



**Consolidated Financial Statements, Report of
Independent Certified Public Accountants and Single
Audit Reports**

American Bar Association

August 31, 2015 and 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2015 and 2014, 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.

Other matters

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. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 5, 2016, on our consideration of the ABA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABA's internal control over financial reporting and compliance.

Grant Thornton LLP

Chicago, Illinois
February 5, 2016

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

ASSETS	2015	2014
ASSETS		
Cash and cash equivalents	\$ 7,065	\$ 18,137
Accounts receivable, net	14,449	11,867
Inventory, net	3,782	4,042
Prepaid and other assets	2,478	2,974
Due from related parties	353	300
Long-term investments	304,275	325,846
Long-term investments held for a related party	258	255
Property and equipment		
Furniture and equipment	46,080	45,775
Leasehold improvements	23,907	23,887
Work in progress	899	360
Accumulated depreciation	<u>(55,404)</u>	<u>(52,165)</u>
Property and equipment, net	<u>15,482</u>	<u>17,857</u>
TOTAL ASSETS	<u>\$348,142</u>	<u>\$381,278</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,721	\$ 8,313
Deferred revenue	54,718	58,073
Deferred rent abatement	20,646	21,191
Pension liability	79,025	63,768
Other liabilities	9,122	8,840
Due to related parties	<u>318</u>	<u>314</u>
Total liabilities	173,550	160,499
NET ASSETS		
Unrestricted		
Undesignated	51,306	92,877
Board-designated	<u>111,911</u>	<u>116,690</u>
Total unrestricted	163,217	209,567
Temporarily restricted	4,318	4,322
Permanently restricted	<u>7,057</u>	<u>6,890</u>
Total net assets	<u>174,592</u>	<u>220,779</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$348,142</u>	<u>\$381,278</u>

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)

	<u>2015</u>	<u>2014</u>
Unrestricted net assets		
Operating		
Revenues		
Membership dues	\$ 74,062	\$ 71,913
Meeting fees	27,944	26,820
Advertising	3,414	3,409
Gifts and grants	59,868	58,347
Publications	8,464	11,176
Royalties	9,117	8,774
Accreditation fees	4,496	4,018
Other	1,667	2,484
Investment income for operations	10,037	7,293
Designated reserve for operations	-	8,810
Net assets released from restrictions	<u>1,570</u>	<u>1,331</u>
Total operating revenues	200,639	204,375
Expenses		
Salaries, wages and benefits	98,036	95,591
Professional fees and services	30,475	25,892
Meetings and travel	42,909	39,196
Advertising and marketing	3,277	3,797
Printing and publications	12,038	12,710
Facilities	22,020	21,168
General operations	<u>6,661</u>	<u>5,840</u>
Total operating expenses	<u>215,416</u>	<u>204,194</u>
(Deficiency) excess operating revenues over expenses	(14,777)	181
Non-operating items		
Investment income and realized and unrealized (losses) gains, net	(16,976)	34,699
Pension changes other than net periodic pension cost	(13,731)	(2,923)
Designated reserve for operations	-	(8,810)
Other non-operating items	<u>(866)</u>	<u>(181)</u>
Total non-operating items	<u>(31,573)</u>	<u>22,785</u>
Change in unrestricted net assets	(46,350)	22,966

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

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets		
Gifts and pledges	\$ 1,815	\$ 1,076
Investment (loss) income	(249)	1,241
Net assets released from restrictions	<u>(1,570)</u>	<u>(1,331)</u>
Change in temporarily restricted net assets	(4)	986
Permanently restricted net assets		
Gifts and pledges	<u>167</u>	<u>9</u>
Change in permanently restricted net assets	<u>167</u>	<u>9</u>
CHANGE IN TOTAL NET ASSETS	(46,187)	23,961
Net assets at beginning of year	<u>220,779</u>	<u>196,818</u>
Net assets at end of year	<u>\$174,592</u>	<u>\$220,779</u>

The accompanying notes are an integral part of these statements.

