Grant Thornton

Consolidated Financial Statements, Report of Independent Certified Public Accountants

American Bar Association

August 31, 2014 and 2013

Contents

Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687

T 312.856.0200
F 312.565.4719
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Governors
American Bar Association

Report on the financial statements

We have audited the accompanying consolidated financial statements of the American Bar Association (the ABA), which comprise the consolidated statements of financial position as of August 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ABA's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ABA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Bar Association as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

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

Grant Thornton LLP

Chicago, Illinois
February 6, 2015

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

ASSETS	2014	2013
ASSETS		
Cash and cash equivalents	$ 18,137	$ 26,393
Accounts receivable, net	11,867	16,498
Inventory, net	4,042	3,754
Prepaid and other assets	2,974	3,744
Due from related parties	300	191
Long-term investments	325,846	282,127
Long-term investments held for a related party	255	240
Property and equipment		
Furniture and equipment	45,775	40,520
Leasehold improvements	23,887	25,404
Work in progress	360	3,445
Accumulated depreciation	(52,165)	(49,638)
Property and equipment, net	17,857	19,731
TOTAL ASSETS	$381,278	$352,678

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 8,313	$ 10,834
Deferred revenue	58,073	58,522
Deferred rent abatement	21,191	18,483
Pension liability	63,768	59,499
Other liabilities	8,840	8,143
Debt	-	79
Due to related parties	314	300
Total liabilities	160,499	155,860
NET ASSETS		
Unrestricted		
Undesignated	92,877	74,004
Board-designated	116,690	112,597
Total unrestricted	209,567	186,601
Temporarily restricted	4,322	3,336
Permanently restricted	6,890	6,881
Total net assets	220,779	196,818
TOTAL LIABILITIES AND NET ASSETS	$381,278	$352,678

The accompanying notes are an integral part of these statements.

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

	2014	2013
Unrestricted net assets		
Operating		
Revenues		
Membership dues	$ 71,913	$ 72,651
Meeting fees	26,820	28,446
Advertising	3,409	3,299
Gifts and grants	58,347	60,571
Publications	11,176	11,969
Royalties	8,774	7,870
Accreditation fees	4,018	3,196
Other	2,484	2,856
Investment income for operations	7,293	7,685
Designated reserve for operations	8,810	6,480
Net assets released from restrictions	1,331	999
Total operating revenues	204,375	206,022
Expenses		
Salaries, wages and benefits	95,591	96,314
Professional fees and services	25,892	23,976
Meetings and travel	39,196	38,601
Advertising and marketing	3,797	3,216
Printing and publications	12,710	12,781
Facilities	21,168	22,812
General operations	5,840	7,032
Total operating expenses	204,194	204,732
Excess operating revenues over expenses	181	1,290
Non-operating		
Investment income and realized and unrealized gains, net	34,699	19,784
Pension changes other than net periodic pension cost	(2,923)	23,499
Designated reserve for operations	(8,810)	(6,480)
Other non-operating items	(181)	621
Total non-operating revenue	22,785	37,424
Change in unrestricted net assets	22,966	38,714

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

	2014	2013
Temporarily restricted net assets		
Gifts and pledges	$ 1,076	$ 876
Investment income	1,241	798
Net assets released from restrictions	(1,331)	(999)
Change in temporarily restricted net assets	986	675
Permanently restricted net assets		
Gifts and pledges	9	2
Change in permanently restricted net assets	9	2
CHANGE IN TOTAL NET ASSETS	23,961	39,391
Net assets at beginning of year	196,818	157,427
Net assets at end of year	$220,779	$196,818

The accompanying notes are an integral part of these statements.

