Grant Thornton

Consolidated Financial Statements, Report of Independent Certified Public Accountants

American Bar Association

August 31, 2016 and 2015

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Governors
American Bar Association

Report on the financial statements

We have audited the accompanying consolidated financial statements of the American Bar Association (the ABA), which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 ABA'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 ABA'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Bar Association as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying details of consolidated statements of financial position, details of consolidated statements of activities and changes in net assets, and functional details of consolidated statements of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Chicago, Illinois
February 7, 2017

American Bar Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,
(In thousands)

ASSETS	2016	2015
ASSETS		
Cash and cash equivalents	$ 17,934	$ 7,065
Accounts receivable, net	14,198	14,449
Inventory, net	3,385	3,782
Prepaid and other assets	2,287	2,478
Due from related parties	161	353
Long-term investments	291,324	304,275
Long-term investments held for a related party	275	258
Property and equipment		
Furniture and equipment	47,298	46,080
Leasehold improvements	23,955	23,907
Work in progress	293	899
Accumulated depreciation	(58,743)	(55,404)
Property and equipment, net	12,803	15,482
TOTAL ASSETS	$342,367	$348,142

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 7,961	$ 9,721
Deferred revenue	61,127	54,718
Deferred rent abatement	19,538	20,646
Other liabilities	9,094	9,122
Pension liability	55,337	79,025
Term debt	34,000	-
Due to related parties	335	318
Total liabilities	187,392	173,550
NET ASSETS		
Unrestricted		
Undesignated	28,693	51,306
Board-designated	115,107	111,911
Total unrestricted	143,800	163,217
Temporarily restricted	3,961	4,318
Permanently restricted	7,214	7,057
Total net assets	154,975	174,592
TOTAL LIABILITIES AND NET ASSETS	$342,367	$348,142

The accompanying notes are an integral part of these statements.

American Bar Association
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended August 31,
(In thousands)

	2016	2015
Unrestricted net assets		
Operating		
Revenues		
Membership dues	$ 71,232	$ 74,062
Meeting fees	26,867	27,944
Advertising	2,485	3,414
Grants	52,055	47,483
Gifts and sponsorships	11,819	12,385
Publications	7,739	8,464
Royalties	9,565	9,117
Accreditation fees	4,809	4,496
Other	3,045	1,667
Investment income for operations	13,582	10,037
Designated reserve for operations	1,807	-
Net assets released from restrictions	2,671	1,570
Total operating revenues	207,676	200,639
Expenses		
Salaries, wages and benefits	97,786	98,036
Professional fees and services	32,055	30,475
Meetings and travel	41,749	42,909
Advertising and marketing	3,518	3,277
Printing and publications	11,107	12,038
Facilities	22,733	22,020
Pension settlement charge	8,842	-
General operations	7,425	6,661
Total operating expenses	225,215	215,416
Deficiency of operating revenues over expenses	(17,539)	(14,777)
Non-operating items		
Investment income and realized and unrealized gains (losses), net	4,471	(16,976)
Pension changes other than net periodic pension cost	(4,460)	(13,731)
Designated reserve for operations	(1,807)	-
Other non-operating items	(82)	(866)
Total non-operating items	(1,878)	(31,573)
Change in unrestricted net assets	(19,417)	(46,350)

American Bar Association
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
Years ended August 31,
(In thousands)

	2016	2015
Temporarily restricted net assets		
Gifts and pledges	$ 1,713	$ 1,815
Investment income (loss)	601	(249)
Net assets released from restrictions	(2,671)	(1,570)
Change in temporarily restricted net assets	(357)	(4)
Permanently restricted net assets		
Gifts and pledges	157	167
Change in permanently restricted net assets	157	167
CHANGE IN TOTAL NET ASSETS	(19,617)	(46,187)
Net assets at beginning of year	174,592	220,779
Net assets at end of year	$154,975	$174,592

The accompanying notes are an integral part of these statements.

American Bar Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,
(In thousands)

	2016	2015
Cash flows from operating activities		
Change in total net assets	$(19,617)	$(46,187)
Adjustments to reconcile change in total net assets to net cash used in operating activities		
Depreciation expense	3,346	3,239
Pension expense	13,562	6,694
Realized and change in unrealized (gains) losses from investing activities	(18,786)	7,065
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	251	(2,582)
Decrease in inventory	397	260
Decrease in prepaid and other assets	191	496
Increase in investments held for related parties	(17)	(3)
Decrease (increase) in due to/from related parties, net	209	(49)
(Decrease) increase in accounts payable	(1,760)	1,408
Increase (decrease) in deferred revenue	6,409	(3,355)
Decrease in deferred rent abatement	(1,108)	(545)
Contributions to pension plan	(41,710)	(5,167)
Pension change other than net periodic pension cost	4,460	13,731
(Decrease) increase in other liabilities	(28)	281
Net cash used in operating activities	(54,201)	(24,714)
Cash flows from investing activities		
Sales of investments	51,185	65,192
Purchases of investments	(19,448)	(50,686)
Purchases of property and equipment	(667)	(864)
Net cash provided by investing activities	31,070	13,642
Cash flows from financing activities		
Proceeds from term debt borrowings	40,000	-
Proceeds from borrowings on short-term debt	10,000	8,000
Principal payments on term borrowings	(6,000)	-
Principal payments on short-term debt	(10,000)	(8,000)
Net cash provided by financing activities	34,000	-
Increase (decrease) in cash and cash equivalents	10,869	(11,072)
Cash and cash equivalents at beginning of year	7,065	18,137
Cash and cash equivalents at end of year	$ 17,934	$ 7,065
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 490	$ 25
Cash paid (refunded) for income taxes	6	(408)

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION

The American Bar Association (the ABA) is the national professional association for the nation's lawyers and provides a wide range of services to its members and the public. The ABA's mission is to serve equally its members, its profession and the public by defending liberty and delivering justice as the national representative of the legal profession.

The consolidated financial statements of the ABA include the accounts of the ABA and the American Bar Association Fund for Justice and Education (the FJE).

