CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS
AMERICAN BAR ASSOCIATION
AUGUST 31, 2011 AND 2010

C O N T E N T S

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Governors
American Bar Association

We have audited the accompanying consolidated statement of financial position of the American Bar Association (the ABA) as of August 31, 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 the ABA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the ABA as of and for the year ended August 31, 2010, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 12, 2011.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Bar Association as of August 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Chicago, Illinois
March 16, 2012

American Bar Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

ASSETS	2011	2010
ASSETS		
Cash and cash equivalents	$ 28,028,515	$ 28,192,817
Accounts receivable, net	17,528,496	17,126,861
Inventory, net	3,780,160	3,618,102
Prepaid and other assets	2,630,867	2,226,447
Due from related parties	238,471	292,416
Long-term investments	182,532,789	162,711,603
Long-term investments held for a related party	224,735	218,593
Property and equipment		
Land	11,940,005	11,940,005
Building	21,356,638	21,317,720
Furniture and equipment	39,061,569	37,964,776
Leasehold improvements	22,236,887	22,215,601
Work in progress	432,955	39,847
Accumulated depreciation	(54,394,040)	(51,682,830)
Property and equipment, net	40,634,014	41,795,119
TOTAL ASSETS	$275,598,047	$256,181,958

LIABILITIES AND NET ASSETS	2011	2010
LIABILITIES		
Accounts payable	$ 10,426,221	$ 9,672,760
Deferred revenue	50,191,390	50,386,462
Deferred rent abatement	11,022,430	10,176,818
Pension liability	51,818,834	55,184,695
Other liabilities	9,695,713	11,245,200
Debt	9,768,984	12,922,621
Due to related parties	307,735	209,660
Total liabilities	143,231,307	149,798,216
NET ASSETS		
Unrestricted		
Undesignated	68,854,690	41,595,028
Board-designated	54,624,282	55,663,566
Total unrestricted	123,478,972	97,258,594
Temporarily restricted	2,170,317	2,407,797
Permanently restricted	6,717,451	6,717,351
Total net assets	132,366,740	106,383,742
TOTAL LIABILITIES AND NET ASSETS	$275,598,047	$256,181,958

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,

	2011	2010
Unrestricted net assets		
Operating		
Revenues		
Membership dues	$ 75,425,530	$ 78,975,698
Meeting fees	27,062,937	26,527,613
Advertising	3,771,591	3,937,165
Gifts and grants	59,607,802	51,181,253
Publications	12,841,211	11,870,724
Royalties	7,057,704	7,814,161
Rental income	3,240,593	3,002,875
Accreditation fees	1,912,383	1,893,717
Other	2,759,232	2,315,449
Investment income for operations	6,472,112	6,253,434
Designated reserve for operations	3,746,133	5,468,400
Net assets released from restrictions	1,821,752	6,545,557
Total operating revenues	205,718,980	205,786,046
Expenses		
Salaries, wages and benefits	85,981,244	88,261,985
Professional fees and services	27,464,284	26,220,926
Meetings and travel	38,116,834	37,636,434
Advertising and marketing	904,314	1,059,602
Printing and publications	15,797,738	18,384,681
Facilities	19,608,587	20,471,750
General operations	7,852,071	7,477,436
Total operating expenses	195,725,072	199,512,814
Excess operating revenues over expenses	9,993,908	6,273,232
Non-operating		
Investment income and realized and unrealized gains, net	12,892,102	5,282,418
Pension changes other than net periodic pension cost	8,125,514	(4,709,429)
Designated reserve for operations	(3,746,133)	(5,468,400)
Other non-operating items	(1,045,013)	1,051,823
Total non-operating	16,226,470	(3,843,588)
Net change in unrestricted net assets	26,220,378	2,429,644

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

	2011	2010
Temporarily restricted net assets		
Gifts and pledges	$ 1,176,835	$ 4,842,843
Investment income	407,437	267,913
Net assets released from restrictions	(1,821,752)	(6,545,557)
Transfer of World Justice Project	-	(2,445,446)
Net change in temporarily restricted net assets	(237,480)	(3,880,247)
Permanently restricted net assets		
Gifts and pledges	100	650
Net change in permanently restricted net assets	100	650
Net change in total net assets	25,982,998	(1,449,953)
Net assets at beginning of year	106,383,742	107,833,695
Net assets at end of year	$132,366,740	$106,383,742

The accompanying notes are an integral part of these statements.

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

	2011	2010
Cash flows from operating activities		
Net change in total net assets	$ 25,982,998	$ (1,449,953)
Adjustments to reconcile net change in total net assets to net cash provided by operating activities		
Depreciation and amortization	2,755,601	2,903,654
Loss (gain) on sales of equipment	1,076,605	(40)
Realized and change in unrealized gains from investing activities	(15,267,540)	(8,045,952)
Changes in operating assets and liabilities		
Increase in accounts receivable	(401,635)	(1,937,413)
Increase in inventory	(162,058)	(1,618,102)
(Increase) decrease in prepaid and other assets	(448,811)	272,770
Increase in investments held for related parties	(6,142)	(11,125)
Decrease in due to/from related parties, net	152,020	246,549
Increase in accounts payable	753,461	473,127
(Decrease) increase in deferred revenue	(195,072)	204,062
Increase (decrease) in deferred rent abatement	845,612	(684,406)
(Decrease) increase in pension liability	(3,365,861)	9,793,841
(Decrease) increase in other liabilities	(1,549,487)	2,107,064
Net cash provided by operating activities	10,169,691	2,254,076
Cash flows from investing activities		
Sales of investments	38,674,008	6,001,921
Purchases of investments	(43,227,654)	(4,565,786)
Purchases of property and equipment	(2,626,710)	(1,347,488)
Net cash (used in) provided by investing activities	(7,180,356)	88,647
Cash flows from financing activities		
Principal payments on long-term debt	(3,153,637)	(2,982,401)
Net cash used in financing activities	(3,153,637)	(2,982,401)
Net decrease in cash and cash equivalents	(164,302)	(639,678)
Cash and cash equivalents at beginning of year	28,192,817	28,832,495
Cash and cash equivalents at end of year	$ 28,028,515	$28,192,817
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 815,396	$ 999,159

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 (the FJE), The James O. Broadhead Corporation (the 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 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.