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

	2014	2013
Cash flows from operating activities		
Change in total net assets	$ 23,961	$ 39,391
Adjustments to reconcile change in total net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	2,787	4,715
Loss on disposals and sale of property and equipment	-	144
Realized and change in unrealized gains from investing activities	(42,470)	(20,371)
Changes in operating assets and liabilities		
Decrease in accounts receivable	4,631	88
Increase in inventory	(288)	(277)
Decrease (increase) in prepaid and other assets	770	(1,233)
(Increase) decrease in investments held for related parties	(15)	4
Increase in due to/from related parties, net	(95)	(53)
(Decrease) increase in accounts payable	(2,521)	2,308
Decrease in deferred revenue	(449)	(1,804)
Increase in deferred rent abatement	2,708	6,331
Increase (decrease) in pension liability	4,269	(17,502)
Increase in other liabilities	697	574
Net cash (used in) provided by operating activities	(6,015)	12,315
Cash flows from investing activities		
Sales of investments	306,928	13,523
Purchases of investments	(308,176)	(16,721)
Purchases of property and equipment	(914)	(7,918)
Net cash used in investing activities	(2,162)	(11,116)
Cash flows from financing activities		
Principal payments on long-term debt	(79)	(949)
Net cash used in financing activities	(79)	(949)
(Decrease) increase in cash and cash equivalents	(8,256)	250
Cash and cash equivalents at beginning of year	26,393	26,143
Cash and cash equivalents at end of year	$ 18,137	$ 26,393
Supplemental disclosures of cash flow information		
Cash paid for interest	$ -	$ 12
Cash paid for income taxes	100	330

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) and The James O. Broadhead Corporation (JOB). The ABA Board of Governors (the Board) approved the dissolution of JOB in February 2013, and it was formally dissolved in April 2013.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

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

Cash and Cash Equivalents

Cash equivalents include 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, 2014 and 2013. The ABA has not experienced any losses in such deposit accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The cash equivalents were $476 and $22,325 in 2014 and 2013, respectively.

Accounts Receivable

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

Inventory

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

Inventories are stated net of a reserve for excess and obsolete items. Reserves for excess and obsolete inventories are based on the value of inventory items in excess of 18 months of sales activity or specific identification. The reserve for excess and obsolete inventory was $3,530 and $2,832 in 2014 and 2013, respectively.

Investments

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

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

Property and Equipment

The ABA records leasehold improvements, furniture and equipment at cost and capitalizes acquisitions of such items having an initial cost of $5,000 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 five to 16 years.

Fair Value of Financial Instruments

Financial instruments of the ABA consist of cash and cash equivalents, accounts receivable, inventory, long-term investments, accounts payable and obligations under short-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/Board-Designated Funding of Operations

The ABA's unrestricted net assets include certain amounts the Board has designated as a reserve for operations. As part of the ABA's annual budgeting process, the Board decides whether it is appropriate to increase or decrease operating revenues by transferring amounts from or to the non-operating section of the consolidated statements of activities and changes in net assets. Amounts equal to the amounts transferred, if any, are then reclassified within the net assets section of the consolidated statements of financial position between Board-designated and undesignated. In the case of amounts transferred to operating revenues, the Board-designated amounts are decreased and the undesignated amounts are increased by the amounts transferred. In the case of amounts transferred from operating revenues, the Board-designated amounts are increased and the undesignated amounts are decreased by the amounts transferred. Allocations for operations from Board-designated reserves were $8,810 and $6,480 for the fiscal years 2014 and 2013, respectively.

Operations

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

Gifts and Contributions

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

Membership Dues

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

Meeting Fees

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

Grant Revenue

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

Publications Revenue

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

Royalty Revenue

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

Advertising Expense

The ABA expenses advertising costs as incurred.

Income Taxes

The ABA and the FJE are qualified under the U.S. Internal Revenue Code (the IRC) as tax-exempt organizations or, in the case of the FJE, as a tax-exempt fund, and are exempt from tax on income related to their tax-exempt purposes under Section 501(a) of the IRC. The ABA is exempt from income taxes as an association described in Section 501(c)(6) of the IRC. The FJE is exempt under Section 501(c)(3). Management believes there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements. While exempt from income tax under IRC Section 501(a), the ABA is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years of 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. There is $34 of interest related to income taxes that is included in other liabilities and other non-operating expenses as of and for the year ended August 31, 2014. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the year ended August 31, 2013.

(Dollars in thousands)

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 $3,365 and $3,616 to the ABA in 2014 and 2013, respectively. The FJE contributed $225 to the National Judicial College in 2014 and 2013. The ABA held $255 and $240 in long-term investments for the National Judicial College in 2014 and 2013, respectively. In addition, the ABA's expenses were reduced by $1,926 and $1,452 in 2014 and 2013, respectively, for expense reimbursements received from the following related organizations:

	2014	2013
ABA Retirement Funds	$1,022	$ 990
American Bar Endowment	335	212
National Judicial College	346	25
American Bar Foundation	75	65
American Bar Insurance	77	62
National Association of Women Lawyers	39	38
National Association of Bar Executives	16	31
National Conference of Bar Presidents	16	29
Total	$1,926	$1,452