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

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in total net assets	\$(46,187)	\$ 23,961
Adjustments to reconcile change in total net assets to net cash used in operating activities		
Depreciation expense	3,239	2,787
Realized and change in unrealized (losses) gains from investing activities	7,065	(42,470)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(2,582)	4,631
Decrease (increase) in inventory	260	(288)
Decrease in prepaid and other assets	496	770
Increase in investments held for related parties	(3)	(15)
Increase in due to/from related parties, net	(49)	(95)
Increase (decrease) in accounts payable	1,408	(2,521)
Decrease in deferred revenue	(3,355)	(449)
(Decrease) increase in deferred rent abatement	(545)	2,708
Increase in pension liability	15,257	4,269
Increase in other liabilities	<u>282</u>	<u>697</u>
Net cash used in operating activities	(24,714)	(6,015)
Cash flows from investing activities		
Sales of investments	65,192	306,928
Purchases of investments	(50,686)	(308,176)
Purchases of property and equipment	<u>(864)</u>	<u>(914)</u>
Net cash provided by (used in) investing activities	13,642	(2,162)
Cash flows from financing activities		
Proceeds from borrowings on short-term debt	8,000	-
Principal payments on short-term debt	<u>(8,000)</u>	<u>(79)</u>
Net cash used in financing activities	<u>-</u>	<u>(79)</u>
Decrease in cash and cash equivalents	(11,072)	(8,256)
Cash and cash equivalents at beginning of year	<u>18,137</u>	<u>26,393</u>
Cash and cash equivalents at end of year	<u>\$ 7,065</u>	<u>\$ 18,137</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 25	\$ -
Cash (refunded) paid for income taxes	(408)	100

The accompanying notes are an integral part of these statements.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2015 and 2014
(Dollars in thousands)

NOTE A - ORGANIZATION

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

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

- Permanently restricted net assets are assets subject to donor-imposed restrictions that do not expire over time or cannot be removed or satisfied by the entity itself.
- Temporarily restricted net assets are assets with donor restrictions that expire with the passage of time, the occurrence of an event or the fulfillment of certain conditions. Earnings related to temporarily restricted net assets are recorded as temporarily restricted net assets until amounts are expensed in accordance with the donor's specified purposes. When donor restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as "net assets released from restrictions."

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

- 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 of Governors (the Board) retains control over these net assets and may, at its discretion, subsequently use the net assets for other purposes.

Cash and Cash Equivalents

Cash equivalents include money market funds with underlying securities having a dollar-weighted average maturity of 90 days or less at the time of purchase. The ABA can liquidate shares of the fund at any time without cost. The ABA had deposits in excess of federally insured limits at August 31, 2015 and 2014. 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 \$475 and \$476 in 2015 and 2014, 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 \$3,830 and \$3,530 in 2015 and 2014, 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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

Property and Equipment

The ABA records leasehold improvements, furniture and equipment at cost and capitalizes acquisitions of such items having an initial cost of \$5 or more. Acquisitions with a cost of less than \$5 are expensed in the current period. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets ranging from 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, and accounts payable. 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 \$-0- and \$8,810 for the fiscal years 2015 and 2014, 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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

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 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes.

Adoption of New Accounting Standards

In April 2015, the Financial Accounting Standard Board (FASB) issued Accounting Standards Updated (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the NAV practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy and related disclosures. This ASU requires presentation of the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. The ASU is effective for the ABA for fiscal year ending August 31, 2017. However, early adoption is permitted, and the ABA adopted the ASU for fiscal year ending

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

August 31, 2015, with retrospective application. The revised disclosures are included in notes E and G to the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for the ABA for fiscal year 2020 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

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 \$3,012 and \$3,365 to the ABA in 2015 and 2014, respectively. The FJE contributed \$225 to the National Judicial College in 2015 and 2014. The ABA held \$258 and \$255 in long-term investments for the National Judicial College in 2015 and 2014, respectively. In addition, the ABA's expenses were reduced by \$1,551 and \$1,926 in 2015 and 2014, respectively, for expense reimbursements received from the following related organizations:

	<u>2015</u>	<u>2014</u>
ABA Retirement Funds	\$1,039	\$1,022
American Bar Endowment	231	335
National Judicial College	50	346
American Bar Foundation	56	75
American Bar Insurance	86	77
National Association of Women Lawyers	38	39
National Association of Bar Executives	22	16
National Conference of Bar Presidents	<u>29</u>	<u>16</u>
Total	<u>\$1,551</u>	<u>\$1,926</u>

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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

NOTE D - INVESTMENTS

The ABA's consolidated long-term investments (excluding cash equivalents and long-term investments held for related parties) at August 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Equity securities	\$197,241	\$225,248
Fixed income	100,662	100,598
Other investments	<u>6,372</u>	<u>-</u>
Total long-term investments	<u>\$304,275</u>	<u>\$325,846</u>