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

The 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 to be used for several specific purposes. The Board of Governors retains control over these net assets and may, at its discretion, subsequently use the net assets for other purposes.

Reclassification

Certain accounts in the 2010 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. The ABA can liquidate shares at any time for no cost. The ABA had deposits in excess of federally insured limits at August 31, 2011 and 2010. 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 collectibility 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 obsolete inventories are based on the value of inventory items in excess of 18 months of sales activity. The reserve for excess and obsolete inventory was $2,595,387 and $1,842,425 in 2011 and 2010, respectively.

Investments

The ABA records all investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the consolidated statements of financial position 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 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.

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 of Governors of the ABA (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.

Operations

Revenues earned and expenses incurred in conducting the programs and services of the ABA are presented in the consolidated financial statements as operating activities. Non-operating activities include investment income or loss, net of income designated for operations, change in the pension liability 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

Gifts and contributions are recognized 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.

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.

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.

Advertising Expense

The ABA expenses advertising costs as incurred.

Income Taxes

The ABA, the JOB, the FJE and the Museum 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 JOB is exempt under section 501(c)(2), and the FJE and the Museum are 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 2008, 2009 and 2010 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, 2011 and 2010.

Adoption of New Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, "*Improving Disclosures about Fair Value Measurements*." ASU No. 2010-06 clarified existing disclosure requirements and mandated new disclosures about fair value measurements. The ABA adopted these new provisions as of August 31, 2011, and has included any required disclosures in the footnotes.

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 No. 2011-04 revised the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU No. 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 No. 2011-04 will be effective for the year ending August 31, 2013, with early adoption permitted. The ABA has not yet adopted this guidance. The ABA believes that the adoption of this standard will not materially expand its consolidated financial statement footnote disclosures.

NOTE C - RELATED-PARTY TRANSACTIONS

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

On September 1, 2009, the World Justice Project (WJP) became an independent legal entity. As part of the transition agreement, the ABA continued to process WJP-related expenses through March 2010. Upon completion of the transition, the ABA transferred these costs to receivables totaling $1,160,975. This amount was paid in full on November 30, 2010.

The American Bar Endowment contributed $3,524,213 and $3,750,000 to the ABA in 2011 and 2010, respectively. The FJE contributed $233,300 and $258,300 to the National Judicial College in 2011 and 2010, respectively. The ABA held $224,735 and $218,593 in long-term investments for the National Judicial College in 2011 and 2010, respectively. In addition, the ABA's expenses were reduced by $1,415,423 and $2,684,506 in 2011 and 2010, respectively, for expense reimbursements received from the following related organizations:

	2011	2010
ABA Retirement Funds	$ 799,941	$ 956,678
American Bar Endowment	252,698	373,130
American Bar Foundation	123,713	74,970
National Conference of Bar Presidents	100,692	32,749
National Association of Bar Executives	97,668	24,986
National Judicial College	40,711	61,018
WJP	-	1,160,975
	$1,415,423	$2,684,506

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 $182,532,789 and $162,711,603 in mutual funds at August 31, 2011 and 2010, respectively.

Investment returns in each net asset category for the years ended August 31, 2011 and 2010, are as follows:

	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

	2010		
	Unrestricted	Temporarily restricted	Total
Interest and dividends	$ 3,668,382	$ 89,431	$ 3,757,813
Realized gains, net	545,704	14,262	559,966
Unrealized gains in market value, net	7,321,766	164,220	7,485,986
Total investment return	$11,535,852	$267,913	$11,803,765

Investment income allocated to operations in 2011 and 2010 totaled $6,472,112 and $6,253,434, 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 $12,892,102 and $5,282,418 for fiscal years 2011 and 2010, respectively.

The ABA pays management fees to various fund managers that are netted against investment income. Management fees were $68,691 and $89,391 for fiscal years 2011 and 2010, 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. Also included in Level 2 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. Also included in Level 3 are 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, 2011 and 2010, 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.

	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 related parties				
Corporate bond fund	224,735	-	-	224,735
Total assets at fair value	$205,654,698	$ -	$ -	$205,654,698

	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Money market accounts	$ 21,830,128	$ -	$ -	$ 21,830,128
Long-term investments				
Equity securities				
U.S. large-cap index	48,605,530	-	-	48,605,530
U.S. mid-cap index	14,237,392	-	-	14,237,392
U.S. small-cap index	11,072,739	-	-	11,072,739
International index	30,565,188	-	-	30,565,188
Fixed income securities				
Corporate bond fund	58,230,754	-	-	58,230,754
Total long-term investments	162,711,603	-	-	162,711,603
Investment held for others				
Corporate bond fund	218,593	-	-	218,593
Total assets at fair value	$184,760,324	$ -	$ -	$184,760,324

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2011	2010
Grants, net of allowance for doubtful accounts of $608,199 in 2011 and $811,832 in 2010	$ 9,715,983	$ 9,134,992
Special advances on international grants	2,519,784	2,174,080
Advertising, net of allowance for doubtful accounts of $89,120 in 2011 and $228,480 in 2010	1,457,843	2,037,159
Publications, net of allowance for doubtful accounts of $333,259 in 2011 and $393,029 in 2010	768,412	925,832
Rent	334,545	292,109
Royalties	853,623	1,202,658
Mailing list, net of allowance for doubtful accounts of $1,102 in 2011 and $2,146 in 2010	299,373	278,366
Other	1,578,933	1,081,665
	$17,528,496	$17,126,861

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; 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, 2011 and 2010, was $4,759,653 and $5,624,244, 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 $62,378 and $44,359 for fiscal years 2011 and 2010, respectively.

