Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

American Bar Association

August 31, 2012 and 2011

Contents

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Report of Independent Certified Public Accountants

Board of Governors
American Bar Association

We have audited the consolidated statements of financial position of American Bar Association (the ABA) as of August 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of ABA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
February 8, 2013

American Bar Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	2012	2011
ASSETS		
Cash and cash equivalents	$ 26,142,860	$ 28,028,515
Accounts receivable, net	16,586,045	17,528,496
Inventory, net	3,476,778	3,780,160
Prepaid and other assets	2,510,556	2,630,867
Due from related parties	142,231	238,471
Long-term investments	258,557,561	182,532,789
Long-term investments held for a related party	244,174	224,735
Property and equipment		
Land	-	11,940,005
Building	-	21,356,638
Furniture and equipment	39,602,688	39,061,569
Leasehold improvements	22,588,962	22,236,887
Work in progress	2,283,416	432,955
Accumulated depreciation	(47,802,297)	(54,394,040)
Property and equipment, net	16,672,769	40,634,014
TOTAL ASSETS	$ 324,332,974	$275,598,047

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 8,526,464	$ 10,426,221
Deferred revenue	60,326,013	50,191,390
Deferred rent abatement	12,151,691	11,022,430
Pension liability	77,000,871	51,818,834
Other liabilities	7,569,240	9,695,713
Debt	1,027,824	9,768,984
Due to related parties	304,036	307,735
Total liabilities	166,906,139	143,231,307
NET ASSETS		
Unrestricted		
Undesignated	47,989,107	68,854,690
Board-designated	99,897,653	54,624,282
Total unrestricted	147,886,760	123,478,972
Temporarily restricted	2,660,557	2,170,317
Permanently restricted	6,879,518	6,717,451
Total net assets	157,426,835	132,366,740
TOTAL LIABILITIES AND NET ASSETS	$324,332,974	$275,598,047

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,

	2012	2011
Unrestricted net assets		
Operating		
Revenues		
Membership dues	$ 73,639,404	$ 75,425,530
Meeting fees	27,203,350	27,062,937
Advertising	3,477,369	3,771,591
Gifts and grants	64,735,295	59,607,802
Publications	11,967,439	12,841,211
Royalties	7,341,520	7,057,704
Rental income	775,040	3,240,593
Accreditation fees	2,402,870	1,912,383
Other	2,610,381	2,759,232
Investment income for operations	6,696,853	6,472,112
Designated reserve for operations	3,730,210	3,746,133
Net assets released from restrictions	1,212,644	1,821,752
Total operating revenues	205,792,375	205,718,980
Expenses		
Salaries, wages and benefits	92,703,606	85,981,244
Professional fees and services	25,148,281	27,464,284
Meetings and travel	41,683,224	38,116,834
Advertising and marketing	3,353,827	904,314
Printing and publications	14,842,629	15,797,738
Facilities	20,730,492	19,608,587
General operations	7,983,714	7,852,071
Total operating expenses	206,445,773	195,725,072
Excess operating revenues (under) over expenses	(653,398)	9,993,908
Non-operating		
Investment income and realized and unrealized gains, net	16,106,877	12,892,102
Gain on sale of building	42,731,552	-
Pension changes other than net periodic pension cost	(26,498,761)	8,125,514
Designated reserve for operations	(3,730,210)	(3,746,133)
Other non-operating items	(3,548,272)	(1,045,013)
Total non-operating	25,061,186	16,226,470
Net change in unrestricted net assets	24,407,788	26,220,378

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

	2012	2011
Temporarily restricted net assets		
Gifts and pledges	$ 917,455	$ 1,176,835
Investment income	785,429	407,437
Net assets released from restrictions	(1,212,644)	(1,821,752)
Net change in temporarily restricted net assets	490,240	(237,480)
Permanently restricted net assets		
Gifts and pledges	162,067	100
Net change in permanently restricted net assets	162,067	100
Net change in total net assets	25,060,095	25,982,998
Net assets at beginning of year	132,366,740	106,383,742
Net assets at end of year	$157,426,835	$132,366,740

The accompanying notes are an integral part of these statements.

American Bar Association
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended August 31,

	2012	2011
Cash flows from operating activities		
Change in total net assets	$ 25,060,095	$ 25,982,998
Adjustments to reconcile net change in total net assets to net cash provided by operating activities		
Depreciation and amortization	2,430,111	2,755,601
(Gain) loss on sales of property, plant, and equipment	(42,731,552)	1,076,605
Realized and change in unrealized gains from investing activities	(18,067,941)	(15,267,540)
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	942,451	(401,635)
Decrease (increase) in inventory	303,382	(162,058)
Decrease (increase) in prepaid and other assets	21,639	(448,811)
Increase in investments held for related parties	(19,439)	(6,142)
Decrease in due to/from related parties, net	92,541	152,020
(Decrease) increase in accounts payable	(1,899,757)	753,461
Increase (decrease) in deferred revenue	10,134,623	(195,072)
Increase in deferred rent abatement	1,129,261	845,612
Increase (decrease) increase in pension liability	25,182,037	(3,365,861)
Decrease in other liabilities	(2,126,473)	(1,549,487)
Net cash provided by operating activities	450,978	10,169,691
Cash flows from investing activities		
Sales of investments	112,959,138	38,674,008
Purchases of investments	(170,915,969)	(43,227,654)
Sales of property, plant, and equipment	67,127,028	-
Purchases of property and equipment	(2,765,670)	(2,626,710)
Net cash provided by (used in) investing activities	6,404,527	(7,180,356)
Cash flows from financing activities		
Principal payments on long-term debt	(8,741,160)	(3,153,637)
Net cash used in financing activities	(8,741,160)	(3,153,637)
Decrease in cash and cash equivalents	(1,885,655)	(164,302)
Cash and cash equivalents at beginning of year	28,028,515	28,192,817
Cash and cash equivalents at end of year	$ 26,142,860	$ 28,028,515
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,109,467	$ 815,396

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, the American Bar Association Fund for Justice and Education (FJE), The James O. Broadhead Corporation (JOB), and the ABA Museum of Law (Museum). The Museum was dissolved in September 2011.