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 at August 31, 2014 and 2013, are as follows:

	2014	2013
Equity securities	$225,248	$190,331
Fixed income	100,598	91,796
Total long-term investments	$325,846	$282,127

(Dollars in thousands)

Investment returns in each net asset category for the years ended August 31, 2014 and 2013, are as follows:

	2014		
	Unrestricted	Temporarily restricted	Total
Interest and dividends, net of management fees	$ 763	$ (27)	$ 736
Realized gains, net	29,542	827	30,369
Unrealized gains in market value, net	11,687	441	12,128
Total investment return	$41,992	$1,241	$43,233

	2013		
	Unrestricted	Temporarily restricted	Total
Interest and dividends, net of management fees	$ 7,620	$ 275	$ 7,895
Realized gains, net	1,470	-	1,470
Unrealized gains in market value, net	18,379	523	18,902
Total investment return	$27,469	$ 798	$28,267

On an annual basis, the Board may approve the allocation of investment income to operating revenue. Investment income allocated to operations in 2014 and 2013 totaled $7,293 and $7,685, 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 $34,699 and $19,784 for fiscal years 2014 and 2013, respectively.

The ABA pays management fees to various fund managers that are netted against investment income. Management fees were $723 and $75 for fiscal years 2014 and 2013, respectively. The liability related to long-term investments held for related parties is included under the caption “Due from related parties” or “Due to related parties” on the accompanying consolidated statements of financial position.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(Dollars in thousands)

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, 2014 and 2013, 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.

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Money market accounts	$ 476	$ -	$ -	$ 476
Long-term investments				
Equity securities				
U.S. large-cap index	-	81,241	-	81,241
U.S. small-cap index	-	10,788	-	10,788
Mutual funds	68,726	-	-	68,726
International index	-	44,463	-	44,463
Defensive U.S. equity	-	576	-	576
Emerging markets	-	19,454	-	19,454
Fixed income securities				
Bond funds	-	100,598	-	100,598
Total long-term investments	68,726	257,120	-	325,846
Long-term investments held for related parties				
Bond fund	-	255	-	255
Total assets at fair value	$ 69,202	$257,375	$ -	$326,577

(Dollars in thousands)

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Money market accounts	$ 22,325	$ -	$ -	$ 22,325
Long-term investments				
Equity securities				
U.S. large-cap index	95,105	-	-	95,105
U.S. mid-cap index	24,126	-	-	24,126
U.S. small-cap index	20,648	-	-	20,648
International index	50,452	-	-	50,452
Fixed income securities				
Corporate bond fund	91,796	-	-	91,796
Total long-term investments	282,127	-	-	282,127
Long-term investments held for related parties				
Corporate bond fund	240	-	-	240
Total assets at fair value	$304,692	$ -	$ -	$304,692

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2014	2013
Grants (net of allowance for doubtful accounts of $290 in 2014 and $632 in 2013)	$ 4,425	$ 7,345
Non-dues revenue general receivables (net of allowance for doubtful accounts of $143 in 2014 and $73 in 2013)	4,313	4,250
Special advances on international grants	2,072	1,938
Royalties	830	693
Mailing list (net of allowance for doubtful accounts of $1 in 2014 and $2 in 2013)	227	239
Tenant improvement reimbursements	-	2,033
Total	$11,867	$16,498

NOTE G - EMPLOYEE BENEFIT PLANS

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

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

The ABA's portion of the Pension Plan expense for the years ended August 31, 2014 and 2013, was $5,525 and $7,609, 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 $597 and $409 for fiscal years 2014 and 2013, respectively.

The funded status of the ABA's portion of the Pension Plan at the measurement dates, August 31, 2014 and 2013, and the accrued pension costs recognized in the ABA's consolidated statements of financial position at August 31, 2014 and 2013, are as follows:

	2014	2013
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$166,935	$183,976
Service cost	1,516	2,066
Interest cost	8,035	7,188
Actuarial loss (gain)	13,504	(20,850)
Benefits paid	(5,966)	(5,445)
Projected benefit obligation at end of year	184,024	166,935
Change in Pension Plan assets		
Fair value of Pension Plan assets at beginning of year	107,436	106,975
Actual return on Pension Plan assets	14,608	4,293
Benefits paid	(5,966)	(5,445)
Employer contributions	4,178	1,613
Fair value of assets at end of year	120,256	107,436
Funded status as of the measurement date	$ (63,768)	$ (59,499)