The ABA established the FJE as a separate fund in order to obtain tax deductibility for contributions made to the FJE. The FJE has no existence separate from the ABA other than its having applied for and maintained its status as a tax-exempt fund. The FJE's bylaws require that the FJE maintain its assets separate and apart from the general and unrestricted assets of the ABA, that these assets may not be used in any manner for the general purposes of the ABA, and that the FJE maintain books and records separate and apart from the general books and records of the ABA.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The ABA's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles require management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates.

Financial statement presentation follows the accounting standards for not-for-profit organizations. Under these standards, net assets, revenues, and investment income or loss are classified based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted net assets are assets subject to donor-imposed restrictions that do not expire over time or cannot be removed or satisfied by the entity itself.

Temporarily restricted net assets are assets with donor restrictions that expire with the passage of time, the occurrence of an event or the fulfillment of certain conditions. Earnings related to temporarily restricted net assets are recorded as temporarily restricted net assets until amounts are expensed in accordance with the donor's specified purposes. When donor restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as "net assets released from restrictions."

Unrestricted net assets are not subject to donor-imposed stipulations other than broad restrictions relating to the nature or purposes of the entity. The ABA uses unrestricted contributions at its complete discretion without time or purpose limits. Board-designated net assets are unrestricted net assets designated by the Board to be used for several specific purposes. The Board retains control over these net assets and may, at its discretion, subsequently use the net assets for other purposes.

Cash and Cash Equivalents

Cash equivalents include money market funds with underlying securities having a dollar-weighted average maturity of 90 days or less at the time of purchase. The ABA can liquidate shares of the fund at any time without cost. The ABA had deposits in excess of federally insured limits at August 31, 2016 and 2015. The ABA has not experienced any losses in such deposit accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The cash equivalents were $474 and $475 in 2016 and 2015, respectively.

Accounts Receivable

Accounts receivable are stated at amounts due, net of an allowance for doubtful accounts. The ABA evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged to the allowance for doubtful accounts when they are deemed uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventory

Inventory consists of book publications and is stated at the lower of cost or market. This accounting method takes into consideration both selling price and cost. The ABA uses the weighted-average cost method in determining inventory costs.

Inventories are stated net of a reserve for excess and obsolete items. Reserves for excess and obsolete inventories are based on the value of inventory items in excess of 18 months of sales activity or specific identification. The reserve for excess and obsolete inventory was $4,311 and $3,830 in 2016 and 2015, respectively.

Investments

The ABA records at fair value all investments in debt securities and equity securities with readily determinable fair values based on quoted market prices. Investments held for related parties represent investments that are the property of related-party organizations (see note C), which are maintained in the ABA investment portfolio.

The estimated fair values of investments that do not have readily determinable fair values are based on the net asset value (NAV) per share or based on estimates provided by external investment managers. These fair values are examined through a valuation review process performed by management. A range of possible values exists for these securities and, therefore, the estimated values may differ from the values that would have been used had a ready market for these securities existed.

Property and Equipment

The ABA records leasehold improvements, furniture and equipment at cost and capitalizes acquisitions of such items having an initial cost of $5 or more. Acquisitions with a cost of less than $5 are expensed in the current period. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets ranging from 5 to 16 years.

Fair Value of Financial Instruments

Financial instruments of the ABA consist of cash and cash equivalents, accounts receivable, inventory, long-term investments, and accounts payable. The fair value of financial instruments approximates their carrying value in the consolidated financial statements, for which fair value information is provided in note E.

Net Assets/Board-designated Funding of Operations

The ABA's unrestricted net assets include certain amounts the Board has designated as a reserve for operations. As part of the ABA's annual budgeting process, the Board decides whether it is appropriate to increase or decrease operating revenues by transferring amounts from or to the non-operating section of the consolidated statements of activities and changes in net assets. Amounts equal to the amounts transferred, if any, are then reclassified within the net assets section of the consolidated statements of financial position between Board-designated and undesignated. In the case of amounts transferred to operating revenues, the Board-designated amounts are decreased and the undesignated amounts are increased by the amounts transferred. In the case of amounts transferred from operating revenues, the Board-designated amounts are increased and the undesignated amounts are decreased by the amounts transferred. Allocations for operations from Board-designated reserves were $1,807 and $-0- for the fiscal years 2016 and 2015, respectively.

Operations

In the consolidated financial statements, revenues earned and expenses incurred in conducting the programs and services of the ABA are presented as operating activities. Non-operating activities include investment income or loss, net of income designated for operations, pension changes other than net periodic pension costs, gains or losses on the sale or disposal of property and equipment if applicable, and other non-operating items.

Gifts and Contributions

The ABA recognizes cash gifts and contributions as revenue in the period received. Pledges are recognized in the period pledged and recorded at fair value. Gifts and contributions are reported as either temporarily or permanently restricted if they are received with donor restrictions that limit their use other than for broad restrictions relating to the nature or purposes of the ABA. The expiration or fulfillment of donor-imposed restrictions on contributions result in those contributions being reported as net assets released from restrictions in the accompanying consolidated statements of activities and changes in net assets.

Membership Dues

Revenue is recognized in the period when the latter of the following has occurred: (1) goods and services are provided and (2) payment for those goods and services has been received. Membership dues received for a future fiscal period are accounted for as deferred revenue. That deferred revenue is recognized as revenue in the fiscal period when the goods and services paid for are provided.

Meeting Fees

Meeting fees for the current fiscal year are recognized when the meeting dates have occurred. Payments received for meetings being held in the next fiscal year are accounted for as deferred revenue.

Grant Revenue

Grant activity is recorded as exchange transactions. Grant revenue is recognized when the expenses have been incurred for the purpose specified by the grantor. Payments received in advance of when expenses have been incurred are initially recorded as deferred revenue.

Publications Revenue

The ABA publishes and distributes numerous magazines and books. Payment is requested in advance for all publications, except for publications sold to libraries and government agencies. Revenue is recorded when the invoice is issued; invoices are issued upon shipment.

Royalty Revenue

The ABA receives various royalties from other organizations. These royalties are primarily from membership benefits offered to members and staff of the ABA. The revenue is recognized when earned according to contractual agreements with each organization.

Advertising Expense

The ABA expenses advertising costs as incurred.