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 statements are prepared in conformity with United States generally accepted accounting principles (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.

All material inter-organization balances and transactions have been eliminated in consolidation.

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 of Governors of the ABA (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.

Reclassification

The pension investment and the accounts receivable schedules in the 2011 financial statements have been reclassified to conform to the current year's presentation.

Cash Equivalents

Cash equivalents include a money market fund 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 for no cost. The ABA had deposits in excess of federally insured limits at August 31, 2012 and 2011. 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.

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 $2,619,745 and $2,595,387 in 2012 and 2011, 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 land, buildings, leasehold improvements, furniture and equipment at cost and capitalizes acquisitions of such items having an initial cost of $5,000 or more. Acquisitions with a cost of less than $5,000 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 40 years.

On December 16, 2011, the ABA sold the building and underlying land located at 1500 H Street, N.W. in Washington, D.C. for $69,250,000. The gain on the sale was $47,731,552.

Fair Value of Financial Instruments

Financial instruments of the ABA consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable and obligations under long-term debt. Except for instruments evidencing indebtedness of the ABA, the fair value of financial instruments approximates their carrying value in the financial statements, for which fair value information is provided in note E.

Net Assets

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 re-classified 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.

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 gifts and contributions as revenue in the period received. 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 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 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, the JOB, and the FJE are, and prior to liquidation, the Museum was 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 JOB is exempt under Section 501(c)(2), and the FJE is, and the Museum prior to its liquidation was, exempt under Section 501(c)(3). Management believes there are no material uncertain tax positions that require recognition in the accompanying 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 ended 2009, 2010 and 2011 are still open to audit for both federal and state purposes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended August 31, 2012 and 2011.

Adoption of New Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, "*Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*," (ASU 2011-04). ASU 2011-04 revised the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 also expands the required disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. ASU 2011-04 will be effective for the year ending August 31, 2013, with early adoption permitted. As of August 31, 2012, the ABA had not yet adopted this guidance. The ABA believes that the adoption of this standard will not materially expand its consolidated financial statement disclosures.

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 $3,290,626 and $3,524,213 to the ABA in 2012 and 2011, respectively. The FJE contributed $225,000 and $233,300 to the National Judicial College in 2012 and 2011, respectively. The ABA held $244,174 and $224,735 in long-term investments for the National Judicial College in 2012 and 2011, respectively. In addition, the ABA's expenses were reduced by $1,442,345 and $1,415,423 in 2012 and 2011, respectively, for expense reimbursements received from the following related organizations:

	2012	2011
ABA Retirement Funds	$ 984,021	$ 799,941
American Bar Endowment	300,517	252,698
American Bar Foundation	73,886	123,713
National Conference of Bar Presidents	30,075	100,692
National Association of Bar Executives	18,891	97,668
National Judicial College	34,955	40,711
Total	$1,442,345	$1,415,423

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 consist of $258,557,561 and $182,532,789 in mutual funds at August 31, 2012 and 2011, respectively.

Investment returns in each net asset category for the years ended August 31, 2012 and 2011, are as follows:

	2012		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 5,375,088	$146,130	$ 5,521,218
Realized gains, net	7,875,729	334,020	8,209,749
Unrealized gains in market value, net	9,552,913	305,279	9,858,192
Total investment return	$22,803,730	$785,429	$23,589,159

	2011		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 4,390,874	$113,237	$ 4,504,111
Realized gains, net	2,051,755	98,360	2,150,115
Unrealized gains in market value, net	12,921,585	195,840	13,117,425
Total investment return	$19,364,214	$407,437	$19,771,651

Investment income allocated to operations in 2012 and 2011 totaled $6,696,853 and $6,472,112, 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 $16,106,877 and $12,892,102 for fiscal years 2012 and 2011, respectively.

The ABA pays management fees to various fund managers that are netted against investment income. Management fees were $72,272 and $68,691 for fiscal years 2012 and 2011, 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 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 2 also includes would be investments measured using an NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Unobservable inputs are used when little or no market data is available. Level 3 also includes investments measured using NAV that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

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, 2012 and 2011, are classified in the tables below in one of three categories as described above. Transfers between levels are recognized as of the end of the reporting period.

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Money market accounts	$ 10,081,572	$ -	$ -	$ 10,081,572
Long-term investments				
Equity securities				
U.S. large-cap index	88,043,482	-	-	88,043,482
U.S. mid-cap index	21,324,856	-	-	21,324,856
U.S. small-cap index	17,761,398	-	-	17,761,398
International index	46,074,543	-	-	46,074,543
Fixed income securities				
Corporate bond fund	85,353,282	-	-	85,353,282
Total long-term investments	258,557,561	-	-	258,557,561
Investment held for related parties				
Corporate bond fund	244,174	-	-	244,174
Total assets at fair value	$268,883,307	$ -	$ -	$268,883,307

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Money market accounts	$ 22,897,174	$ -	$ -	$ 22,897,174
Long-term investments				
Equity securities				
U.S. large-cap index	57,539,088	-	-	57,539,088
U.S. mid-cap index	17,355,042	-	-	17,355,042
U.S. small-cap index	13,628,745	-	-	13,628,745
International index	33,671,244	-	-	33,671,244
Fixed income securities				
Corporate bond fund	60,338,670	-	-	60,338,670
Total long-term investments	182,532,789	-	-	182,532,789
Investment held for others				
Corporate bond fund	224,735	-	-	224,735
Total assets at fair value	$205,654,698	$ -	$ -	$205,654,698

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2012	2011
Grants (net of allowance for doubtful accounts of $724,752 in 2012 and $608,199 in 2011)	$ 9,710,715	$ 9,715,983
Special advances on international grants	2,152,303	2,519,784
Advertising (net of allowance for doubtful accounts of $131,936 in 2012 and $89,120 in 2011)	1,223,755	1,457,843
Publications (net of allowance for doubtful accounts of $12,371 in 2012 and $333,259 in 2011)	823,951	768,412
Royalties	579,093	853,623
Mailing list (net of allowance for doubtful accounts of $1,258 in 2012 and $1,102 in 2011)	268,016	299,373
Other	1,828,212	1,913,478
Total	$16,586,045	$17,528,496

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 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.