The funded status of the ABA's portion of the Pension Plan at the measurement dates, August 31, 2011 and 2010, and the accrued pension costs recognized in the ABA's consolidated statements of financial position at August 31, 2011 and 2010, are as follows:

	2011	2010
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$146,040,857	$132,032,007
Service cost	2,317,375	3,308,605
Interest cost	7,429,694	7,260,551
Actuarial loss	1,185,638	7,672,032
Benefits paid	(4,574,724)	(4,232,338)
Plan provision changes	(2,840,137)	-
Projected benefit obligation at end of year	149,558,703	146,040,857
Change in Pension Plan assets		
Fair value of Pension Plan assets at beginning of year	90,856,162	86,641,153
Actual return on Pension Plan assets	11,458,431	7,907,515
Benefits paid	(4,574,724)	(4,232,338)
Employer contributions	-	539,832
Fair value of assets at end of year	97,739,869	90,856,162
Funded status as of the measurement date	$ (51,818,834)	$ (55,184,695)

	2011	2010
Components of adjustments to unrestricted net assets		
Unrecognized prior service cost	$ (5,619,606)	$ (4,360,240)
Unrecognized net loss	60,295,436	67,161,584
Total adjustments to unrestricted net assets	$ 54,675,830	$ 62,801,343
Amounts recognized in the consolidated statements of financial position		
Accrued pension liability	$ (51,818,834)	$ (55,184,695)
Accumulated benefit obligation	$149,558,703	$142,982,568
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.11%	5.13%
Rate of compensation increase	4.00	4.00
Expected return on Pension Plan assets	7.00	7.00
Components of net periodic pension costs		
Service cost	$ 2,317,375	$ 3,308,605
Interest cost	7,429,694	7,260,551
Actual return on Pension Plan assets	(7,291,868)	(7,141,564)
Amortization of net loss	3,885,223	3,542,798
Amortization of prior service cost	(1,580,771)	(1,346,146)
Total net periodic pension cost	4,759,653	5,624,244
Components of pension-related changes other than net periodic pension costs are as follows at August 31		
Prior service credit	(2,840,137)	-
Net (gain) loss	(2,980,925)	6,906,081
Amortization of net gain	(3,885,223)	(3,542,798)
Amortization of prior service cost	1,580,771	1,346,146
Total pension changes other than net periodic pension costs	(8,125,514)	4,709,429
Total net periodic pension (benefit) cost and pension changes other than net periodic pension cost	$ (3,365,861)	$ 10,333,673
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	5.13%	5.60%
Expected return on Pension Plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00

Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2011 and 2010, is as follows:

	2011	2010
Equity securities		
Domestic	15.8%	41.4%
International	6.0	10.6
Global	11.6	8.6
Total equity securities	33.4	60.6
Debt securities		
Fixed income	29.5	38.8
Invested cash	1.5	0.6
Total debt securities	31.0	39.4
Real asset fund	10.3	-
Absolute return	12.9	-
Equity hedge funds	12.4	-
	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. The Pension Plan's assets are invested within the asset allocation target ranges shown above. Asset allocation target ranges are reviewed quarterly and rebalanced 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 of 1974.

The fair values of the ABA's plan assets at August 31, 2011 and 2010, by asset category are as follows:

	2011			
	Level 1	Level 2	Level 3	Total
Collective trust funds				
NTGI-QM Collective Daily All Country ex-US Equity Index Fund	$ -	$ 350	$ -	$ 350
Wellington Strategic Real Asset		4,754,603	-	4,754,603
NTGI Collective Daily US Marketcap Equity	-	113	-	113
Fixed income funds				
CF SSGA Long CR Index (CME3NON) FD	-	12,597,773	-	12,597,773
PIMCO Long Duration Total Return Fund	16,233,879	-	-	16,233,879
NTGI Fixed Income	-	5,221,370	-	5,221,370
Equity funds				
MFO Vanguard Horizon Global Equity Fund	-	-	-	-
Levin Capital Strategies	4,195,292	-	-	4,195,292
New Global Equity	20,834,368	7,496,827	-	28,331,195
Hedge funds	-	-	24,903,394	24,903,394
Money market fund				
Northern Trust Short Term Investment Fund	-	1,501,900	-	1,501,900
Total investments	$41,263,539	$31,572,936	$24,903,394	$97,739,869

	2010			
	Level 1	Level 2	Level 3	Total
Collective trust funds				
NTGI-QM Collective Daily All Country ex-US Equity Index Fund	$ 9,620,704	$ -	$ -	$ 9,620,704
NTGI Collective Daily US Marketcap Equity	37,617,151	-	-	37,617,151
Fixed income funds				
CF SSGA Long CR Index (CME3NON) FD	-	17,619,652	-	17,619,652
PIMCO Long Duration Total Return Fund	17,675,511	-	-	17,675,511
Equity funds				
MFO Vanguard Horizon Global Equity Fund	7,776,868	-	-	7,776,868
Money market fund				
Northern Trust Short Term Investment Fund	546,276	-	-	546,276
Total investments	$73,236,510	$17,619,652	$ -	$90,856,162

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:

	Restrictions	Fair value	Redemption frequency	Redemption period
CF SSGA Long CR Index	No lock-up	$12,597,775	Daily	2 Days
Wellington Strategic Real Asset	No lock-up	4,754,603	Monthly	30 Days
New Global Equity	No lock-up	7,496,827	Monthly	45 Days
NTGI Fixed Income	No lock-up	5,221,370	Daily	1 Day
Hedge funds	12-month lock-up	24,903,394	Annually	90 Days
Northern Trust Short Term Investment Fund	No lock-up	1,501,900	Daily	1 Day
Total		$56,475,869		

Collective trust funds 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. There are currently no redemption restrictions on these investments.