(Dollars in thousands)

	2014	2013
Components of adjustments to unrestricted net assets		
Unrecognized prior service cost	$ (1,550)	$ (2,522)
Unrecognized net loss	62,149	60,198
Total adjustments to unrestricted net assets	$ 60,599	$ 57,676
Amounts recognized in the consolidated statements of financial position		
Accrued pension liability	$ (63,768)	$ (59,499)
Accumulated benefit obligation	$184,024	$166,935
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.37%	4.91%
Rate of compensation increase	3.35	3.30
Expected return on Pension Plan assets	7.00	7.00
Components of net periodic pension costs		
Service cost	$ 1,516	$ 2,066
Interest cost	8,035	7,188
Actual return on Pension Plan assets	(7,538)	(7,396)
Amortization of net loss	4,485	7,238
Amortization of prior service credit	(973)	(1,487)
Total net periodic pension cost	5,525	7,609
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	4.91%	3.97%
Rate of compensation increase	3.30	3.30
Expected return on Pension Plan assets	7.00	7.00
Components of pension-related changes other than net periodic pension costs are as follows at August 31		
Net loss (gain)	6,435	(17,748)
Amortization of net loss	(4,485)	(7,238)
Amortization of prior service credit	973	1,487
Total pension changes other than net periodic pension costs	2,923	(23,499)
Total net periodic pension cost and pension changes other than net periodic pension cost	$ 8,448	$ (15,890)

(Dollars in thousands)

Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2014 and 2013, is as follows:

	2014	2013
Equity securities		
U.S. equity	16.1%	17.3%
Global Ex U.S.	12.4	6.9
Emerging markets	6.7	12.3
Total equity securities	35.2	36.5
Debt securities		
Fixed income	34.3	28.1
Invested cash	0.4	2.3
Total debt securities	34.7	30.4
Real asset fund	3.4	8.0
Absolute return	13.4	14.3
Equity hedge funds	13.3	10.8
Total	100.0%	100.0%

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

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

(Dollars in thousands)

The fair values of the Pension Plan assets at August 31, 2014 and 2013, by asset category are as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Common stock funds	$ 3,103	$ -	$ -	$ 3,103
Money market funds	-	1,126	-	1,126
Mutual funds				
Fixed	28,004	-	-	28,004
Equity	15,982	-	-	15,982
Collective trust funds				
Fixed	-	13,037	-	13,037
Equity	-	6,783	-	6,783
Limited liability company	-	11,323	-	11,323
Hedge funds	-	39,245	1,653	40,898
Total investments	$47,089	$71,514	$1,653	$120,256

	2013			
	Level 1	Level 2	Level 3	Total
Common stock funds	$ 3,856	$ -	$ -	$ 3,856
Money market funds	-	1,456	-	1,456
Mutual funds				
Fixed	20,857	-	-	20,857
Equity	17,209	-	-	17,209
Collective trust funds				
Fixed	-	9,369	-	9,369
Equity	-	10,677	-	10,677
Limited liability company	-	8,970	-	8,970
Hedge funds	-	28,834	6,208	35,042
Total investments	$41,922	$59,306	$6,208	$107,436

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, 2014:

	Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	$11,323	No lock-up	Monthly	30 days
Collective trust funds				
Fixed	13,037	No lock-up	Daily or monthly	1 - 2 days
Equity	6,783	No lock-up	Monthly	6 - 31 days
Hedge funds	40,898	0 - 24-month lock-up	Monthly, quarterly or annually	30 - 90 days
Total	$72,041			

(Dollars in thousands)

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, 2013:

	Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	$ 8,970	No lock-up	Monthly	45 days
Collective trust funds				
Fixed	9,369	No lock-up	Daily or monthly	1 - 30 days
Equity	10,677	No lock-up	Daily or monthly	1 - 30 days
Hedge funds	35,042	0-24-month lock-up	Daily, monthly or annually	7 - 90 days
Total	$64,058			

Limited liability company - Invests in predominantly U.S. 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. 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 2014, 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:

	2014	2013
Balance at beginning of year	$ 6,208	$ 33,587
Transfers from Level 3 to Level 2	(6,208)	(28,361)
Purchases	1,601	-
Unrealized gains related to instruments still held at the reporting date	52	982
Balance at end of year	$ 1,653	$ 6,208

(Dollars in thousands)

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Committee and the Plan Sponsors, with the assistance of a third-party investment advisor, evaluate the significance of transfers between levels based on the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

At August 31, 2014, it was determined that $6,208 of the total hedge fund investment was fully redeemable. As a result, these investments were transferred from Level 3 to Level 2. At August 31, 2013, these investments were deemed to be Level 3 since they were new to the portfolio and they were not fully redeemable.