Income Taxes

The ABA and the FJE are qualified under the U.S. Internal Revenue Code (the IRC) as tax-exempt organizations or, in the case of the FJE, as a tax-exempt fund, and are exempt from tax on income related to their tax-exempt purposes under Section 501(a) of the IRC. The ABA is exempt from income taxes as an association described in Section 501(c)(6) of the IRC. The FJE is exempt under Section 501(c)(3). Management believes there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements. While exempt from income tax under IRC Section 501(a), the ABA is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years of 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes.

Prior-year Reclassifications

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in consolidated net assets.

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the ABA for fiscal year 2020 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes most of the current lease accounting and presentation guidance. The core principle is that a lessee should recognize the assets and liabilities that arise from leases (with an exception for leases with a term of 12 months or less) by recognizing in the statements of position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset. This guidance is currently effective for the ABA for fiscal year 2021. Early adoption is permitted. ABA is evaluating whether this will have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statements of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU 2016-14 is effective for annual financial statements for the ABA for fiscal year 2019. Early adoption is permitted and entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. ABA is currently evaluating the impact this guidance will have on the consolidated financial statements.

NOTE C - RELATED-PARTY TRANSACTIONS

Each of the American Bar Endowment, the American Bar Foundation, the ABA Retirement Funds and the National Judicial College is under its own management, but each is related to the ABA through some common directors, officers or members.

The American Bar Endowment contributed $3,247 and $3,012 to the ABA in 2016 and 2015, respectively. The FJE contributed $225 to the National Judicial College in 2016 and 2015. The ABA held $275 and $258 in long-term investments for the National Judicial College in 2016 and 2015, respectively. In addition, the ABA's expenses were reduced by $1,698 and $1,551 in 2016 and 2015, respectively, for expense reimbursements received from the following related organizations:

(Dollars in thousands)

	2016	2015
ABA Retirement Funds	$1,039	$1,039
American Bar Endowment	289	231
National Judicial College	70	50
American Bar Foundation	109	56
American Bar Insurance	91	86
National Association of Women Lawyers	45	38
National Association of Bar Executives	30	22
National Conference of Bar Presidents	25	29
Total	$1,698	$1,551

The expense reimbursements are principally for compensation, rent and services provided by the ABA that are either directly chargeable to the related organization or are allocated based on usage studies.

NOTE D - INVESTMENTS

The ABA's consolidated long-term investments (excluding cash equivalents and long-term investments held for related parties) at August 31, 2016 and 2015, are as follows:

	2016	2015
Equity securities	$192,709	$196,983
Fixed income	92,697	100,920
Other investments	5,918	6,372
Total long-term investments	$291,324	$304,275

Investment returns in each net asset category for the years ended August 31, 2016 and 2015, are as follows:

	2016		
	Unrestricted	Temporarily restricted	Total
Management fees, net of interest and dividends	$ (135)	$ 3	$ (132)
Realized gains, net	4,503	147	4,650
Unrealized gains in market value, net	13,685	451	14,136
Total investment return	$18,053	$601	$18,654

(Dollars in thousands)

	2015		
	Unrestricted	Temporarily restricted	Total
Management fees, net of interest and dividends	$ (69)	$ (54)	$ (123)
Realized gains, net	6,740	179	6,919
Unrealized losses in market value, net	(13,610)	(374)	(13,984)
Total investment return	$ (6,939)	$(249)	$ (7,188)

On an annual basis, the Board may approve the allocation of investment income to operating revenue. Investment income allocated to operations in 2016 and 2015 totaled $13,582 and $10,037, respectively. The allocated amount includes all short-term investment income earned and a percentage of the average balance of the long-term investments for a prior 12-quarter period. Investment returns on long-term investments, excluding the return on long-term investments allocated to operations, are recorded as a non-operating activity and totaled $4,471 and $(16,976) for fiscal years 2016 and 2015, respectively.

The ABA pays management fees to various fund managers, and investment income is netted against those fees and included in total investment return. Management fees were $1,421 and $1,400 for fiscal years 2016 and 2015, respectively. The liability related to long-term investments held for related parties is included under the caption "Due from related parties" or "Due to related parties" on the accompanying consolidated statements of financial position.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The ABA values its financial assets based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value in three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available.

In determining fair value, the ABA uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. Financial assets carried at fair value at August 31 are classified in the following tables.

(Dollars in thousands)

	2016		2015	
	Level 1	Total	Level 1	Total
Cash and cash equivalents				
Money market accounts	$ 474	$ 474	$ 475	$ 475
Long-term investments				
Limited liability company				
Fixed (measured at NAV)	-	92,697	-	100,920
Equity (measured at NAV)	-	132,221	-	135,707
Other (measured at NAV)	-	5,918	-	6,372
Mutual funds				
Equity	60,488	60,488	61,276	61,276
Total long-term investments	60,488	291,324	61,276	304,275
Long-term investments held for related parties				
Limited liability company				
Equity (measured at NAV)	-	275	-	258
Total assets at fair value	$60,962	$292,073	$61,751	$305,008

The following table sets forth the investment strategies and redemption terms for those investments that are measured at NAV per share as of August 31:

	2016 Fair value	2015 Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company					
Fixed	$ 92,697	$100,920	No lock-up	Daily	1 - 7 days
Equity	132,496	135,965	No lock-up	Daily	1 day
Other	5,918	6,372	No lock-up	Daily	1 day
Total	$231,111	$243,257			

Limited liability company (fixed, equity, other) - provides exposure to broadly diversified funds of return seeking assets including global equities, real assets and global fixed income.

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2016	2015
Grants (net of allowance for doubtful accounts of $477 in 2016 and $324 in 2015)	$ 6,195	$ 6,422
Non-dues revenue general receivables (net of allowance for doubtful accounts of $190 in 2016 and $689 in 2015)	4,731	4,830
Special advances on international grants	2,302	2,241
Royalties	708	724
Mailing list	262	232
Total	$14,198	$14,449

NOTE G - EMPLOYEE BENEFIT PLANS

The employees of the ABA, together with the employees of the American Bar Endowment, the American Bar Foundation and the National Judicial College (the Plan Sponsors) participate in the A-E-F-C Pension Plan (the Pension Plan), a defined benefit plan, and the ABA Thrift Plan, a contributory and defined contribution plan, (the Thrift Plan). In an amendment effective January 1, 2007, employees hired on or after that date are not eligible to participate in the Pension Plan, but participate in the defined contribution portion of the Thrift Plan. Employees as of December 31, 2006, could remain in and accrue additional benefits under the Pension Plan or elect to convert to the defined contribution plan as of January 1, 2007. Annual contributions to the defined contribution plan are 5% of the participant's annual salary. Employees who converted to the defined contribution plan retain vested benefits accrued as of December 31, 2006, under the Pension Plan.