Fixed income funds generally invest in bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. A certain amount of these investments is valued using direct market quotes, and others are valued using an NAV, with no significant liquidity restrictions.

Equity funds generally invest in large-cap U.S. company common stocks. These investments are valued using direct market quotes with no significant liquidity restrictions.

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.

Money market funds invest in high-grade, short-term money market instruments. Principal preservation is the primary objective, with liquidity management also emphasized to provide for redemption of units on any business day. Admissions and withdrawals may be made daily at a constant $1.00 NAV per share.

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 in 2011, 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, 2010	$ -
Purchases	25,440,410
Unrealized loss	(537,016)
Balance as of August 31, 2011	$24,903,394

Cash Flows

Expected contributions for the fiscal year ending August 31, 2012	$ 6,813,922

Estimated future benefit payments reflecting expected future service for the fiscal years ending August 31	
2012	$ 6,094,682
2013	6,515,460
2014	6,847,160
2015	7,543,997
2016	8,002,055
2017 through 2021	46,315,967

ABA Thrift Plan

The ABA's expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2011 and 2010, totaled $1,195,051 and $1,216,229, respectively. The ABA's expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2011 and 2010, totaled $1,158,195 and $1,030,750, 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 are secured by the office building and are related to improvements with a net book value of $24,549,050 at August 31, 2011. The notes are due in semi-annual principal installments ranging from $781,714 to $1,433,419, beginning on June 1, 1994, and ending on December 1, 2014. The total outstanding amounts for the notes were $7,792,398 and $9,997,272 at August 31, 2011 and 2010, respectively. Interest expense for the years ended August 31, 2011 and 2010, totaled $734,768 and $909,510, respectively. Interest paid for the years ended August 31, 2011 and 2010, totaled $780,218 and $951,454, respectively.

Maturities of the long-term debt with the insurance company at August 31 for the next three years, through maturity, are $2,390,530 in 2012, $2,591,816 in 2013 and $2,810,051 in 2014. In connection with the issuance of the notes, the ABA entered into a trust agreement that includes, among other things, provisions relative to additional borrowings, investment in subsidiaries or joint ventures and maintenance of the ABA's tax-exempt status.

Bond issuance costs were capitalized at the inception of the bond agreement and are amortized over the term of the bonds. At August 31, 2011 and 2010, the remaining unamortized bond issuance costs were $99,786 and $144,179, respectively. During the years ended August 31, 2011 and 2010, the related amortization expense was $44,392.

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 $1,976,586 and $2,925,347 at August 31, 2011 and 2010, respectively. Interest expense for the years ended August 31, 2011 and 2010, totaled $33,833 and $48,507, respectively. Interest paid for the years ended August 31, 2011 and 2010, totaled $35,178 and $47,705, respectively.

Maturities of the long-term debt under the loan agreement are $948,756 annually in fiscal years 2011 through 2013, with $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 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, 2011 and 2010, was $57 and $605, respectively, and is included in other assets in the accompanying consolidated statements of financial position. A loss of $548 and $16,095 for the years ended August 31, 2011 and 2010, respectively, is included in other non-operating items in the accompanying 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 $10,016,970 and $13,077,000 at August 31, 2011 and 2010, 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. 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 are as follows:

	Minimum lease payments	Minimum sublease rental income	Net minimum lease payments
Fiscal years ending August 31			
2012	$ 4,282,525	$ 252,309	$ 4,030,216
2013	3,677,185	257,868	3,419,317
2014	4,565,229	262,718	4,302,511
2015	4,662,967	270,544	4,392,423
2016	5,161,118	278,624	4,882,494
Thereafter	45,706,262	836,160	44,870,102
Total minimum lease payments	$68,055,286	$2,158,223	$65,897,063

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 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 accompanying consolidated statements of financial position. The leasehold improvement 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 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 $696,966 and $684,406 for the years ended August 31, 2011 and 2010, respectively, and the remaining balance is $6,328,315 and $6,045,586 at August 31, 2011 and 2010, respectively.

The North Clark Lease includes additional rent abatements in the future amounting to $4,022,908 and $3,689,824 for the years ended August 31, 2011 and 2010, 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 $400,342 and $417,716 for the years ended August 31, 2011 and 2010, respectively, and the remaining balance is $4,694,115 and $4,131,232 at August 31, 2011 and 2010, respectively.

