of any Committee meeting and shall meet regularly without such individuals present.



- (viii) Perform other activities consistent with this charter, the Company's certificate of incorporation and bylaws (each as amended and in effect from time to time), and applicable laws, rules, regulations and listing standards as the Committee or the Board deems necessary or appropriate.
- (ix) Have unrestricted access to Company personnel and documents, and seek any information the Committee requires from employees, officers, directors or external parties.
- (x) Incur such expenses as are necessary or appropriate in carrying out its duties.
- (xi) Perform such other functions as may be requested by the Board from time to time.

Limitations on Committee Responsibilities

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate, fairly present the information shown or are in accordance with GAAP and applicable rules and regulations. The foregoing are the responsibilities of management and the independent auditor. In addition, it is not the duty of the Committee to conduct investigations or to assure compliance with any law, regulation or rule. Instead, the Committee shall oversee the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

The members of the Committee are not independent auditors and the term "review" as used in this charter is not intended to be interpreted to suggest that the members of the Committee can or should follow the procedures required of auditors performing a review of financial statements.

Meetings

The Committee will meet at least once per fiscal quarter or more frequently, as determined appropriate by the Committee. The agenda and materials for Committee meetings will be prepared by the Chairperson of the Committee in consultation with the other Committee members. The Committee will regularly report to the Board on significant matters related to the Committee's responsibilities and, as requested by the Board, with respect to other matters. The Committee will maintain written minutes of its meetings and will make such minutes available to the Board.

The Committee will be governed by the same rules regarding meetings (including virtual meetings), action without meetings, notice, waiver of notice, quorum and voting requirements as are applicable to the Board.



Authority to Conduct Investigations and Retain Advisors

In performing its responsibilities, the Committee shall have the authority to (i) conduct investigations, and (ii) in the Committee's sole discretion, engage and obtain advice, reports or opinions from independent auditors, independent legal counsel, and other advisors, as the Committee determines necessary, to carry out its duties. The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any independent auditor, legal counsel, and other adviser retained by the Committee and, in this regard, will have sole authority to approve related fees and retention terms for any independent auditors, legal counsel, and advisors retained by the Committee. The Company will provide the Committee with appropriate funding, as the Committee determines, for the payment of (a) compensation to any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company, and (b) compensation to any advisers (including independent counsel, accountants, consultants and other advisers) employed by the Committee.

Annual Review of Charter

The Committee shall review and assess the adequacy of this charter at least annually and recommend to the Board any amendments or modifications to this charter that the Committee deems appropriate.

Annual Performance Review

The Committee members shall annually evaluate and assess the Committee's performance.

Reliance on Others

Each member of the Committee shall be entitled to rely on (i) the integrity of those persons within and outside the Company and management from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary, and (iii) statements made by management or other third parties as to any information technology, internal audit, and other non-audit services provided by the Company's independent auditor.