In April 2015, the ABA Board of Governors approved an amendment to allow lump sum settlements to former employees with vested pension benefits in the Pension Plan. The election period ended on October 31, 2015, and, as of that date, 340 people elected a lump sum distribution in the amount of $22,740. These payments were disbursed in December 2015. The acceleration of the pension payments resulted in a settlement charge of $8,842 in fiscal 2016.

Under the Thrift Plan, participants may contribute to a 401(k) in which the employer matches each contribution dollar-for-dollar to a maximum of $300 (amount not in thousands). Thereafter, the employer contributes at a rate of 50% of the participant's contribution up to an employer maximum of 3% of a participant's annual salary.

The ABA's portion of the Pension Plan expense for the years ended August 31, 2016 and 2015, was $13,562 and $6,694, respectively. Effective January 1, 2011, the Pension Plan was amended to reduce the plan benefit formula with the intent that the expected cost of ABA's future accrual would approximate 5% of total participants' pay.

The Pension Plan pays management fees to various fund managers that are netted against investment income. These management fees are in support of the Pension Plan as a whole, which also supports some ABA-related parties. The management fees were $1,069 and $1,901 for fiscal years 2016 and 2015, respectively.

(Dollars in thousands)

The funded status of the ABA's portion of the Pension Plan at the measurement dates, August 31, 2016 and 2015, and the accrued pension costs recognized in the ABA's consolidated statements of financial position at August 31, 2016 and 2015, are as follows:

	2016	2015
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$193,594	$184,024
Service cost	1,432	1,622
Interest cost	7,646	7,883
Actuarial loss	17,015	6,630
Plan amendment	-	(72)
Benefits paid	(29,957)	(6,493)
Projected benefit obligation at end of year	189,730	193,594
Change in Pension Plan assets		
Fair value of Pension Plan assets at beginning of year	114,569	120,256
Actual return on Pension Plan assets	8,071	(4,361)
Benefits paid	(29,957)	(6,493)
Employer contributions	41,710	5,167
Fair value of assets at end of year	134,393	114,569
Funded status as of the measurement date	$ (55,337)	$ (79,025)
Components of adjustments to unrestricted net assets		
Unrecognized prior service cost	$ (909)	$ (1,270)
Unrecognized net loss	79,699	75,600
Total adjustments to unrestricted net assets	$ 78,790	$ 74,330
Amounts recognized in the consolidated statements of financial position		
Pension liability	$ (55,337)	$ (79,025)
Accumulated benefit obligation	$189,730	$193,594

(Dollars in thousands)

	2016	2015
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.69%	4.47%
Rate of compensation increase	3.25	3.31
Expected return on Pension Plan assets	7.00	7.00
Components of net periodic pension costs		
Service cost	$ 1,432	$ 1,622
Interest cost	7,646	7,883
Actual return on Pension Plan assets	(9,444)	(8,090)
Amortization of net loss	5,447	5,630
Amortization of prior service credit	(361)	(351)
Settlement charge	8,842	-
Total net periodic pension cost	$ 13,562	$ 6,694
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	4.47%	4.37%
Rate of compensation increase	3.31	3.35
Expected return on Pension Plan assets	7.00	7.00
Components of pension-related changes other than net periodic pension costs are as follows at August 31,		
Net loss	$ 18,388	$ 19,082
Prior service credit	-	(72)
Settlement charge	(8,842)	-
Amortization of net loss	(5,447)	(5,630)
Amortization of prior service credit	361	351
Total pension changes other than net periodic pension costs	4,460	13,731
Total net periodic pension cost and pension changes other than net periodic pension cost	$ 18,022	$ 20,425

(Dollars in thousands)

Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2016 and 2015, is as follows:

	2016	2015
Equity securities		
U.S. equity	18.1%	15.4%
Global Ex U.S.	14.2	12.0
Emerging markets	5.7	5.3
Total equity securities	38.0	32.7
Debt securities		
Fixed income	35.5	34.9
Invested cash	1.8	1.0
Total debt securities	37.3	35.9
Real asset fund	1.9	1.8
Absolute return	11.5	15.7
Equity hedge funds	11.3	13.9
Total	100.0%	100.0%

The investment policy of the Pension Plan Administration Committee (the Committee) seeks reasonable asset growth at prudent risk levels within target allocations. Asset allocation target ranges are reviewed quarterly and re-balanced to within policy target allocations. The investment policy is reviewed at least annually, and revised, as deemed appropriate, by the Committee.

The Pension Plan's investments are diversified to mitigate risks of loss yet maximize investment returns. Due to the volatility of the capital markets, there is a reasonable possibility of changes in fair value, resulting in additional losses in the near term. It is the intention of the ABA to fund its portion of the Pension Plan as required by the Employee Retirement Income Security Act of 1974.

(Dollars in thousands)

The fair values of the Pension Plan assets at August 31, by asset category are as follows:

	2016		2015	
	Level 1	Total	Level 1	Total
Common stock funds	$ 5,871	$ 5,871	$ 2,010	$ 2,010
Money market funds (measured at NAV)	-	2,413	-	9,083
Mutual funds				
Fixed	43,800	43,800	33,915	33,915
Equity	28,934	28,934	13,344	13,344
Collective trust funds				
Fixed (measured at NAV)	-	-	-	5,015
Equity (measured at NAV)	-	6,527	-	5,759
Limited liability company (measured at NAV)	-	6,729	-	8,625
Hedge funds (measured at NAV)	-	40,119	-	36,818
Total investments	$78,605	$134,393	$49,269	$114,569

The following table sets forth the investment strategies and redemption terms for those investments that are measured at NAV per share as of August 31:

	2016 Fair value	2015 Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	$ 6,729	$ 8,625	No lock-up	Monthly	100 days
Money market funds	2,413	9,083	No lock-up	Daily	1 - 2 days
Collective trust funds					
Fixed	-	5,015	No lock-up	Daily	1 - 2 days
Equity	6,527	5,758	No lock-up	Monthly	6 - 8 days
Hedge funds	40,119	36,818	0 - 24-month lock-up	Monthly, quarterly or annually	30 - 90 days
Total	$55,788	$65,299			

The limited liability company invests in predominantly U.S. large-cap equities. This fund is valued using NAV.