	2011	2010
Tenant improvement - rent abatement	$11,245,785	$10,266,090
Amortization of abatement on tenant improvements	(4,917,470)	(4,220,504)
Rent expense - rent abatement, net	4,694,115	4,131,232
Deferred rent abatement	$11,022,430	$10,176,818

Rent expense for all operating leases totaled $8,007,694 and $8,547,884 for the years ended August 31, 2011 and 2010, 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, 2011 and 2010, totaled $221,049 and $199,318, 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:

	2011	2010
Programs	$155,091,558	$156,813,951
General and administrative	40,101,345	42,079,502
Fundraising	532,169	619,361
	$195,725,072	$199,512,814

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:

	2011	2010
Fund for Judicial Improvement Projects	$1,084,021	$ 832,177
Death Penalty Representation Support Fund	207,617	116,349
Commission on Law and Aging	135,745	198,977
Public Contract Law Education Projects	106,029	101,082
E. Lawrence Barcella Fund	100,000	-
Individual Rights and Responsibilities Programs	80,396	76,658
Litigation Fellows Support Fund	46,287	46,324
Addressing State Resp. for Sexual Violence as a Weapon of War	20,000	-
Rule of Law Initiative	4,781	373,395
Children and the Law	-	194,551
Commission on Immigration	-	20,343
Commission on Women Program Support Fund	-	14,719
Environmental Law	-	25,531
Other	385,441	407,691
	$2,170,317	$2,407,797

During fiscal years 2011 and 2010, temporarily restricted net assets of $1,821,752 and $6,545,557, 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:

	2011	2010
Rule of Law Initiative	$ 291,200	$ 2,812,904
Litigation Fellows Support Fund	195,062	223,610
Children and the Law	194,551	552,672
Fund for Judicial Improvement Projects	168,069	864,467
Legal Opportunity Scholarship Fund	143,678	-
Commission on Law and Aging	130,050	163,276
Commission on Immigration	121,363	250,075
Pro Bono Child Custody Project	91,655	51,592
Commission on Women Program Support Fund	14,719	265,424
Death Penalty Representation Support Fund	12,562	19,275
Individual Rights and Responsibilities Programs	10,412	75,386
Public Contract Law Education Projects	10,053	13,574
Environmental Law	-	28,006
Other	438,378	1,225,296
	$1,821,752	$6,545,557

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:

	2011	2010
FJE Endowment Fund	$3,456,669	$3,456,669
Justice Funds	2,068,946	2,068,946
Marie Walsh Sharpe Fund	927,115	927,115
Carols Morris Fund for Professional Education	100,000	100,000
Erskine M. Ross Fund	100,000	100,000
Henry C. Morris Fund	50,000	50,000
Magna Carta Memorial Fund	14,621	14,621
Thurgood Marshall Fund for Individual Rights	100	-
	$6,717,451	$6,717,351

The FJE Endowment Fund consists of 35 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 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:

	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

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (69,358)	$ 754,445	$6,717,351	$7,402,438
Quasi-endowment funds	621,409	-	-	621,409
Total funds	$ 552,051	$ 754,445	$6,717,351	$8,023,847

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, September 1, 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	308,558	-	622,465
Total investment return	415,980	407,484	-	823,464
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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, September 1, 2009	$ 98,879	$ 485,260	$6,716,701	$7,300,840
Investment return				
Investment income	85,622	90,343	-	175,965
Net appreciation (realized and unrealized)	159,560	178,483	-	338,043
Total investment return	245,182	268,826	-	514,008
Contributions	16	224,271	650	224,937
Net assets released	223,912	(223,912)	-	-
Appropriation of endowment assets for expenditures	(15,938)	-	-	(15,938)
Endowment net assets, August 31, 2010	$ 552,051	$ 754,445	$6,717,351	$8,023,847

NOTE L - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2011 through March 16, 2012, the date the financial statements were available to be issued. During this period, there were two subsequent events requiring recognition or disclosure in the consolidated financial statements.

On September 15, 2011, the Executive Committee of the Board unanimously resolved to approve the sale of the building at 740 15th Street, N.W., Washington, D.C. (the DC Building) for $69,250,000. Closing on the DC Building sale occurred on December 16, 2011. In connection with this event, on November 8, 2011, the ABA paid the outstanding principal balance of the related three 8.25% senior notes plus interest and a prepayment penalty.

On June 11, 2011, the Board approved the dissolution of the Museum, an Illinois not-for-profit corporation, and authorized the ABA General Counsel's office to take such necessary and appropriate actions to discontinue the existence of the Museum. The Museum was subsequently dissolved on September 7, 2011.

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 information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

Chicago, Illinois
March 16, 2012

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

	2011							2010						
ASSETS	American Bar Association	American Bar Association Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Eliminations	Consolidated	American Bar Association	American Bar Association Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Eliminations	Consolidated
ASSETS														
Cash and cash equivalents	$ 25,421,953	$ 1,877,789	$ 728,773	$ -	$ 28,028,515	$ -	$ 28,028,515	$ 25,309,694	$ 2,201,289	$ 681,834	$ -	$ 28,192,817	$ -	$ 28,192,817
Accounts receivable, net	4,938,193	12,255,758	334,545	-	17,528,496	-	17,528,496	5,503,881	11,330,872	292,108	-	17,126,861	-	17,126,861
Inventory, net	3,324,590	455,570	-	-	3,780,160	-	3,780,160	3,618,102	-	-	-	3,618,102	-	3,618,102
Prepaid and other assets	2,620,807	3,875	6,185	-	2,630,867	-	2,630,867	2,124,265	79,318	22,864	-	2,226,447	-	2,226,447
Due from related parties	238,471	-	-	-	238,471	-	238,471	17,514,110	(14,547,644)	(2,700,897)	26,847	292,416	-	292,416
Loans to related-party organization	10,798,600	-	-	-	10,798,600	(10,798,600)	-	11,773,560	-	-	-	11,773,560	(11,773,560)	-
Cash advances to related-party organization	2,900,000	-	-	-	2,900,000	(2,900,000)	-	2,900,000	-	-	-	2,900,000	(2,900,000)	-
Long-term investments	173,390,195	9,142,594	-	-	182,532,789	-	182,532,789	154,471,068	8,240,535	-	-	162,711,603	-	162,711,603
Long-term investments held for related parties	224,735	-	-	-	224,735	-	224,735	218,593	-	-	-	218,593	-	218,593
Property and equipment														
Land	-	-	11,940,005	-	11,940,005	-	11,940,005	-	-	11,940,005	-	11,940,005	-	11,940,005
Building	-	-	21,356,638	-	21,356,638	-	21,356,638	-	-	21,317,720	-	21,317,720	-	21,317,720
Furniture and equipment	39,055,159	6,410	-	-	39,061,569	-	39,061,569	37,958,366	6,410	-	-	37,964,776	-	37,964,776
Leasehold improvements	22,236,887	-	-	-	22,236,887	-	22,236,887	22,215,601	-	-	-	22,215,601	-	22,215,601
Work in progress	410,940	-	22,015	-	432,955	-	432,955	929	-	38,918	-	39,847	-	39,847
Accumulated depreciation	(45,618,022)	(6,410)	(8,769,608)	-	(54,394,040)	-	(54,394,040)	(43,464,057)	(6,410)	(8,212,363)	-	(51,682,830)	-	(51,682,830)
Net property and equipment	16,084,964	-	24,549,050	-	40,634,014	-	40,634,014	16,710,839	-	25,084,280	-	41,795,119	-	41,795,119
TOTAL ASSETS	$239,942,508	$23,735,586	$25,618,553	$ -	$289,296,647	$(13,698,600)	$275,598,047	$240,144,112	$ 7,304,370	$23,380,189	$26,847	$270,855,518	$(14,673,560)	$256,181,958