Investment returns in each net asset category for the years ended August 31, 2015 and 2014, were as follows:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends, net of management fees	\$ (69)	\$ (54)	\$ (123)
Realized gains, net	6,740	179	6,919
Unrealized losses in market value, net	<u>(13,610)</u>	<u>(374)</u>	<u>(13,984)</u>
Total investment return	<u>\$ (6,939)</u>	<u>\$ (249)</u>	<u>\$ (7,188)</u>
	<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Interest and dividends, net of management fees	\$ 763	\$ (27)	\$ 736
Realized gains, net	29,542	827	30,369
Unrealized gains in market value, net	<u>11,687</u>	<u>441</u>	<u>12,128</u>
Total investment return	<u>\$41,992</u>	<u>\$1,241</u>	<u>\$43,233</u>

On an annual basis, the Board may approve the allocation of investment income to operating revenue. Investment income allocated to operations in 2015 and 2014 totaled \$10,037 and \$7,293, respectively. The allocated amount includes all short-term investment income earned and a percentage of the average balance of the long-term investments for a prior 12-quarter period. Investment returns on long-term investments, excluding the return on long-term investments allocated to operations, are recorded as a non-operating activity and totaled \$(16,976) and \$34,699 for fiscal years 2015 and 2014, respectively.

The ABA pays management fees to various fund managers that are netted against investment income. Management fees were \$1,400 and \$723 for fiscal years 2015 and 2014, 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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

In determining fair value, the ABA uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. Financial assets carried at fair value at August 31, 2015 and 2014, were classified in the tables below.

	2015		2014	
	Level 1	Total	Level 1	Total
Cash and cash equivalents				
Money market accounts	\$ 475	\$ 475	\$ 476	\$ 476
Long-term investments				
Limited liability company				
Fixed (measured at NAV)	-	100,920	-	100,598
Equity (measured at NAV)	-	135,707	-	156,522
Other (measured at NAV)	-	6,372	-	-
Mutual funds				
Equity	<u>61,276</u>	<u>61,276</u>	<u>68,726</u>	<u>68,726</u>
Total long-term investments	61,276	304,275	68,726	325,846
Long-term investments held for related parties				
Limited liability company				
Equity (measured at NAV)	-	258	-	255
Total assets at fair value	<u>\$61,751</u>	<u>\$305,008</u>	<u>\$69,202</u>	<u>\$326,577</u>

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(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:

	2015 Fair value	2014 Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company					
Fixed	\$100,920	\$100,598	No lock-up	Daily	1 - 7 days
Equity	135,965	156,577	No lock-up	Daily	1 day
Other	<u>6,372</u>	<u>-</u>	No lock-up	Daily	1 day
Total	<u>\$243,257</u>	<u>\$257,175</u>			

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

NOTE F - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at August 31:

	2015	2014
Grants (net of allowance for doubtful accounts of \$324 in 2015 and \$290 in 2014)	\$ 6,422	\$ 4,425
Non-dues revenue general receivables (net of allowance for doubtful accounts of \$689 in 2015 and \$143 in 2014)	4,830	4,313
Special advances on international grants	2,241	2,072
Royalties	724	830
Mailing list (net of allowance for doubtful accounts of \$-0- in 2015 and \$1 in 2014)	<u>232</u>	<u>227</u>
Total	<u>\$14,449</u>	<u>\$11,867</u>

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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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(Dollars in thousands)

In April 2015, the ABA Board of Governors approved an amendment to allow lump sum settlements to former employees with vested pension benefits in the Pension Plan. The election period ended on October 31, 2015, and, as of that date, 340 people elected a lump sum distribution in the amount of \$22,740. These payments were disbursed in December 2015. The acceleration of the pension payments will result in a settlement charge. As such, the already recognized expense will be reclassified from non-operating to operating expenses in fiscal 2016.

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

The ABA's portion of the Pension Plan expense for the years ended August 31, 2015 and 2014, was \$6,694 and \$5,525, respectively. Effective January 1, 2011, the Pension Plan was amended to reduce the plan benefit formula with the intent that the expected cost of ABA's future accrual would approximate 5% of total participants' pay.

The Pension Plan pays management fees to various fund managers that are netted against investment income. These management fees are in support of the Pension Plan as a whole, which also supports some ABA-related parties. The management fees were \$1,901 and \$597 for fiscal years 2015 and 2014, respectively.