Money market funds are low risk investments designed to meet the operating liquidity needs of the fund. They are valued using NAV

Collective trust funds (fixed) are designed to protect capital with low-risk investments and include cash, bank notes, corporate notes, government bills and various short-term debt instruments. These investments are valued using the NAV provided by the administrator of the fund.

Collective trust funds (equity) are designated to protect capital with low-risk investments and include cash, global energy equities, global metals and mining equities, non-U.S. equities, commodities, and U.S. Treasury inflation protected securities. They are valued using NAV.

(Dollars in thousands)

Hedge funds consist of investments in a diverse range of hedge funds as well as common stocks. These investments are valued using the NAV provided by the administrator of the fund as well as direct market quotes. There are currently diverse amounts of redemption restrictions depending on the fund.

To determine the expected annual long-term rate of return for the Pension Plan, the historical performance, investment community forecasts and current market conditions are analyzed to develop expected returns for each of the asset classes used by the Pension Plan. The expected returns for each asset class are then weighted by the target allocations of the Pension Plan. Effective September 1, 2010, and continued through 2016, the expected long-term rate of return assumption used to determine pension expense is 7.00%.

Cash Flows

There are no expected contributions for the fiscal year ending August 31, 2017.

Estimated future benefit payments reflecting expected future service for the fiscal years ending August 31,	
2017	$11,653
2018	11,407
2019	11,244
2020	11,889
2021	11,796
2022 through 2026	56,285

ABA Thrift Plan

The ABA's expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2016 and 2015, totaled $1,419 and $1,784, respectively. The ABA's expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2016 and 2015, totaled $1,809 and $1,657, respectively.

NOTE H - DEBT

In May 2015, the ABA entered into a variable rate line of credit agreement with a financial institution to borrow up to $10,000 to fund normal operating expenses. Interest charged on the loan is based on a rate of 115 basis points above the LIBOR rate and interest is due and payable in the month incurred.

In fiscal 2016, the ABA borrowed $5,000 against the line of credit in January, and an additional $5,000 in April, with the total due and payable by May 31, 2017. Loan repayments of $5,000 each were made in June and July, and there was no outstanding balance against the line of credit as of August 31, 2016. Interest totaling $52 was incurred and paid in fiscal 2016.

In October 2015, the ABA entered into a variable rate term loan agreement with a financial institution to borrow $40,000, which was contributed to the Pension Plan. Interest charged to the loan is based on, at the ABA's discretion, either (i) the CB Floating Rate or (ii) the Adjusted LIBOR rate for the interest period in effect plus 100 basis points. The interest rate as of August 31, 2016, was 1.5%. This loan is secured by the ABA's long-term investments and matures on September 30, 2020. Beginning on December 31, 2015, the ABA was required to make $2,000 in principal installments on the last day of each calendar quarter until the maturity date. In fiscal 2016, a total of $6,000 in principal payments was made, and total interest expense of $438 was incurred and paid.

(Dollars in thousands)

Future annual principal loan repayments under the terms of the agreement as of August 31, 2016, are as follows:

Fiscal years ending August 31,	Term debt principal repayments
2017	$ 8,000
2018	8,000
2019	8,000
2020	8,000
2021	2,000
Total term debt principal repayments	$34,000

NOTE I - COMMITMENTS AND CONTINGENCIES

The ABA leases certain facilities and equipment under non-cancelable operating leases. In July 2011, the ABA amended the current operating lease agreement for the Chicago office space (North Clark Lease). The amendment extended the current lease for an additional five-year period through June 2024, with a renewal option for an additional five years and the payment of allocated real estate taxes and certain other expenses.

In February 2012, the ABA entered into a lease agreement for office space located in Washington, D.C. (Washington Square Lease). The lease period is for 189 months beginning on the lease commencement date of June 1, 2013.

Future minimum payments under these leases with initial or remaining terms of one year or more and future minimum sublease rental income from related parties as of August 31, 2016, are as follows:

Fiscal years ending August 31,	Minimum lease payments	Minimum sublease rental income	Net minimum lease payments
2017	$ 9,175	$ 284	$ 8,891
2018	9,475	294	9,181
2019	9,816	292	9,524
2020	10,010	225	9,785
2021	10,194	229	9,965
Thereafter	52,745	667	52,078
Total minimum lease payments	$101,415	$1,991	$99,424

Certain leases contain clauses allowing the ABA to terminate the agreements. If these options are exercised, financial penalties will be incurred.

In conjunction with the Washington Square Lease, the landlord has made contributions for tenant improvements amounting for $6,110 in 2014. These contributions are reflected as a leasehold improvement and deferred rent abatement in the accompanying consolidated statements of financial position. The leasehold improvement contribution will be amortized over the lesser of the term of the lease or the useful life of the assets from the time they are put into service. The deferred rent abatement is being accreted over 15.75 years, the term of the lease, and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to $428 for the years ended August 31, 2016 and 2015, and the remaining unamortized balance was $4,747 and $5,148 at August 31, 2016 and 2015, respectively.

The Washington Square Lease includes additional rent abatements to be amortized in the future amounting to $3,060 and $3,305 for the years ended August 31, 2016 and 2015, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to $245 for the years ended August 31, 2016 and 2015, and the remaining unamortized balance was $5,120 and $4,830 at August 31, 2016 and 2015, respectively, which includes the straight-line impact of escalating rents.