LIABILITIES AND NET ASSETS

	2011							2010						
	American Bar Association	American Bar Association Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Eliminations	Consolidated	American Bar Association	American Bar Association Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Eliminations	Consolidated
LIABILITIES														
Accounts payable	$ 9,048,938	$ 1,259,791	$ 117,492	$ -	$ 10,426,221	$ -	$ 10,426,221	$ 8,570,122	$ 984,082	$ 118,556	$ -	$ 9,672,760	$ -	$ 9,672,760
Deferred revenue	47,258,784	2,932,606	-	-	50,191,390	-	50,191,390	49,749,290	637,172	-	-	50,386,462	-	50,386,462
Deferred rent abatement	11,022,430	-	-	-	11,022,430	-	11,022,430	10,176,818	-	-	-	10,176,818	-	10,176,818
Pension liability	51,818,834	-	-	-	51,818,834	-	51,818,834	55,184,695	-	-	-	55,184,695	-	55,184,695
Other liabilities	9,451,200	-	244,513	-	9,695,713	-	9,695,713	10,869,005	12,000	364,195	-	11,245,200	-	11,245,200
Debt	9,768,984	-	-	-	9,768,984	-	9,768,984	12,922,621	-	-	-	12,922,621	-	12,922,621
Due to related parties	(17,479,047)	16,164,238	1,649,339	(26,795)	307,735	-	307,735	209,660	-	-	-	209,660		209,660
Loans from related-party organization	-	-	10,798,600	-	10,798,600	(10,798,600)	-	-	-	11,773,560	-	11,773,560	(11,773,560)	-
Cash advances from related-party organization	-	-	2,900,000	-	2,900,000	(2,900,000)	-	-	-	2,900,000	-	2,900,000	(2,900,000)	-
Total liabilities	120,890,123	20,356,635	15,709,944	(26,795)	156,929,907	(13,698,600)	143,231,307	147,682,211	1,633,254	15,156,311	-	164,471,776	(14,673,560)	149,798,216
NET ASSETS														
Unrestricted														
Undesignated	64,415,623	(5,496,337)	9,908,609	26,795	68,854,690	-	68,854,690	36,798,335	(3,454,032)	8,223,878	26,847	41,595,028	-	41,595,028
Board-designated	54,624,282	-	-	-	54,624,282	-	54,624,282	55,663,566	-	-	-	55,663,566	-	55,663,566
Total unrestricted	119,039,905	(5,496,337)	9,908,609	26,795	123,478,972	-	123,478,972	92,461,901	(3,454,032)	8,223,878	26,847	97,258,594	-	97,258,594
Temporarily restricted	12,480	2,157,837	-	-	2,170,317	-	2,170,317	-	2,407,797	-	-	2,407,797	-	2,407,797
Permanently restricted	-	6,717,451	-	-	6,717,451	-	6,717,451	-	6,717,351	-	-	6,717,351	-	6,717,351
Total net assets	119,052,385	3,378,951	9,908,609	26,795	132,366,740	-	132,366,740	92,461,901	5,671,116	8,223,878	26,847	106,383,742	-	106,383,742
TOTAL LIABILITIES AND NET ASSETS	$239,942,508	$23,735,586	$25,618,553	$ -	$289,296,647	$(13,698,600)	$ 275,598,047	$240,144,112	$ 7,304,370	$23,380,189	$26,847	$270,855,518	$(14,673,560)	$256,181,958