The funded status of the ABA's portion of the Pension Plan at the measurement dates, August 31, 2015 and 2014, and the accrued pension costs recognized in the ABA's consolidated statements of financial position at August 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$184,024	\$166,935
Service cost	1,622	1,516
Interest cost	7,883	8,035
Actuarial loss	6,630	13,504
Plan amendment	(72)	-
Benefits paid	<u>(6,493)</u>	<u>(5,966)</u>
Projected benefit obligation at end of year	193,594	184,024
Change in Pension Plan assets		
Fair value of Pension Plan assets at beginning of year	120,256	107,436
Actual return on Pension Plan assets	(4,361)	14,608
Benefits paid	(6,493)	(5,966)
Employer contributions	<u>5,167</u>	<u>4,178</u>
Fair value of assets at end of year	<u>114,569</u>	<u>120,256</u>
Funded status as of the measurement date	\$ <u>(79,025)</u>	\$ <u>(63,768)</u>

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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	<u>2015</u>	<u>2014</u>
Components of adjustments to unrestricted net assets		
Unrecognized prior service cost	\$ (1,270)	\$ (1,550)
Unrecognized net loss	<u>75,600</u>	<u>62,149</u>
Total adjustments to unrestricted net assets	<u>\$ 74,330</u>	<u>\$ 60,599</u>
Amounts recognized in the consolidated statements of financial position		
Pension liability	\$ <u>(79,025)</u>	\$ <u>(63,768)</u>
Accumulated benefit obligation	<u>\$193,594</u>	<u>\$184,024</u>
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.47%	4.37%
Rate of compensation increase	3.31	3.35
Expected return on Pension Plan assets	7.00	7.00
Components of net periodic pension costs		
Service cost	\$ 1,622	\$ 1,516
Interest cost	7,883	8,035
Expected return on Pension Plan assets	(8,090)	(7,538)
Amortization of net loss	5,630	4,485
Amortization of prior service credit	<u>(351)</u>	<u>(973)</u>
Total net periodic pension cost	<u>\$ 6,694</u>	<u>\$ 5,525</u>
Weighted-average assumptions used to determine net periodic benefit cost		
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 pension-related changes other than net periodic pension costs are as follows at August 31		
Net loss	19,082	6,435
Prior service credit	(72)	-
Amortization of net loss	(5,630)	(4,485)
Amortization of prior service credit	<u>351</u>	<u>973</u>
Total pension changes other than net periodic pension costs	<u>13,731</u>	<u>2,923</u>
Total net periodic pension cost and pension changes other than net periodic pension cost	<u>\$ 20,425</u>	<u>\$ 8,448</u>

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
Equity securities		
U.S. equity	15.4%	16.1%
Global Ex U.S.	12.0	12.4
Emerging markets	<u>5.3</u>	<u>6.7</u>
Total equity securities	32.7	35.2
Debt securities		
Fixed income	34.9	34.3
Invested cash	<u>1.0</u>	<u>0.4</u>
Total debt securities	35.9	34.7
Real asset fund	1.8	3.4
Absolute return	15.7	13.4
Equity hedge funds	<u>13.9</u>	<u>13.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
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The fair values of the Pension Plan assets at August 31, 2015 and 2014, by asset category were as follows:

	2015		2014	
	Level 1	Total	Level 1	Total
Common stock funds	\$ 2,010	\$ 2,010	\$ 3,103	\$ 3,103
Money market funds (measured at NAV)	-	9,083	-	1,126
Mutual funds				
Fixed	33,915	33,915	28,004	28,004
Equity	13,344	13,344	15,982	15,982
Collective trust funds				
Fixed (measured at NAV)	-	5,015	-	13,037
Equity (measured at NAV)	-	5,758	-	6,783
Limited liability company (measured at NAV)	-	8,625	-	11,323
Hedge funds (measured at NAV)	-	<u>36,818</u>	-	<u>40,898</u>
Total investments	<u>\$49,269</u>	<u>\$114,568</u>	<u>\$47,089</u>	<u>\$120,256</u>

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:

	2015 Fair value	2014 Fair value	Restrictions	Redemption frequency	Redemption period
Limited liability company	\$ 8,625	\$11,323	No lock-up	Monthly	100 days
Collective trust funds					
Fixed	5,015	13,037	No lock-up	Daily	1 - 2 days
Equity	5,758	6,783	No lock-up	Monthly	6 - 8 days
Hedge funds	<u>36,818</u>	<u>40,898</u>	0 - 24-month lock-up	Monthly, quarterly or annually	30 - 90 days
Total	<u>\$56,216</u>	<u>\$72,041</u>			

The 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

American Bar Association
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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 2015, the expected long-term rate of return assumption used to determine pension expense is 7.00%.