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 and thereafter the employer contributes at a rate of 50% of the participant's contribution, to a maximum of 6% of the participant's annual salary.

The ABA's portion of the Pension Plan expense for the years ended August 31, 2012 and 2011, was $5,497,254 and $4,759,653, 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 $408,358 and $62,378 for fiscal years 2012 and 2011, respectively. The significant increase in fiscal year 2012 fees over fees for fiscal year 2011 was due to the switch to active management of certain investment accounts.

The funded status of the ABA's portion of the Pension Plan at the measurement dates, August 31, 2012 and 2011, and the accrued pension costs recognized in the ABA's consolidated statements of financial position at August 31 are as follows:

	2012	2011
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$149,558,703	$146,040,857
Service cost	2,004,772	2,317,375
Interest cost	7,491,540	7,429,694
Actuarial loss	29,873,740	1,185,638
Benefits paid	(4,952,594)	(4,574,724)
Plan provision changes	-	(2,840,137)
Projected benefit obligation at end of year	183,976,161	149,558,703
Change in Pension Plan assets		
Fair value of Pension Plan assets at beginning of year	97,739,869	90,856,162
Actual return on Pension Plan assets	7,374,037	11,458,431
Benefits paid	(4,952,594)	(4,574,724)
Employer contributions	6,813,978	-
Fair value of assets at end of year	106,975,290	97,739,869
Funded status as of the measurement date	$ (77,000,871)	$ (51,818,834)

	2012	2011
Components of adjustments to unrestricted net assets		
Unrecognized prior service cost	$ (4,009,519)	$ (5,619,606)
Unrecognized net loss	85,184,110	60,295,436
Total adjustments to unrestricted net assets	$ 81,174,591	$ 54,675,830
Amounts recognized in the consolidated statements of financial position		
Accrued pension liability	$ (77,000,871)	$ (51,818,834)
Accumulated benefit obligation	$183,976,161	$149,558,703
Weighted-average assumptions used to determine benefit obligations		
Discount rate	3.97%	5.11%
Rate of compensation increase	3.30	4.00
Expected return on Pension Plan assets	7.00	7.00
Components of net periodic pension costs		
Service cost	$ 2,004,772	$ 2,317,375
Interest cost	7,491,540	7,429,694
Actual return on Pension Plan assets	(7,404,171)	(7,291,868)
Amortization of net loss	5,015,200	3,885,223
Amortization of prior service cost	(1,610,087)	(1,580,771)
Total net periodic pension cost	5,497,254	4,759,653
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	5.11%	5.13%
Expected return on Pension Plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00
Components of pension-related changes other than net periodic pension costs are as follows at August 31:		
Prior service credit	-	(2,840,137)
Net loss (gain)	29,903,874	(2,980,925)
Amortization of net gain	(5,015,200)	(3,885,223)
Amortization of prior service cost	1,610,087	1,580,771
Total pension changes other than net periodic pension costs	26,498,761	(8,125,514)
Total net periodic pension cost (benefit) and pension changes other than net periodic pension cost	$ 31,996,015	$ (3,365,861)

Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2012 and 2011, is as follows:

	2012	2011
Equity securities		
Domestic	16.6%	15.8%
International	6.3	6.0
Global	11.3	11.6
Total equity securities	34.2	33.4
Debt securities		
Fixed income	30.7	29.5
Invested cash	1.0	1.5
Total debt securities	31.7	31.0
Real asset fund	7.9	10.3
Absolute return	13.8	12.9
Equity hedge funds	12.4	12.4
Total	100.0%	100.0%

The investment policy of the A-E-F-C Pension Plan Administration Committee seeks reasonable asset growth at prudent risk levels within target allocations. Pension Plan assets are invested within the asset allocation target ranges shown above. 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 A-E-F-C Pension Plan Administration 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 the Pension Plan as required by the Employee Retirement Income Security Act.

The fair values of the ABA's plan assets at August 31, 2012 and 2011, by asset category are as follows:

	2012			
	Level 1	Level 2	Level 3	Total
Common stock funds	$ 4,851,923	$ -	$ -	$ 4,851,923
Money market funds	-	1,017,339	-	1,017,339
Mutual funds				
Fixed	17,517,155	-	-	17,517,155
Equity	15,924,218	-	-	15,924,218
Collective trust funds				
Fixed	-	17,519,350	-	17,519,350
Equity	-	8,321,125	-	8,321,125
Limited liability company	-	8,237,247	-	8,237,247
Hedge funds	-	-	33,586,933	33,586,933
Total investments	$38,293,296	$35,095,061	$33,586,933	$106,975,290

	2011			
	Level 1	Level 2	Level 3	Total
Common stock funds	$ 4,195,292	$ -	$ -	$ 4,195,292
Money market funds	-	1,501,900	-	1,501,900
Mutual funds				
Fixed	16,233,879	-	-	16,233,879
Equity	20,834,368	-	-	20,834,368
Collective trust funds				
Fixed	-	17,819,143	-	17,819,143
Equity	-	4,755,066	-	4,755,066
Limited liability company	-	7,496,827	-	7,496,827
Hedge funds	-	-	24,903,394	24,903,394
Total investments	$41,263,539	$31,572,936	$24,903,394	$97,739,869

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, 2012:

	Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	$ 8,237,247	No lock-up	Monthly	45 Days
Collective trust funds				
Fixed	17,519,350	No lock-up	Daily or Monthly	1 - 30 Days
Equity	8,321,125	No lock-up	Daily or Monthly	0 - 30 Days
Hedge funds	33,586,933	0-24-month lock-up	Daily, Monthly or Annually	7 - 90 Days
Total	$67,664,655			

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, 2011:

	Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	$ 7,496,827	No lock-up	Monthly	45 Days
Collective trust funds				
Fixed	17,819,143	No lock-up	Daily or Monthly	1 - 30 Days
Equity	4,755,066	No lock-up	Daily or Monthly	0 - 30 Days
Hedge funds	24,903,394	0-24-month lock-up	Daily, Monthly or Annually	7 - 90 Days
Total	$54,974,430			

Limited liability company - Invests in predominantly US large-cap equities. This fund is 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 (TIPS). They are valued using NAV.