Cash Flows

Expected contributions for the fiscal year ending August 31, 2015	$ 5,168
Estimated future benefit payments reflecting expected future service for the fiscal years ending August 31	
2015	$ 7,326
2016	7,876
2017	8,419
2018	8,881
2019	9,315
2020 through 2024	53,527

ABA Thrift Plan

The ABA's expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2014 and 2013, totaled $1,346 and $1,308, respectively. The ABA's expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2014 and 2013, totaled $1,519 and $1,523, respectively.

NOTE H - DEBT

In July 2002, the ABA entered into a variable-rate loan agreement with a financial institution to borrow $8,539, 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 matured on October 1, 2013, and was paid in full. Interest expense for the years ended August 31, 2014 and 2013, totaled $-0- and $7, respectively.

(Dollars in thousands)

NOTE I - COMMITMENTS AND CONTINGENCIES

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

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

Future minimum payments under these leases with initial or remaining terms of one year or more and future minimum sublease rental income from related parties as of August 31, 2014, are as follows:

	Minimum lease payments	Minimum sublease rental income	Net minimum lease payments
Fiscal years ending August 31,			
2015	$ 8,333	$ 240	$ 8,093
2016	8,921	250	8,671
2017	9,174	271	8,903
2018	9,475	281	9,194
2019	9,816	282	9,534
Thereafter	72,922	1,121	71,801
Total minimum lease payments	$118,641	$2,445	$116,196

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 $66 and $6,044 in 2014 and 2013, respectively. These contributions are reflected as a leasehold improvement and deferred rent abatement in the accompanying consolidated statements of financial position. The leasehold improvement contribution will be amortized over the lesser of the term of the lease or the useful life of the assets from the time they are put into service. The deferred rent abatement is being accreted over 15.75 years, the term of the lease, and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to $438 and $96 for the years ended August 31, 2014 and 2013, respectively, and the remaining unamortized balance is $5,576 and $5,948 at August 31, 2014 and 2013, respectively.

The Washington Square Lease includes additional rent abatements to be amortized in the future amounting to $3,550 and $3,795 for the years ended August 31, 2014 and 2013, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to $245 and $61 for the years ended August 31, 2014 and 2013, respectively, and the remaining unamortized balance is $4,449 and $1,012 at August 31, 2014 and 2013, respectively, which includes the straight-line impact of escalating rents.

(Dollars in thousands)

In conjunction with the North Clark Lease, the landlord made a contribution for tenant improvements amounting to $10,266 and $980 in 2004 and 2011, respectively. This contribution is reflected as a leasehold improvement and deferred rent abatement in the consolidated statements of financial position. The first leasehold improvement contribution is being amortized over 15 years, the life of the lease, and is included in facilities expense in the accompanying consolidated statements of activities and changes in net assets. The second leasehold improvement contribution is being amortized over 13 years, the life of the lease extension, and is included in facilities expense in the accompanying consolidated statements of activities and changes in net assets. The deferred rent abatement is being accreted over 15 years and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to $760 for the years ended August 31, 2014 and 2013, and the remaining unamortized balance is $4,054 and $4,814 at August 31, 2014 and 2013, respectively.

The North Clark Lease includes additional rent abatements to be amortized in the future amounting to $3,083 and $3,396 for the years ended August 31, 2014 and 2013, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to $313 for the years ended August 31, 2014 and 2013, and the remaining unamortized balance is $7,112 and $6,708 at August 31, 2014 and 2013, respectively, which includes the straight-line impact of escalating rents.

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

	2014	2013
Tenant improvement - rent abatement	$17,356	$17,290
Amortization of abatement on tenant improvements	(7,726)	(6,527)
Rent expense - rent abatement, net	11,561	7,720
Deferred rent abatement	$21,191	$18,483

Rent expense for all operating leases totaled $9,088 and $8,773 for the years ended August 31, 2014 and 2013, 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, 2014 and 2013, totaled $245 and $186, 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.