In conjunction with the North Clark Lease, the landlord made a contribution for tenant improvements amounting to $10,266 and $980 in 2004 and 2011, respectively. This contribution is reflected as a leasehold improvement and deferred rent abatement in the consolidated statements of financial position. The first leasehold improvement contribution is being amortized over 15 years, the life of the lease, and is included in facilities expense in the accompanying consolidated statements of activities and changes in net assets. The second leasehold improvement contribution is being amortized over 13 years, the life of the lease extension, and is included in facilities expense in the accompanying consolidated statements of activities and changes in net assets. The deferred rent abatement is being accreted over 15 years and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to $760 for the years ended August 31, 2016 and 2015, and the remaining unamortized balance was $2,535 and $3,294 at August 31, 2016 and 2015, respectively.

The North Clark Lease includes additional rent abatements to be amortized in the future amounting to $2,456 and $2,769 for the years ended August 31, 2016 and 2015, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to $313 for the years ended August 31, 2016 and 2015, and the remaining unamortized balance was $7,135 and $7,374 at August 31, 2016 and 2015, respectively, which includes the straight-line impact of escalating rents.

(Dollars in thousands)

The following table includes balances related to both of the ABA leases detailed above:

	2016	2015
Tenant improvement - rent abatement	$ 17,356	$17,356
Amortization of abatement on tenant improvements	(10,073)	(8,912)
Rent expense - rent abatement, net	12,255	12,202
Deferred rent abatement	$ 19,538	$20,646

Rent expense for all operating leases totaled $9,050 and $9,035 for the years ended August 31, 2016 and 2015, respectively.

The ABA subleases space to several related organizations. Under these agreements, annual sublease rental income may be adjusted for increases in operating expenses. Total sublease rental income for the years ended August 31, 2016 and 2015, totaled $262 and $253, respectively.

The ABA has been named as a defendant in several lawsuits arising in the ordinary course of business. It is the opinion of the ABA that these suits will not have a material adverse effect on the ABA's financial position or operations.

NOTE J - FUNCTIONAL EXPENSES

The ABA's mission is to serve equally its members, its profession and the public by defending liberty and delivering justice as the national representative of the legal profession. Expenses related to program functions, general and administrative functions, and fundraising functions are as follows for the years ended August 31:

	2016	2015
Programs	$175,694	$174,594
General and administrative	48,181	39,495
Fundraising	1,340	1,327
Total	$225,215	$215,416

(Dollars in thousands)

NOTE K - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets include gifts and investment income for which donors' restrictions have not yet been met. Temporarily restricted net assets are available for the following purposes at August 31:

	2016	2015
Fund for Judicial Improvement Projects	$1,909	$1,634
FJE Endowment Fund	514	1,250
Death Penalty Representation Support Fund	308	328
Library of Congress STC Program Support Fund	162	181
DRC Africa's Legal Scholarship Fund	93	17
Commission on Immigration - IJT Gifts and Donations	90	26
Move to End Violence	76	-
Standing Committee on Pro Bono National Pro Bono Website	71	-
Public Contract Law Education Projects	62	85
Spurgeon Professional Elder Law Education Program	60	45
E. Lawrence Barcella Jr. Fund	39	30
Tips Fellows Fund	37	33
Fund for Non Violence	35	-
Magna Carta Memorial Restoration	33	63
Commission on Sexual Orientation and Gender Identity	31	18
National Veterans Legal Network Summit	30	-
IBM Cybersecurity Legal Task Force	25	25
50/50 Anniversary Fund	23	29
Francis Shattuck Security/Peace Initiative	22	28
Robert B. Yegge Program	22	22
Addressing State Responsibility for Sexual Violence as a Weapon of War	20	20
Individual Rights and Responsibilities Programs	15	58
Benjamin Civiletti Fund	10	70
Next Steps	9	21
Reform of Adult Guardianship Practice Through Wings	-	40
Commission on Immigration Probar Project	-	32
Other	265	263
Total	$3,961	$4,318

(Dollars in thousands)

During fiscal years 2016 and 2015, temporarily restricted net assets of $2,671 and $1,570, respectively, were released to cover program expenses meeting the donor restrictions. Released temporarily restricted net assets consist of the following for the years ended August 31:

	2016	2015
Fund for Justice and Education	$1,000	$ -
Litigation Fellows Support Fund	364	306
Fund for Judicial Improvement Projects	175	212
Commission on Immigration	131	109
Women in Profession	117	114
Public Education	101	86
Legal Opportunity Scholarship Fund	98	42
Death Penalty Representation	78	18
Civil Rights and Social Justice	77	4
Legal Assistance for Military	43	23
Commission on Law and Aging	40	15
Young Lawyers	31	2
Magna Carta Memorial Restoration	31	37
DRC Africa's Legal Scholarship Fund	28	37
Commission on Racial and Ethnic Diversity	27	69
CEELI Committee	23	41
Public Contract Law	23	9
Library of Congress	21	53
International Criminal Court Project	16	53
Icon of Liberty Under Law Magna Carta	-	31
AIDS Fundraiser	-	30
State Traffic Court Technology	-	29
LNS Conference Workshop	-	20
Other	247	230
Total	$2,671	$1,570

(Dollars in thousands)

Permanently restricted net assets are maintained in perpetuity and invested according to the ABA investment policy and donor-imposed restrictions. The investment income is available to support various programs and operations as restricted by the donor. Permanently restricted net assets consist of the following at August 31:

	2016	2015
FJE Endowment Fund	$3,457	$3,457
Justice Funds	2,014	2,114
Marie Walsh Sharpe Fund	927	927
Tax Assistance Public Service Endowment Fund	216	66
Benjamin Civiletti Fund	192	90
E. Lawrence Barcella Fund	110	110
Carols Morris Fund for Professional Education	100	100
Erskine M. Ross Fund	100	100
Henry C. Morris Fund	50	50
Ned Spurgeon Fund	25	-
Borchard Foundations Projects	-	20
Other	23	23
Total	$7,214	$7,057

The FJE endowment fund consists of 43 individual funds established for a variety of purposes. Its endowments are classified as donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The ABA has interpreted the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the ABA classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the ABA considers the following factors when making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund.
- The purposes of the ABA and the FJE, as applicable, and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the ABA.
- The investment policies of the ABA.