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 2012, the expected long-term rate of return assumption used to determine pension expense is 7.00%.

The following table summarizes the change in fair values associated with level 3 assets:

	Hedge funds
Balance as of August 31, 2011	$24,903,394
Purchases	7,614,215
Unrealized gains	1,069,324
Balance as of August 31, 2012	$33,586,933

Cash Flows

Expected contributions for the fiscal year ending August 31, 2013	$1,527,354

Estimated future benefit payments reflecting expected future service for the fiscal years ending August 31:

2013	$ 5,916,000
2014	6,511,000
2015	7,111,000
2016	7,635,000
2017	8,155,000
2018 through 2022	48,077,000

ABA Thrift Plan

The ABA's expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2012 and 2011, totaled $1,237,216 and $1,195,051, respectively. The ABA's expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2012 and 2011, totaled $1,287,082 and $1,158,195, respectively.

NOTE H - LONG-TERM DEBT

In May 1994, the ABA issued three 8.25% senior notes totaling $29,000,000 to an insurance company. The proceeds from the notes were used to purchase an office building primarily to house operations in Washington, D.C. The notes were secured by the office building and were related to improvements made on the building. The building was sold on December 16, 2011, and as a result, the total outstanding amounts for the notes were satisfied as of August 31, 2012. The total outstanding amount as of August 31, 2011 was $7,792,398. Interest expense for the years ended August 31, 2012 and 2011, totaled $927,209 and $734,768, respectively. Interest paid for the years ended August 31, 2012 and 2011, totaled $1,087,904 and $780,218, respectively.

In July 2002, the ABA entered into a variable rate loan agreement with a financial institution to borrow $8,538,852, which was used to build out the office space at the 321 North Clark Street facility in Chicago. Interest charged on the loan agreement is set at the London Interbank Offered Rate plus 1.15% and is determined and payable monthly. Commencing October 1, 2004, and each month thereafter, the ABA is required to repay the outstanding principal in equal monthly installments based on a nine-year amortization schedule, together with all interest accrued. The loan agreement matures on October 1, 2013. The total outstanding amounts under the loan agreement were $1,027,825 and $1,976,586 at August 31, 2012 and 2011, respectively. Interest expense for the years ended August 31, 2012 and 2011, totaled $20,342 and $33,833, respectively. Interest paid for the years ended August 31, 2012 and 2011, totaled $21,562 and $35,178, respectively.

Aggregate maturities of the long-term debt under the loan agreement are $948,756 in fiscal year 2013 and $79,063 due in fiscal year 2014. The loan agreement includes, among other things, provisions relative to additional borrowings and maintenance of the ABA's tax-exempt status.

In August 2002, the ABA entered into a Rate Cap Transaction Agreement (Rate Cap) with a financial institution for the purpose of limiting its interest expense on floating rate liabilities under the loan agreement without modifying the underlying principal amount. The Rate Cap agreement was not entered into for trading or speculative purposes. Under terms of the agreement, the ABA paid a fixed amount at inception to guarantee a maximum annual interest rate of 6.65%. The fair value of the agreement at August 31, 2012 and 2011, was $-0- and $57, respectively, and is included in other assets in the consolidated statements of financial position. No gain or loss was recorded for the year ended August 31, 2012. A loss of $548 was recorded for the year ended August 31, 2011, and is included in the other non-operating line of the consolidated statements of activities and changes in net assets.

The estimated fair value of the ABA's indebtedness is calculated using a discounted cash flow analysis based on the current incremental borrowing rate for a similar type of borrowing arrangement. Under this methodology, the fair value of the debt was $1,036,184 and $10,016,970 at August 31, 2012 and 2011, respectively.

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 will be for 189 months beginning on the lease commencement date, which was anticipated to be 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, 2012, are as follows:

	Minimum lease payments	Minimum sublease rental income	Net minimum lease payments
Fiscal years ending August 31,			
2013	$ 8,089,487	$ 253,758	$ 7,835,730
2014	5,385,970	237,985	5,147,985
2015	8,326,750	245,360	8,081,389
2016	8,916,594	255,514	8,661,080
2017	9,173,563	276,491	8,897,072
Thereafter	92,240,267	1,772,260	90,468,007
Total minimum lease payments	$132,132,631	$3,041,368	$129,091,263

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 to $251,880 in fiscal year 2012. These contributions are reflected as a leasehold improvement and a deferred rent abatement in the 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.

In conjunction with the North Clark Lease, the landlord made a contribution for tenant improvements amounting to $10,266,090 and $979,695 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 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 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 $759,767 and $696,966 for the years ended August 31, 2012 and 2011, respectively, and the remaining balance is $5,574,158 and $6,328,315 at August 31, 2012 and 2011, respectively.

The North Clark Lease includes additional rent abatements in the future amounting to $3,709,435 and $4,022,908 for the years ended August 31, 2012 and 2011, 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 $313,473 and $400,342 for the years ended August 31, 2012 and 2011, respectively, and the remaining balance is $6,325,653 and $4,694,115 at August 31, 2012 and 2011, respectively.