(Dollars in thousands)

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:

	2014	2013
Programs	$171,071	$169,172
General and administrative	32,092	34,796
Fundraising	1,031	764
Total	$204,194	$204,732

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:

	2014	2013
Fund for Judicial Improvement Projects	$1,938	$1,532
FJE Endowment Fund	1,375	762
Death Penalty Representation Support Fund	272	280
Public Contract Law Education Projects	94	101
Individual Rights and Responsibilities Programs	48	61
Benjamin Civiletti Fund	47	3
Elder Law Education Program	40	-
Library of Congress	38	1
Commission on Law and Aging	35	73
E. Lawrence Barcella Jr. Fund	34	16
Icon of Liberty Under Law - Magna Carta	33	-
State Traffic Court Technology	33	34
IBM Cyber security Legal Task Force	32	42
Francis Shattuck Security/Peace Initiative	28	28
Robert B. Yegge Program	22	23
Diversity - Next Steps	21	23
Addressing State Responsibility for Sexual Violence as a Weapon of War	20	20
Other	212	337
Total	$4,322	$3,336

(Dollars in thousands)

During fiscal years 2014 and 2013, temporarily restricted net assets of $1,331 and $999, 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:

	2014	2013
Litigation Fellows Support Fund	$ 263	$285
Fund for Judicial Improvement Projects	212	91
Commission on Immigration	137	138
Death Penalty Presentation	83	11
Legal Opportunity Scholarship Fund	81	28
Women in Profession	74	31
Commission on Racial and Ethnic Diversity	43	57
Commission on Disability Rights	42	2
Commission on Law and Aging	39	55
Public Education	37	32
Library of Congress	35	-
Magna Carta Memorial Restoration	33	-
AIDS Fundraiser	24	10
Individual Rights and Responsibilities Programs	23	20
Enhanced Grassroots Program	23	-
Pro Bono Military Project	20	65
Other	162	174
Total	$1,331	$999

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:

	2014	2013
FJE Endowment Fund	$3,457	$3,457
Justice Funds	2,113	2,112
Marie Walsh Sharpe Fund	927	927
E. Lawrence Barcella Fund	110	110
Carols Morris Fund for Professional Education	100	100
Erskine M. Ross Fund	100	100
Henry C. Morris Fund	50	50
Other	33	25
Total	$6,890	$6,881

The FJE endowment fund consists of 39 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.

(Dollars in thousands)

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

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$3,351	$6,890	$10,241
Quasi-endowment funds	1,685	-	-	1,685
Total funds	$1,685	$3,351	$6,890	$11,926

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$2,235	$6,881	$ 9,116
Quasi-endowment funds	1,483	-	-	1,483
Total funds	$1,483	$2,235	$6,881	$10,599

Changes in endowment net assets are as follows for the years ended August 31:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2013	$1,483	$2,235	$6,881	$10,599
Investment return				
Net appreciation (realized and unrealized)	202	1,241	-	1,443
Total investment return	202	1,241	-	1,443
Contributions	-	-	9	9
Appropriation of endowment assets for expenditures	-	(125)	-	(125)
Endowment net assets, August 31, 2014	$1,685	$3,351	$6,890	$11,926

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, August 31, 2012	$1,358	$1,491	$6,879	$ 9,728
Investment return				
Investment income	65	275	-	340
Net appreciation (realized and unrealized)	60	523	-	583
Total investment return	125	798	-	923
Contributions	-	-	2	2
Appropriation of endowment assets for expenditures	-	(54)	-	(54)
Endowment net assets, August 31, 2013	$1,483	$2,235	$6,881	$10,599

NOTE L - DISCONTINUED OPERATIONS

On September 15, 2011, the ABA entered into a sales agreement with JBC Funds 740 LLC for the sale of property located at 740 15th Street N.W., Washington, D.C. This sale was completed on December 16, 2011, and led to the dissolution of JOB. As a result of the dissolution of JOB, in 2013, operating revenues in the amount of $5 were reclassified to discontinued operations in the non-operating section of the statement of activities and changes in net assets for comparative presentation purposes. In 2013, an income tax credit of $869 was recognized for overpayment of taxes paid in fiscal 2012 related to the sale of the building.