(Dollars in thousands)

The ABA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the FJE must hold in perpetuity. Under this policy, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% annually over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the ABA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ABA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The ABA has a policy of appropriating for distribution each year 5% of its endowment funds' rolling average fair value over the prior 36 months through the calendar year-end immediately preceding the fiscal year in which the distribution is planned. In establishing this policy, the ABA considered the long-term expected return on its endowments. Accordingly, over the long-term, the ABA expects the current spending policy to allow its endowments to grow at an average of the estimated long-term rate of inflation. This is consistent with the ABA's objective to maintain the purchasing power of endowment assets held for a specific term, as well as to provide additional real growth through new gifts and investment return.

From time to time, the ABA receives contributions subject to donor restrictions requiring their use for the specific purpose of an existing permanent endowment, but only temporarily restricting the use of those funds. These types of contributions are classified in the composition table below as temporarily or unrestricted assets, depending on the intent of the donor.

Endowment net asset composition is as follows as of August 31:

	2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$2,502	$7,214	$ 9,716
Quasi-endowment funds	3,851	-	-	3,851
Total funds	$3,851	$2,502	$7,214	$13,567

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$2,921	$7,057	$ 9,978
Quasi-endowment funds	3,416	-	-	3,416
Total funds	$3,416	$2,921	$7,057	$13,394

(Dollars in thousands)

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2015	$3,416	$ 2,921	$7,057	$13,394
Investment return				
Net appreciation (realized and unrealized)	93	586	-	679
Total investment return	93	586	-	679
Contributions	342	-	157	499
Appropriation of endowment assets for expenditures	-	(1,005)	-	(1,005)
Endowment net assets, August 31, 2016	$3,851	$ 2,502	$7,214	$13,567

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2014	$1,685	$3,351	$6,890	$11,926
Investment return				
Net depreciation (realized and unrealized)	(1)	(195)	-	(196)
Total investment return	(1)	(195)	-	(196)
Contributions	1,732	-	167	1,899
Appropriation of endowment assets for expenditures	-	(235)	-	(235)
Endowment net assets, August 31, 2015	$3,416	$2,921	$7,057	$13,394

NOTE L - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2016 through February 7, 2017, the date the consolidated financial statements were available to be issued. During this period, there have been no subsequent events requiring recognition or disclosure in the consolidated financial statements.

DETAILS OF CONSOLIDATION

American Bar Association
DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,
(In thousands)

	2016			2015		
ASSETS	American Bar Association	ABA Fund for Justice and Education	Consolidated	American Bar Association	ABA Fund for Justice and Education	Consolidated
ASSETS						
Cash and cash equivalents	$ 17,949	$ (15)	$ 17,934	$ 5,284	$ 1,781	$ 7,065
Accounts receivable, net	4,878	9,320	14,198	5,702	8,747	14,449
Inventory, net	3,332	53	3,385	3,702	80	3,782
Prepaid and other assets	2,222	65	2,287	2,447	31	2,478
Due from related parties	(274)	435	161	353	-	353
Long-term investments	277,398	13,926	291,324	290,616	13,659	304,275
Long-term investments held for a related party	275	-	275	258	-	258
Property and equipment						
Furniture and equipment	47,289	9	47,298	46,065	15	46,080
Leasehold improvements	23,955	-	23,955	23,907	-	23,907
Work in progress	293	-	293	582	317	899
Accumulated depreciation	(58,736)	(7)	(58,743)	(55,394)	(10)	(55,404)
Property and equipment, net	12,801	2	12,803	15,160	322	15,482
TOTAL ASSETS	$318,581	$23,786	$342,367	$323,522	$24,620	$348,142
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	$ 6,904	$ 1,057	$ 7,961	$ 8,789	$ 932	$ 9,721
Deferred revenue	53,832	7,295	61,127	49,975	4,743	54,718
Deferred rent abatement	19,538	-	19,538	20,646	-	20,646
Pension liability	55,337	-	55,337	79,025	-	79,025
Other liabilities	9,091	3	9,094	9,116	6	9,122
Term debt	34,000	-	34,000	-	-	-
Due to related parties	335	-	335	318	-	318
Total liabilities	179,037	8,355	187,392	167,869	5,681	173,550
NET ASSETS						
Unrestricted						
Undesignated	28,209	484	28,693	47,158	4,148	51,306
Board-designated	111,335	3,772	115,107	108,495	3,416	111,911
Total unrestricted	139,544	4,256	143,800	155,653	7,564	163,217
Temporarily restricted	-	3,961	3,961	-	4,318	4,318
Permanently restricted	-	7,214	7,214	-	7,057	7,057
Total net assets	139,544	15,431	154,975	155,653	18,939	174,592
TOTAL LIABILITIES AND NET ASSETS	$318,581	$23,786	$342,367	$323,522	$24,620	$348,142

American Bar Association
DETAILS OF CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended August 31,
(In thousands)