	2012	2011
Tenant improvement-rent abatement	$11,497,665	$11,245,785
Amortization of abatement on tenant improvements	(5,671,627)	(4,917,470)
Rent expense-rent abatement, net	6,325,653	4,694,115
Deferred rent abatement	$12,151,691	$11,022,430

Rent expense for all operating leases totaled $8,846,138 and $8,007,694 for the years ended August 31, 2012 and 2011, 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, 2012 and 2011, totaled $218,527 and $221,049, 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:

	2012	2011
Programs	$169,183,521	$155,091,558
General and administrative	36,634,481	40,101,345
Fundraising	627,771	532,169
Total	$206,445,773	$195,725,072

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:

	2012	2011
Fund for Judicial Improvement Projects	$1,228,058	$1,084,021
FJE Endowment Fund	338,851	-
Death Penalty Representation Support Fund	292,475	207,617
Commission on Law and Aging	128,266	135,745
Public Contract Law Education Projects	103,389	106,029
Individual Rights and Responsibilities Programs	68,702	80,396
Commission on Immigration	40,217	-
Litigation Fellows Support Fund	39,084	46,287
Addressing State Resp. for Sexual Violence as a Weapon of War	20,000	20,000
E. Lawrence Barcella Fund	6,197	100,000
Rule of Law Initiative	3,000	4,781
Other	392,318	385,441
Total	$2,660,557	$2,170,317

During fiscal years 2012 and 2011, temporarily restricted net assets of $1,212,644 and $1,821,752, 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:

	2012	2011
Litigation Fellows Support Fund	$ 308,363	$ 195,062
Fund for Judicial Improvement Projects	233,446	168,069
Commission on Law and Aging	128,425	130,050
Pro Bono Child Custody Project	70,800	91,655
Commission on Women Program Support Fund	56,349	14,719
Commission on Immigration	43,593	121,363
Legal Opportunity Scholarship Fund	21,385	143,678
Individual Rights and Responsibilities Programs	15,354	10,412
Rule of Law Initiative	13,780	291,200
Death Penalty Representation Support Fund	12,347	12,562
Public Contract Law Education Projects	2,641	10,053
Children and the Law	-	194,551
Other	306,161	438,378
Total	$1,212,644	$1,821,752

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:

	2012	2011
FJE Endowment Fund	$3,456,670	$3,456,670
Justice Funds	2,112,386	2,065,795
Marie Walsh Sharpe Fund	927,115	927,115
E. Lawrence Barcella Fund	110,000	-
Carols Morris Fund for Professional Education	100,000	100,000
Erskine M. Ross Fund	100,014	100,000
Henry C. Morris Fund	50,000	50,000
Magna Carta Memorial Fund	16,923	14,621
Thurgood Marshall Fund for Individual Rights	6,410	3,250
Total	$6,879,518	$6,717,451

The FJE endowment fund consists of 38 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.

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 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:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$1,491,332	$6,879,518	$8,370,850
Quasi-endowment funds	1,357,885	-	-	1,357,885
Total funds	$1,357,885	$1,491,332	$6,879,518	$9,728,735

	2011			
	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 344,466	$1,052,499	$6,717,451	$8,114,416
Quasi-endowment funds	722,670	-	-	722,670
Total funds	$1,067,136	$1,052,499	$6,717,451	$8,837,086

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2011	$1,067,136	$1,052,499	$6,717,451	$8,837,086
Investment return				
Investment income	33,293	149,962	-	183,255
Net appreciation (realized and unrealized)	250,728	385,589	-	636,317
Total investment return	284,021	535,551	-	819,572
Contributions	-	-	162,067	162,067
Net assets released	96,718	(96,718)	-	-
Appropriation of endowment assets for expenditures	(89,990)	-	-	(89,990)
Endowment net assets, August 31, 2012	$1,357,885	$1,491,332	$6,879,518	$9,728,735

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2010	$ 552,051	$ 754,445	$6,717,351	$8,023,847
Investment return				
Investment income	102,073	98,926	-	200,999
Net appreciation (realized and unrealized)	313,907	308,557	-	622,464
Total investment return	415,980	407,483	-	823,463
Contributions	-	10,825	100	10,925
Net assets released	120,254	(120,254)	-	-
Appropriation of endowment assets for expenditures	(21,149)	-	-	(21,149)
Endowment net assets, August 31, 2011	$1,067,136	$1,052,499	$6,717,451	$8,837,086

NOTE L - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2012 through February 8, 2013, the date the 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

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Report of Independent Auditors on the Details of Consolidation

Board of Governors
American Bar Association

Our audit was conducted for purposes of forming an opinion on the consolidated financial statements taken as a whole. The following information is presented for purposes of additional analysis and is 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 audit of the consolidated financial statements and certain additional procedures. These additional procedures include 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 established by the American Institute of Certified Public Accountants. 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 8, 2013