NOTE M - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2014 through February 6, 2015, the date the consolidated financial statements were available to be issued. During this period, there have been no subsequent events requiring recognition or disclosure in the consolidated financial statements.

DETAILS OF CONSOLIDATION

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

	2014			2013		
ASSETS	American Bar Association	ABA Fund for Justice and Education	Consolidated	American Bar Association	ABA Fund for Justice and Education	Consolidated
ASSETS						
Cash and cash equivalents	$ 12,968	$ 5,169	$ 18,137	$ 24,129	$ 2,264	$ 26,393
Accounts receivable, net	5,154	6,713	11,867	7,152	9,346	16,498
Inventory, net	3,945	97	4,042	3,660	94	3,754
Prepaid and other assets	2,899	75	2,974	3,744	-	3,744
Due from related parties	300	-	300	191	-	191
Long-term investments	313,440	12,406	325,846	270,929	11,198	282,127
Long-term investments held for related parties	255	-	255	240	-	240
Property and equipment						
Furniture and equipment	45,760	15	45,775	40,513	6	40,519
Leasehold improvements	23,887	-	23,887	25,404	-	25,404
Work in progress	125	235	360	3,445	-	3,445
Accumulated depreciation	(52,158)	(7)	(52,165)	(49,631)	(6)	(49,637)
Net property and equipment	17,614	243	17,857	19,731	-	19,731
TOTAL ASSETS	$356,575	$24,703	$381,278	$329,776	$22,902	$352,678

LIABILITIES AND NET ASSETS

	American Bar Association	ABA Fund for Justice and Education	Consolidated	American Bar Association	ABA Fund for Justice and Education	Consolidated
LIABILITIES						
Accounts payable	$ 7,784	$ 529	$ 8,313	$ 10,336	$ 498	$ 10,834
Deferred revenue	52,780	5,293	58,073	55,984	2,538	58,522
Deferred rent abatement	21,191	-	21,191	18,483	-	18,483
Pension liability	63,768	-	63,768	59,499	-	59,499
Other liabilities	8,832	8	8,840	8,143	-	8,143
Debt	-	-	-	79	-	79
Due to related parties	314	-	314	(462)	762	300
Total liabilities	154,669	5,830	160,499	152,062	3,798	155,860
NET ASSETS						
Unrestricted						
Undesignated	86,901	5,976	92,877	66,601	7,403	74,004
Board-designated	115,005	1,685	116,690	111,113	1,484	112,597
Total unrestricted	201,906	7,661	209,567	177,714	8,887	186,601
Temporarily restricted	-	4,322	4,322	-	3,336	3,336
Permanently restricted	-	6,890	6,890	-	6,881	6,881
Total net assets	201,906	18,873	220,779	177,714	19,104	196,818
TOTAL LIABILITIES AND NET ASSETS	$356,575	$24,703	$381,278	$329,776	$22,902	$352,678

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

	2014			
	American Bar Association	ABA Fund for Justice and Education	Consolidated	2013 Consolidated
Unrestricted				
Operating				
Revenues				
Membership dues	$ 71,913	$ -	$ 71,913	$ 72,651
Meeting fees	25,468	1,352	26,820	28,446
Advertising	3,409	-	3,409	3,299
Gifts and grants	7,355	50,992	58,347	60,571
Publications	10,793	383	11,176	11,969
Royalties	8,670	104	8,774	7,870
Accreditation fees	54	3,964	4,018	3,196
Other	2,340	144	2,484	2,856
Investment income for operations	7,293	-	7,293	7,685
Designated reserve for operations	8,810	-	8,810	6,480
Net assets released from restrictions	-	1,331	1,331	999
Total operating revenues	146,105	58,270	204,375	206,022
Expenses				
Salaries, wages and benefits	67,354	28,237	95,591	96,314
Professional fees and services	10,991	14,901	25,892	23,976
Meetings and travel	29,250	9,946	39,196	38,601
Advertising and marketing	3,763	34	3,797	3,216
Printing and publications	11,867	843	12,710	12,781
Facilities	16,238	4,930	21,168	22,812
General operations	1,398	4,442	5,840	7,032
Total operating expenses	140,861	63,333	204,194	204,732
Interfund transfers	3,469	(3,469)	-	-
Total operating expenses and transfers	144,330	59,864	204,194	204,732
Excess operating revenues over (under) expenses after transfers	1,775	(1,594)	181	1,290
Non-operating				
Investment income and realized and unrealized gains, net	34,331	368	34,699	19,784
Pension changes other than net periodic pension cost	(2,923)	-	(2,923)	23,499
Designated reserve for operations	(8,810)	-	(8,810)	(6,480)
Other non-operating items	(181)	-	(181)	621
Total non-operating	22,417	368	22,785	37,424
Change in unrestricted net assets	24,192	(1,226)	22,966	38,714
Temporarily restricted				
Gifts and pledges	-	1,076	1,076	876
Investment income	-	1,241	1,241	798
Net assets released from restrictions	-	(1,331)	(1,331)	(999)
Change in temporarily restricted net assets	-	986	986	675
Permanently restricted				
Gifts and pledges	-	9	9	2
Change in permanently restricted net assets	-	9	9	2
CHANGE IN TOTAL NET ASSETS	24,192	(231)	23,961	39,391
Net assets at beginning of year	177,714	19,104	196,818	157,427
Net assets at end of year	$201,906	$18,873	$220,779	$196,818