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

	2011							
	American Bar Association	American Bar Association Fund for Justice and Education	The James O. Broadhead Corporation	ABA Museum of Law	Total prior to eliminations	Eliminations	Consolidated	2010 Consolidated
Unrestricted net assets								
Operating								
Revenues								
Membership dues	$ 75,425,530	$ -	$ -	$ -	$ 75,425,530	$ -	$ 75,425,530	$ 78,975,698
Meeting fees	25,139,559	1,923,378	-	-	27,062,937	-	27,062,937	26,527,613
Advertising	3,771,591	-	-	-	3,771,591	-	3,771,591	3,937,165
Gifts and grants	6,234,225	53,373,577	-	-	59,607,802	-	59,607,802	51,181,253
Publications	12,023,140	817,701	-	370	12,841,211	-	12,841,211	11,870,724
Royalties	7,038,508	19,196	-	-	7,057,704	-	7,057,704	7,814,161
Rental income	48,360	-	5,474,111	-	5,522,471	(2,281,878)	3,240,593	3,002,875
Accreditation fees	-	1,912,383	-	-	1,912,383	-	1,912,383	1,893,717
Other	2,519,221	240,011	-	-	2,759,232	-	2,759,232	2,315,449
Investment income for operations	6,469,617	2,474	21	-	6,472,112	-	6,472,112	6,253,434
Designated reserve for operations	3,746,133	-	-	-	3,746,133	-	3,746,133	5,468,400
Net assets released from restrictions	(292,475)	2,114,227	-	-	1,821,752	-	1,821,752	6,545,557
Total operating revenues	142,123,409	60,402,947	5,474,132	370	208,000,858	(2,281,878)	205,718,980	205,786,046
Expenses								
Salaries, wages and benefits	58,780,365	27,200,879	-	-	85,981,244	-	85,981,244	88,261,895
Professional fees and services	11,267,066	16,014,610	182,608	-	27,464,284	-	27,464,284	26,220,926
Meetings and travel	25,981,978	12,134,856	-	-	38,116,834	-	38,116,834	37,636,434
Advertising and marketing	820,337	83,977	-	-	904,314	-	904,314	1,059,602
Printing and publications	15,000,173	797,565	-	-	15,797,738	-	15,797,738	18,384,681
Facilities	15,735,106	2,548,566	3,606,793	-	21,890,465	(2,281,878)	19,608,587	20,471,750
General operations	2,640,852	5,210,797	-	422	7,852,071	-	7,852,071	7,496,946
Total operating expenses	130,225,877	63,991,250	3,789,401	422	198,006,950	(2,281,878)	195,725,072	199,532,324
Interfund transfers	1,034,151	(1,034,151)	-	-	-	-	-	(19,510)
Total operating expenses and interfund transfers	131,260,028	62,957,099	3,789,401	422	198,006,950	(2,281,878)	195,725,072	199,512,814
Excess operating revenues over (under) expenses after interfund transfers	10,863,381	(2,554,152)	1,684,731	(52)	9,993,908	-	9,993,908	6,273,232
Non-operating								
Investment income, realized and unrealized gains, net	12,378,502	513,600	-	-	12,892,102	-	12,892,102	5,282,418
Pension changes other than net periodic pension cost	8,125,514	-	-	-	8,125,514	-	8,125,514	(4,709,429)
Designated reserve for operations	(3,746,133)	-	-	-	(3,746,133)	-	(3,746,133)	(5,468,400)
Other non-operating	(1,043,260)	(1,753)	-	-	(1,045,013)	-	(1,045,013)	1,051,823
Total non-operating items	15,714,623	511,847	-	-	16,226,470	-	16,226,470	(3,843,588)
Net change in unrestricted net assets	26,578,004	(2,042,305)	1,684,731	(52)	26,220,378	-	26,220,378	2,429,644
Temporarily restricted net assets								
Gifts and pledges	800	1,176,035	-	-	1,176,835	-	1,176,835	4,842,843
Investment loss	-	407,437	-	-	407,437	-	407,437	267,913
Net assets released from restrictions	11,680	(1,833,432)	-	-	(1,821,752)	-	(1,821,752)	(6,545,557)
Transfer of World Justice Project	-	-	-	-	-	-	-	(2,445,446)
Net change in temporarily restricted net assets	12,480	(249,960)	-	-	(237,480)	-	(237,480)	3,880,247
Permanently restricted net assets								
Gifts and pledges	-	100	-	-	100	-	100	650
Net change in permanently restricted net assets	-	100	-	-	100	-	100	650
Net change in total net assets	26,590,484	(2,292,165)	1,684,731	(52)	25,982,998	-	25,982,998	(1,449,953)
Net assets at beginning of year	92,461,901	5,671,116	8,223,878	26,847	106,383,742	-	106,383,742	107,833,695
Net assets at end of year	$119,052,385	$ 3,378,951	$ 9,908,609	$26,795	$132,366,740	$ -	$132,366,740	$106,383,742