American Bar Association
DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	2012 American Bar Association	2012 ABA Fund for Justice and Education	2012 The James O. Broadhead Corporation	2012 ABA Museum of Law	2012 Total prior to eliminations	2012 Elimination	2012 Consolidated	2011 American Bar Association	2011 ABA Fund for Justice and Education	2011 The James O. Broadhead Corporation	2011 ABA Museum of Law	2011 Total prior to eliminations	2011 Eliminations	2011 Consolidated
ASSETS														
Cash and cash equivalents	$ 24,792,544	$ 1,350,316	$ -	$ -	$ 26,142,860	$ -	$ 26,142,860	$ 25,421,953	$ 1,877,789	$ 728,773	$ -	$ 28,028,515	$ -	$ 28,028,515
Accounts receivable, net	4,327,140	12,258,905	-	-	16,586,045	-	16,586,045	4,938,193	12,255,758	334,545	-	17,528,496	-	17,528,496
Inventory, net	3,335,562	141,216	-	-	3,476,778	-	3,476,778	3,324,590	455,570	-	-	3,780,160	-	3,780,160
Prepaid and other assets	2,495,561	14,995	-	-	2,510,556	-	2,510,556	2,620,807	3,875	6,185	-	2,630,867	-	2,630,867
Due from related parties	142,231	-	-	-	142,231	-	142,231	238,471	-	-	-	238,471	-	238,471
Loans to related-parties	-	-	-	-	-	-	-	10,798,600	-	-	-	10,798,600	(10,798,600)	-
Cash advances to related-parties	-	-	-	-	-	-	-	2,900,000	-	-	-	2,900,000	(2,900,000)	-
Long-term investments	246,095,261	10,195,231	2,267,069	-	258,557,561	-	258,557,561	173,390,195	9,142,594	-	-	182,532,789	-	182,532,789
Long-term investments held for related parties	244,174	-	-	-	244,174	-	244,174	224,735	-	-	-	224,735	-	224,735
Property and equipment														
Land	-	-	-	-	-	-	-	-	-	11,940,005	-	11,940,005	-	11,940,005
Building	-	-	-	-	-	-	-	-	-	21,356,638	-	21,356,638	-	21,356,638
Furniture and equipment	39,596,278	6,410	-	-	39,602,688	-	39,602,688	39,055,159	6,410	-	-	39,061,569	-	39,061,569
Leasehold improvements	22,588,962	-	-	-	22,588,962	-	22,588,962	22,236,887	-	-	-	22,236,887	-	22,236,887
Work in progress	2,283,416	-	-	-	2,283,416	-	2,283,416	410,940	-	22,015	-	432,955	-	432,955
Accumulated depreciation	(47,795,887)	(6,410)	-	-	(47,802,297)	-	(47,802,297)	(45,618,022)	(6,410)	(8,769,608)	-	(54,394,040)	-	(54,394,040)
Net property and equipment	16,672,769	-	-	-	16,672,769	-	16,672,769	16,084,964	-	24,549,050	-	40,634,014	-	40,634,014
TOTAL ASSETS	$298,105,242	$23,960,663	$ 2,267,069	$ -	$324,332,974	$ -	$324,332,974	$239,942,508	$23,735,586	$25,618,553	$ -	$289,296,647	$(13,698,600)	$275,598,047

LIABILITIES AND NET ASSETS	2012 American Bar Association	2012 ABA Fund for Justice and Education	2012 The James O. Broadhead Corporation	2012 ABA Museum of Law	2012 Total prior to eliminations	2012 Elimination	2012 Consolidated	2011 American Bar Association	2011 ABA Fund for Justice and Education	2011 The James O. Broadhead Corporation	2011 ABA Museum of Law	2011 Total prior to eliminations	2011 Eliminations	2011 Consolidated
LIABILITIES														
Accounts payable	$ 8,247,702	$ 278,762	$ -	$ -	$ 8,526,464	$ -	$ 8,526,464	$ 9,048,938	$ 1,259,791	$ 117,492	$ -	$ 10,426,221	$ -	$ 10,426,221
Deferred revenue	57,278,954	3,047,059	-	-	60,326,013	-	60,326,013	47,258,784	2,932,606	-	-	50,191,390	-	50,191,390
Deferred rent abatement	12,151,691	-	-	-	12,151,691	-	12,151,691	11,022,430	-	-	-	11,022,430	-	11,022,430
Pension liability	77,000,871	-	-	-	77,000,871	-	77,000,871	51,818,834	-	-	-	51,818,834	-	51,818,834
Other liabilities	7,569,240	-	-	-	7,569,240	-	7,569,240	9,451,200	-	244,513	-	9,695,713	-	9,695,713
Debt	1,027,824	-	-	-	1,027,824	-	1,027,824	9,768,984	-	-	-	9,768,984	-	9,768,984
Due to related parties	27,829,457	19,678,174	(47,203,595)	-	304,036	-	304,036	(17,479,047)	16,164,238	1,649,339	(26,795)	307,735	-	307,735
Loans from related-parties	-	-	-	-	-	-	-	-	-	10,798,600	-	10,798,600	(10,798,600)	-
Cash advances from related-parties	-	-	-	-	-	-	-	-	-	2,900,000	-	2,900,000	(2,900,000)	-
Total liabilities	191,105,739	23,003,995	(47,203,595)	-	166,906,139	-	166,906,139	120,890,123	20,356,635	15,709,944	(26,795)	156,929,907	(13,698,600)	143,231,307
NET ASSETS														
Unrestricted														
Undesignated	47,718,992	(9,941,294)	10,211,409	-	47,989,107	-	47,989,107	64,415,623	(5,496,337)	9,908,609	26,795	68,854,690	-	68,854,690
Board-designated	59,280,511	1,357,887	39,259,255	-	99,897,653	-	99,897,653	54,624,282	-	-	-	54,624,282	-	54,624,282
Total unrestricted	106,999,503	(8,583,407)	49,470,664	-	147,886,760	-	147,886,760	119,039,905	(5,496,337)	9,908,609	26,795	123,478,972	-	123,478,972
Temporarily restricted	-	2,660,557	-	-	2,660,557	-	2,660,557	12,480	2,157,837	-	-	2,170,317	-	2,170,317
Permanently restricted	-	6,879,518	-	-	6,879,518	-	6,879,518	-	6,717,451	-	-	6,717,451	-	6,717,451
Total net assets	106,999,503	956,668	49,470,664	-	157,426,835	-	157,426,835	119,052,385	3,378,951	9,908,609	26,795	132,366,740	-	132,366,740
TOTAL LIABILITIES AND NET ASSETS	$298,105,242	$23,960,663	$ 2,267,069	$ -	$324,332,974	$ -	$324,332,974	$239,942,508	$23,735,586	$25,618,553	$ -	$289,296,647	$(13,698,600)	$275,598,047