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

	2014				
	General operations	Sections	Grants/gifts	Consolidated	2013 Consolidated
Unrestricted					
Operating					
Revenues					
Membership dues	$ 58,125	$ 13,788	$ -	$ 71,913	$ 72,651
Meeting fees	6,493	19,533	794	26,820	28,446
Advertising	3,035	374	-	3,409	3,299
Gifts and grants	16,581	6,149	35,617	58,347	60,571
Publications	3,698	7,343	135	11,176	11,969
Royalties	7,128	1,555	91	8,774	7,870
Accreditation fees	3,889	54	75	4,018	3,196
Other	2,087	291	106	2,484	2,856
Investment income for operations	5,839	1,454	-	7,293	7,685
Designated reserve for operations	8,810	-	-	8,810	6,480
Net assets released from restrictions	48	-	1,283	1,331	999
Section service fees	342	(342)	-	-	-
Total operating revenues	116,075	50,199	38,101	204,375	206,022
Expenses					
Salaries, wages and benefits	73,050	9,723	12,818	95,591	96,314
Professional fees and services	8,837	2,756	14,299	25,892	23,976
Meetings and travel	8,778	22,945	7,473	39,196	38,601
Advertising and marketing	3,193	603	1	3,797	3,216
Printing and publications	5,383	7,014	313	12,710	12,781
Facilities	15,029	3,678	2,461	21,168	22,812
General operations	(3,676)	7,024	2,492	5,840	7,032
Total operating expenses	110,594	53,743	39,857	204,194	204,732
Interfund/intrafund transfers	941	(1,346)	405	-	-
Total operating expenses and transfers	111,535	52,397	40,262	204,194	204,732
Excess operating revenues over (under) expenses after transfers	4,540	(2,198)	(2,161)	181	1,290
Non-operating and discontinued operations					
Investment income and realized and unrealized gains	20,850	13,481	368	34,699	19,784
Pension changes other than net periodic pension costs	(2,923)	-	-	(2,923)	23,499
Designated reserve for operations	(8,810)	-	-	(8,810)	(6,480)
Other non-operating items	(162)	(19)	-	(181)	621
Total non-operating and discontinued operations	8,955	13,462	368	22,785	37,424
Change in unrestricted net assets	13,495	11,264	(1,793)	22,966	38,714
Temporarily restricted					
Gifts and pledges	61	-	1,015	1,076	876
Investment income	-	-	1,241	1,241	798
Net assets released from restrictions	(48)	-	(1,283)	(1,331)	(999)
Change in temporarily restricted net assets	13	-	973	986	675
Permanently restricted					
Gifts and pledges	-	-	9	9	2
Change in permanently restricted net assets	-	-	9	9	2
CHANGE IN TOTAL NET ASSETS	13,508	11,264	(811)	23,961	39,391
Net assets at beginning of year	79,036	98,326	19,456	196,818	157,427
Net assets at end of year	$ 92,544	$109,590	$18,645	$220,779	$196,818

OTHER INFORMATION (UNAUDITED)

American Bar Association
ORGANIZATIONAL DATA
Year ended August 31, 2014

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.

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President - Elect	William C. Hubbard
Immediate Past President	Laurel G. Bellows
Chair, House of Delegates	Robert M. Carlson
Secretary	Cara Lee T. Neville
Treasurer	Lucian T. Pera
Executive Director	Jack L. Rives

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