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

	2011								
	General Operations	Other Funds	Sections	Grants/Gifts	The James O. Broadhead Corporation Operations	Total prior to eliminations	Eliminations	Consolidated	2010 Consolidated
Unrestricted net assets									
Operating									
Revenues									
Membership dues	$ 61,232,200	$ -	$14,193,330	$ -	$ -	$ 75,425,530	$ -	$ 75,425,530	$ 78,975,698
Meeting dues	6,941,112	-	18,762,050	1,359,775	-	27,062,937	-	27,062,937	26,527,613
Advertising	3,131,279	628,342	11,970	-	-	3,771,591	-	3,771,591	3,937,165
Gifts and grants	11,103,382	-	5,674,382	42,830,038	-	59,607,802	-	59,607,802	51,181,253
Publications	3,338,824	222,970	9,041,488	237,929	-	12,841,211	-	12,841,211	11,870,724
Royalties	6,077,843	-	974,350	5,511	-	7,057,704	-	7,057,704	7,814,161
Rental income	48,360	-	-	-	5,474,111	5,522,471	(2,281,878)	3,240,593	3,002,875
Accreditation fees	1,912,383	-	-	-	-	1,912,383	-	1,912,383	1,893,717
Other	2,091,447	-	462,826	204,959	-	2,759,232	-	2,759,232	2,315,449
Investment income for operations	4,902,792	-	1,568,040	1,259	21	6,472,112	-	6,472,112	6,253,434
Designated reserve for operations	3,746,133	-	-	-	-	3,746,133	-	3,746,133	5,468,400
Net assets released from restrictions	(292,475)	-	-	2,114,227	-	1,821,752	-	1,821,752	6,545,557
Section service fees	307,596	-	(307,596)	-	-	-	-	-	-
Total operating revenues	104,540,876	851,312	50,380,840	46,753,698	5,474,132	208,000,858	(2,281,878)	205,718,980	205,786,046
Expenses									
Salaries, wages and benefits	62,826,533	-	8,384,616	14,770,095	-	85,981,244	-	85,981,244	88,261,985
Professional fees and services	10,074,072	-	1,898,694	15,308,910	182,608	27,464,284	-	27,464,284	26,220,926
Meetings and travel	8,879,960	-	19,549,712	9,687,162	-	38,116,834	-	38,116,834	37,636,434
Advertising and marketing	412,953	-	436,580	54,781	-	904,314	-	904,314	1,059,602
Printing and publications	9,516,425	427	5,805,188	475,698	-	15,797,738	-	15,797,738	18,384,681
Facilities	13,380,605	-	2,875,150	2,027,917	3,606,793	21,890,465	(2,281,878)	19,608,587	20,471,750
General operations	(3,541,437)	505,494	6,307,608	4,580,406	-	7,852,071	-	7,852,071	7,496,946
Total operating expenses	101,549,111	505,921	45,257,548	46,904,969	3,789,401	198,006,950	(2,281,878)	195,725,072	199,532,324
Intrafund transfers	1,785,714	347,358	(2,024,483)	(108,089)	-	500	-	500	(38,950)
Interfund transfers	(193,326)	-	820,261	(627,435)	-	(500)	-	(500)	19,440
Total operating expenses and transfers	103,141,499	853,279	44,053,326	46,169,445	3,789,401	198,006,950	(2,281,878)	195,725,072	199,512,814
Excess operating revenues over (under) expenses after transfers	1,399,377	(1,967)	6,327,514	584,253	1,684,731	9,993,908	-	9,993,908	6,273,232
Non-operating									
Investment income, realized, and unrealized gains (losses)	6,892,992	-	5,485,510	513,600	-	12,892,102	-	12,892,102	5,282,418
Pension changes other than net periodic pension costs	8,125,514	-	-	-	-	8,125,514	-	8,125,514	(4,709,429)
Designated reserve for operations	(3,746,133)	-	-	-	-	(3,746,133)	-	(3,746,133)	(5,468,400)
Other non-operating	(1,077,153)	-	33,893	(1,753)	-	(1,045,013)	-	(1,045,013)	1,051,823
Total non-operating items	10,195,220	-	5,519,403	511,847	-	16,226,470	-	16,226,470	(3,843,588)
Net change in unrestricted net asset	11,594,597	(1,967)	11,846,917	1,096,100	1,684,731	26,220,378	-	26,220,378	2,429,644
Temporarily restricted net assets									
Gifts and pledges	-	-	800	1,176,035	-	1,176,835	-	1,176,835	4,842,843
Investment income	(47)	-	-	407,484	-	407,437	-	407,437	267,913
Net assets released from restrictions	11,680	-	-	(1,833,432)	-	(1,821,752)	-	(1,821,752)	(6,545,557)
Transfer of World Justice Project	-	-	-	-	-	-	-	-	(2,445,446)
Net change in temporarily restricted net assets	11,633	-	800	(249,913)	-	(237,480)	-	(237,480)	3,880,247
Permanently restricted net assets									
Gifts and pledges	-	-	-	100	-	100	-	100	650
Net change in permanently restricted net assets	-	-	-	100	-	100	-	100	650
Net change in total net assets	11,606,230	(1,967)	11,847,717	846,287	1,684,731	25,982,998	-	25,982,998	(1,449,953)
Net assets at beginning year	9,118,806	-	70,892,623	18,148,435	8,223,878	106,383,742	-	106,383,742	107,833,695
Net assets at end of year	$ 20,725,036	$ (1,967)	$82,740,340	$18,994,722	$9,908,609	$132,366,740	$ -	$132,366,740	$106,383,742

OTHER INFORMATION (UNAUDITED)

American Bar Association
ORGANIZATIONAL DATA
August 31, 2011

Association data	Established in 1878 as a voluntary not-for-profit association of the legal profession, the America Bar Association (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 2010 - 2011

President	Stephen N. Zack
President - Elect	Wm. T. Robinson III
Immediate Past President	Carolyn B. Lamm
Chair, House of Delegates	Linda A. Klein
Secretary	Bernice B. Donald
Treasurer	Alice E. Richmond
Executive Director	Jack L. Rives

American Bar Association
ORGANIZATIONAL DATA - CONTINUED
August 31, 2011

Board of Governors during 2010 - 2011

Ex-Officio members	The Officers
First District	Stephen L. Tober
Second District	Harold D. Pope III
Third District	Amelia Helen Boss
Fourth District	Robert N. Weiner
Fifth District	Charles E. English, Sr.
Sixth District	Howard H. Vogel
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	Craig Allen Orraj
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
	Lee S. Kolczun
	Mitchell A. Orpett
Minority	
Members-at-Large	Mary L. Smith
	Richard A. Soden
Women	
Members-at-Large	Michelle A. Behnke
	Lauren Stiller Rikleen
Young Lawyers	
Members-at-Large	Kendyl T. Hankes
	Jonathan W. Wolfe
Law Student	
Member-at-Large	Tommy Preston, Jr.
Date and place of 2011 annual meeting of members	Toronto, Ontario Canada
	Fairmont Royal York
	August 4 - 9