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

	2012							
	American Bar Association	ABA Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Elimination	Consolidated	2011 Consolidated
Unrestricted								
Operating								
Revenues								
Membership dues	$ 73,639,404	$ -	$ -	$ -	$ 73,639,404	$ -	$ 73,639,404	$ 75,425,530
Meeting fees	25,474,250	1,729,100	-	-	27,203,350	-	27,203,350	27,062,937
Advertising	3,476,569	800	-	-	3,477,369	-	3,477,369	3,771,591
Gifts and grants	7,113,114	57,622,181	-	-	64,735,295	-	64,735,295	59,607,802
Publications	11,411,507	555,932	-	-	11,967,439	-	11,967,439	12,841,211
Royalties	7,293,678	47,842	-	-	7,341,520	-	7,341,520	7,057,704
Rental income	-	-	1,484,358	-	1,484,358	(709,318)	775,040	3,240,593
Accreditation fees	-	2,402,870	-	-	2,402,870	-	2,402,870	1,912,383
Other	2,338,585	271,796	-	-	2,610,381	-	2,610,381	2,759,232
Investment income for operations	6,690,700	5,956	197	-	6,696,853	-	6,696,853	6,472,112
Designated reserve for operations	3,730,210	-	-	-	3,730,210	-	3,730,210	3,746,133
Net assets released from restrictions	(41,465)	1,254,109	-	-	1,212,644	-	1,212,644	1,821,752
Total operating revenues	141,126,552	63,890,586	1,484,555	-	206,501,693	(709,318)	205,792,375	205,718,980
Expenses								
Salaries, wages and benefits	63,986,546	28,717,060	-	-	92,703,606	-	92,703,606	85,981,244
Professional fees and services	10,249,634	14,848,868	49,779	-	25,148,281	-	25,148,281	27,464,284
Meetings and travel	28,247,531	13,435,693	-	-	41,683,224	-	41,683,224	38,116,834
Advertising and marketing	3,321,944	31,883	-	-	3,353,827	-	3,353,827	904,314
Printing and publications	13,338,651	1,503,978	-	-	14,842,629	-	14,842,629	15,797,738
Facilities	16,230,254	4,108,705	1,100,851	-	21,439,810	(709,318)	20,730,492	19,608,587
General operations	2,302,856	5,680,772	-	86	7,983,714	-	7,983,714	7,852,071
Total operating expenses	137,677,416	68,326,959	1,150,630	86	207,155,091	(709,318)	206,445,773	195,725,072
Interfund transfers	970,312	(970,312)	-	-	-	-	-	-
Total operating expenses and transfers	138,647,728	67,356,647	1,150,630	86	207,155,091	(709,318)	206,445,773	195,725,072
Excess operating revenues over (under) expenses after transfers	2,478,824	(3,466,061)	333,925	(86)	(653,398)	-	(653,398)	9,993,908
Non-operating								
Investment income, realized and unrealized gains, net	15,855,189	185,010	66,678	-	16,106,877	-	16,106,877	12,892,102
Gain on sale of building	-	-	42,731,552	-	42,731,552	-	42,731,552	-
Pension changes other than net periodic pension cost	(26,498,761)	-	-	-	(26,498,761)	-	(26,498,761)	8,125,514
Designated reserve for operations	(3,730,210)	-	-	-	(3,730,210)	-	(3,730,210)	(3,746,133)
Other non-operating items	(145,444)	193,981	(3,570,100)	(26,709)	(3,548,272)	-	(3,548,272)	(1,045,013)
Total non-operating	(14,519,226)	378,991	39,228,130	(26,709)	25,061,186	-	25,061,186	16,226,470
Change in unrestricted net assets	(12,040,402)	(3,087,070)	39,562,055	(26,795)	24,407,788	-	24,407,788	26,220,378
Temporarily restricted								
Gifts and pledges	(800)	918,255	-	-	917,455	-	917,455	1,176,835
Investment income	-	785,429	-	-	785,429	-	785,429	407,437
Net assets released from restrictions	(11,680)	(1,200,964)	-	-	(1,212,644)	-	(1,212,644)	(1,821,752)
Change in temporarily restricted net assets	(12,480)	502,720	-	-	490,240	-	490,240	(237,480)
Permanently restricted								
Gifts and pledges	-	162,067	-	-	162,067	-	162,067	100
Change in permanently restricted net assets	-	162,067	-	-	162,067	-	162,067	100
Change in net assets	(12,052,882)	(2,422,283)	39,562,055	(26,795)	25,060,095	-	25,060,095	25,982,998
Net assets at beginning of year	119,052,385	3,378,951	9,908,609	26,795	132,366,740	-	132,366,740	106,383,742
Net assets at end of year	$106,999,503	$ 956,668	$49,470,664	$ -	$157,426,835	$ -	$157,426,835	$132,366,740