	2016 American Bar Association	2016 ABA Fund for Justice and Education	2016 Consolidated	2015 Consolidated
Unrestricted				
Operating				
Revenues				
Membership dues	$ 71,232	$ -	$ 71,232	$ 74,062
Meeting fees	25,878	989	26,867	27,944
Advertising	2,485	-	2,485	3,414
Grants	-	52,055	52,055	47,483
Gifts and sponsorships	7,665	4,154	11,819	12,385
Publications	7,359	380	7,739	8,464
Royalties	9,332	233	9,565	9,117
Accreditation fees	4,455	354	4,809	4,496
Other	2,813	232	3,045	1,667
Investment income for operations	13,582	-	13,582	10,037
Designated reserve for operations	1,807	-	1,807	-
Net assets released from restrictions	-	2,671	2,671	1,570
Total operating revenues	146,608	61,068	207,676	200,639
Expenses				
Salaries, wages and benefits	71,119	26,667	97,786	98,036
Professional fees and services	7,385	24,670	32,055	30,475
Meetings and travel	31,641	10,108	41,749	42,909
Advertising and marketing	3,461	57	3,518	3,277
Printing and publications	10,450	657	11,107	12,038
Facilities	17,668	5,065	22,733	22,020
Pension settlement charge	8,842	-	8,842	-
General operations	2,979	4,446	7,425	6,661
Total operating expenses	153,545	71,670	225,215	215,416
Inter-fund transfers	7,158	(7,158)	-	-
Total operating expenses and transfers	160,703	64,512	225,215	215,416
Deficiency of operating revenues under expenses after transfers	(14,095)	(3,444)	(17,539)	(14,777)
Non-operating items				
Investment income and realized and unrealized gains (losses), net	4,334	137	4,471	(16,976)
Pension changes other than net periodic pension cost	(4,460)	-	(4,460)	(13,731)
Designated reserve for operations	(1,807)	-	(1,807)	-
Other non-operating items	(82)	-	(82)	(866)
Total non-operating items	(2,015)	137	(1,878)	(31,573)
Change in unrestricted net assets	(16,110)	(3,307)	(19,417)	(46,350)
Temporarily restricted				
Gifts and pledges	-	1,713	1,713	1,815
Investment income	-	601	601	(249)
Net assets released from restrictions	-	(2,671)	(2,671)	(1,570)
Change in temporarily restricted net assets	-	(357)	(357)	(4)
Permanently restricted				
Gifts and pledges	-	157	157	167
Change in permanently restricted net assets	-	157	157	167
CHANGE IN TOTAL NET ASSETS	(16,110)	(3,507)	(19,617)	(46,187)
Net assets at beginning of year	155,653	18,939	174,592	220,779
Net assets at end of year	$139,543	$15,432	$154,975	$174,592

American Bar Association
FUNCTIONAL DETAILS OF CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended August 31,
(In thousands)

	2016				
	General operations	Sections	Grants/gifts	Consolidated	2015 Consolidated
Unrestricted					
Operating					
Revenues					
Membership dues	$ 59,183	$12,049	$ -	$ 71,232	$ 74,062
Meeting fees	5,436	20,663	768	26,867	27,944
Advertising	1,858	627	-	2,485	3,414
Grants	-	-	52,055	52,055	47,483
Gifts and sponsorships	1,938	6,433	3,448	11,819	12,385
Publications	2,651	4,941	147	7,739	8,464
Royalties	7,459	1,887	219	9,565	9,117
Accreditation fees	409	4,400	-	4,809	4,496
Other	2,762	89	194	3,045	1,667
Investment income for operations	12,295	1,287	-	13,582	10,037
Designated reserve for operations	1,807	-	-	1,807	-
Net assets released from restrictions	-	-	2,671	2,671	1,570
Section service fees	332	(332)	-	-	-
Total operating revenues	96,130	52,044	59,502	207,676	200,639
Expenses					
Salaries, wages and benefits	68,355	12,112	17,319	97,786	98,036
Professional fees and services	3,898	3,881	24,276	32,055	30,475
Meetings and travel	7,682	25,160	8,907	41,749	42,909
Advertising and marketing	3,112	355	51	3,518	3,277
Printing and publications	5,002	5,832	273	11,107	12,038
Facilities	14,408	4,882	3,443	22,733	22,020
Pension settlement charge	8,842	-	-	8,842	-
General operations	(2,981)	6,626	3,780	7,425	6,661
Total operating expenses	108,318	58,848	58,049	225,215	215,416
Inter-fund/intra-fund transfers	3,515	(1,466)	(2,049)	-	-
Total operating expenses and transfers	111,833	57,382	56,000	225,215	215,416
Deficiency of operating revenues (under) over expenses after transfers	(15,703)	(5,338)	3,502	(17,539)	(14,777)
Non-operating items					
Investment income and realized and unrealized (losses) gains, net	(1,754)	6,073	152	4,471	(16,976)
Pension changes other than net periodic pension costs	(4,460)	-	-	(4,460)	(13,731)
Designated reserve for operations	(1,807)	-	-	(1,807)	-
Other non-operating items	(82)	-	-	(82)	(866)
Total non-operating items	(8,103)	6,073	152	(1,878)	(31,573)
Change in unrestricted net assets	(23,806)	735	3,654	(19,417)	(46,350)
Temporarily restricted					
Gifts and pledges	-	-	1,713	1,713	1,815
Investment income (loss)	14	-	587	601	(249)
Net assets released from restrictions	-	-	(2,671)	(2,671)	(1,570)
Change in temporarily restricted net assets	14	-	(371)	(357)	(4)
Permanently restricted					
Gifts and pledges	-	-	157	157	167
Change in permanently restricted net assets	-	-	157	157	167
CHANGE IN TOTAL NET ASSETS	(23,792)	735	3,440	(19,617)	(46,187)
Net assets at beginning of year	56,349	98,678	19,565	174,592	220,779
Net assets at end of year	$ 32,557	$99,413	$23,005	$154,975	$174,592

OTHER INFORMATION (UNAUDITED)

American Bar Association
ORGANIZATIONAL DATA
Year ended August 31, 2016

Association data	Established in 1878 as a voluntary not-for-profit association of the legal profession, the ABA was incorporated effective December 7, 1992.
Membership	Any person of good moral character in good standing at the bar of a state, territory, or possession of the United States is eligible to be a member of the ABA in accordance with the Bylaws. The Bylaws may specify classes of members.
Purpose	The purposes of the ABA are to uphold and defend the Constitution of the United States and maintain representative government; to advance the science of jurisprudence; to promote throughout the nation the administration of justice and the uniformity of legislation and of judicial decisions; to uphold the honor of the profession of law; to apply the knowledge and experience of the profession to the promotion of the public good; to encourage cordial intercourse among the members of the ABA; and to correlate and promote the activities of the bar organizations in the nation within these purposes and in the interests of the profession and of the public.
Nature of principal activities	Administration of the ABA is to advance the science of jurisprudence and the advancement of the public good; membership dues and other resources are primarily expended on professional, public service, and educational activities.

<u>Officers During 2015 - 2016</u>

President	Paulette Brown
President - Elect	Linda A. Klein
Immediate Past President	William C. Hubbard
Chair, House of Delegates	Patricia Lee Refo
Secretary	Mary T. Torres
Treasurer	G. Nicholas Casey, Jr.
Executive Director	Jack L. Rives

<u>Board of Governors During 2015 - 2016</u>

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