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

	2012								
	General Operations	Other funds	Sections	Grants/Gifts	The James O. Broadhead Corporation Operations	Total prior to eliminations	Eliminations	Consolidated	2011 Consolidated
Unrestricted									
Operating									
Revenues									
Membership dues	$ 59,474,005	$ -	$14,165,399	$ -	$ -	$ 73,639,404	$ -	$ 73,639,404	$ 75,425,530
Meeting fees	7,470,285	-	18,552,693	1,180,372	-	27,203,350	-	27,203,350	27,062,937
Advertising	2,741,259	653,785	81,525	800	-	3,477,369	-	3,477,369	3,771,591
Gifts and grants	15,967,246	-	6,183,134	42,584,915	-	64,735,295	-	64,735,295	59,607,802
Publications	3,443,523	213,896	8,165,206	144,814	-	11,967,439	-	11,967,439	12,841,211
Royalties	5,934,269	-	1,387,437	19,814	-	7,341,520	-	7,341,520	7,057,704
Rental income	-	-	-	-	1,484,358	1,484,358	(709,318)	775,040	3,240,593
Accreditation fees	2,152,870	-	-	250,000	-	2,402,870	-	2,402,870	1,912,383
Other	1,693,180	(15,169)	685,794	246,576	-	2,610,381	-	2,610,381	2,759,232
Investment income for operations	4,888,338	-	1,803,388	4,930	197	6,696,853	-	6,696,853	6,472,112
Designated reserve for operations	3,730,210	-	-	-	-	3,730,210	-	3,730,210	3,746,133
Net assets released from restrictions	(41,465)	-	-	1,254,109	-	1,212,644	-	1,212,644	1,821,752
Section service fees	311,304	-	(311,304)	-	-	-	-	-	-
Total operating revenues	107,765,024	852,512	50,713,272	45,686,330	1,484,555	206,501,693	(709,318)	205,792,375	205,718,980
Expenses									
Salaries, wages and benefits	69,138,031	-	9,021,383	14,544,192	-	92,703,606	-	92,703,606	85,981,244
Professional fees and services	9,101,393	-	1,884,849	14,112,260	49,779	25,148,281	-	25,148,281	27,464,284
Meetings and travel	9,101,481	-	21,901,134	10,680,609	-	41,683,224	-	41,683,224	38,116,834
Advertising and marketing	2,848,670	-	493,753	11,404	-	3,353,827	-	3,353,827	904,314
Printing and publications	6,248,276	434	7,974,406	619,513	-	14,842,629	-	14,842,629	15,797,738
Facilities	15,034,219	-	2,971,945	2,332,795	1,100,851	21,439,810	(709,318)	20,730,492	19,608,587
General operations	(3,232,104)	490,322	6,391,879	4,333,617	-	7,983,714	-	7,983,714	7,852,071
Total operating expenses	108,239,966	490,756	50,639,349	46,634,390	1,150,630	207,155,091	(709,318)	206,445,773	195,725,072
Intrafund transfers	2,198,875	361,756	(2,473,606)	(62,025)	-	25,000	-	25,000	500
Interfund transfers	(353,510)	-	714,962	(386,452)	-	(25,000)	-	(25,000)	(500)
Total operating expenses and transfers	110,085,331	852,512	48,880,705	46,185,913	1,150,630	207,155,091	(709,318)	206,445,773	195,725,072
Excess operating revenues over (under) expenses after transfers	(2,320,307)	-	1,832,567	(499,583)	333,925	(653,398)	-	(653,398)	9,993,908
Non-operating									
Investment income, realized, and unrealized gains (losses)	10,428,121	-	5,427,067	185,011	66,678	16,106,877	-	16,106,877	12,892,102
Gain on sale of building	-	-	-	-	42,731,552	42,731,552	-	42,731,552	-
Pension changes other than net periodic pension costs	(26,498,761)	-	-	-	-	(26,498,761)	-	(26,498,761)	8,125,514
Designated reserve for operations	(3,730,210)	-	-	-	-	(3,730,210)	-	(3,730,210)	(3,746,133)
Other non-operating items	(129,462)	-	(42,096)	193,386	(3,570,100)	(3,548,272)	-	(3,548,272)	(1,045,013)
Total non-operating	(19,930,312)	-	5,384,971	378,397	39,228,130	25,061,186	-	25,061,186	16,226,470
Change in unrestricted net asset	(22,250,619)	-	7,217,538	(121,186)	39,562,055	24,407,788	-	24,407,788	26,220,378
Temporarily restricted									
Gifts and pledges	-	-	(800)	918,255	-	917,455	-	917,455	1,176,835
Investment income	(4,663)	-	-	790,092	-	785,429	-	785,429	407,437
Net assets released from restrictions	(11,680)	-	-	(1,200,964)	-	(1,212,644)	-	(1,212,644)	(1,821,752)
Change in temporarily restricted net assets	(16,343)	-	(800)	507,383	-	490,240	-	490,240	(237,480)
Permanently restricted									
Gifts and pledges	-	-	-	162,067	-	162,067	-	162,067	100
Change in permanently restricted net assets	-	-	-	162,067	-	162,067	-	162,067	100
Change in net assets	(22,266,962)	-	7,216,738	548,264	39,562,055	25,060,095	-	25,060,095	25,982,998
Net assets at beginning year	20,711,810	-	82,740,337	19,005,984	9,908,609	132,366,740	-	132,366,740	106,383,742
Net assets at end of year	$ (1,555,152)	$ -	$89,957,075	$19,554,248	$49,470,664	$157,426,835	$ -	$157,426,835	$132,366,740

OTHER INFORMATION (UNAUDITED)

American Bar Association
ORGANIZATIONAL DATA
Year ended August 31, 2012

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.

Officers During 2011 - 2012

President	Wm. T. Robinson III
President - Elect	Laurel G. Bellows
Immediate Past President	Stephen N. Zack
Chair, House of Delegates	Linda A. Klein
Secretary	Cara Lee T. Neville
Treasurer	Lucian T. Pera
Executive Director	Jack L. Rives

Board of Governors During 2011 - 2012

Ex-Officio members	The Officers
First District	Joseph J. Roszkowski
Second District	Josephine A. McNeil
Third District	Amelia Helen Boss
Fourth District	Allen C. Goolsby, III
Fifth District	Charles E. English, Sr.
Sixth District	Robert L. Rothman
Seventh District	Cheryl I. Niro
Eighth District	Edith G. Osman
Ninth District	Frederick E. Finch
Tenth District	James S. Hill
Eleventh District	James F. Carr
Twelfth District	Thomas A. Hamill
Thirteenth District	Carlos A. Rodriguez-Vidal
Fourteenth District	Mark I. Schickman
Fifteenth District	Kenneth G. Standard
Sixteenth District	G. Nicholas Casey, Jr.
Seventeenth District	C. Timothy Hopkins
Eighteenth District	James Dimos

Judicial	
Member-at-Large	Leslie Miller
Section	
Members-at-Large	R. Kinnan Golemon
	Mary Ellen Coster Williams
	Neal R. Sonnet
	Peter Alan Winograd
	Charles A. Collier, Jr
	Barbara Mendel Mayden
Minority	
Members-at-Large	Mary L. Smith
	Harold D. Pope
Women	
Members-at-Large	Michelle A. Behnke
	Sandra R. McCandless
Young Lawyers	
Members-at-Large	Kendyl T. Hankes
	Michael Pellicciotti
Law Student	
Member-at-Large	Brandon Smith