Cash Flows

Expected contributions for the fiscal year ending August 31, 2016	\$41,710
Estimated future benefit payments reflecting expected future service for the fiscal years ending August 31	
2016	\$35,406
2017	10,516
2018	10,497
2019	10,474
2020	11,216
2021 through 2025	41,710

ABA Thrift Plan

The ABA's expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2015 and 2014, totaled \$1,784 and \$1,346, respectively. The ABA's expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2015 and 2014, totaled \$1,657 and \$1,519, respectively.

NOTE H - DEBT

In May 2015, the ABA entered into a variable rate line of credit agreement with a financial institution to potentially borrow up to \$10,000, which will be used to pay normal operating expenses. Interest charged to the loan will be based on a rate of 115 basis points above the LIBOR Rate. The amount borrowed against the line of credit is due and payable by May 31, 2016, and the interest is due and payable in the month incurred. In April 2015, \$5,000 was drawn against the line of credit and an additional \$3,000 was drawn in June 2015. In July 2015, the full \$8,000 was reimbursed to the financial institution, and the ABA incurred total interest charges of \$23 in fiscal 2015.

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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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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, 2015, were as follows:

<u>Fiscal years ending August 31,</u>	<u>Minimum lease payments</u>	<u>Minimum sublease rental income</u>	<u>Net minimum lease payments</u>
2016	\$ 9,104	\$ 250	\$ 8,854
2017	9,175	271	8,904
2018	9,475	281	9,194
2019	9,816	282	9,534
2020	10,010	435	9,575
Thereafter	<u>62,939</u>	<u>1,403</u>	<u>61,536</u>
Total minimum lease payments	<u>\$110,519</u>	<u>\$2,922</u>	<u>\$107,597</u>

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

In conjunction with the Washington Square Lease, the landlord has made contributions for tenant improvements amounting for \$6,110 in 2014. These contributions are reflected as a leasehold improvement and deferred rent abatement in the accompanying consolidated statements of financial position. The leasehold improvement contribution will be amortized over the lesser of the term of the lease or the useful life of the assets from the time they are put into service. The deferred rent abatement is being accreted over 15.75 years, the term of the lease, and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to \$428 and \$438 for the years ended August 31, 2015 and 2014, respectively, and the remaining unamortized balance is \$5,148 and \$5,576 at August 31, 2015 and 2014, respectively.

The Washington Square Lease includes additional rent abatements to be amortized in the future amounting to \$3,305 and \$3,550 for the years ended August 31, 2015 and 2014, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to \$245 for the years ended August 31, 2015 and 2014, and the remaining unamortized balance is \$4,830 and \$4,449 at August 31, 2015 and 2014, respectively, which includes the straight-line impact of escalating rents.

In conjunction with the North Clark Lease, the landlord made a contribution for tenant improvements amounting to \$10,266 and \$980 in 2004 and 2011, respectively. This contribution is reflected as a leasehold improvement and deferred rent abatement in the consolidated statements of financial position. The first leasehold improvement contribution is being amortized over 15 years, the life of the lease, and is included in facilities expense in the accompanying consolidated statements of activities and changes in net assets. The second leasehold improvement contribution is being amortized over 13 years, the life of the lease extension,

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
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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, 2015 and 2014, and the remaining unamortized balance is \$3,294 and \$4,054 at August 31, 2015 and 2014, respectively.

The North Clark Lease includes additional rent abatements to be amortized in the future amounting to \$2,769 and \$3,083 for the years ended August 31, 2015 and 2014, 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, 2015 and 2014, and the remaining unamortized balance is \$7,374 and \$7,112 at August 31, 2015 and 2014, respectively, which includes the straight-line impact of escalating rents.

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

	<u>2015</u>	<u>2014</u>
Tenant improvement - rent abatement	\$17,356	\$17,356
Amortization of abatement on tenant improvements	(8,912)	(7,726)
Rent expense - rent abatement, net	<u>12,202</u>	<u>11,561</u>
Deferred rent abatement	<u>\$20,646</u>	<u>\$21,191</u>

Rent expense for all operating leases totaled \$9,035 and \$9,088 for the years ended August 31, 2015 and 2014, 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, 2015 and 2014, totaled \$253 and \$245, 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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(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 were as follows for the years ended August 31:

	<u>2015</u>	<u>2014</u>
Programs	\$178,897	\$171,071
General and administrative	35,192	32,092
Fundraising	<u>1,327</u>	<u>1,031</u>
Total	<u>\$215,416</u>	<u>\$204,194</u>

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 were available for the following purposes at August 31:

	<u>2015</u>	<u>2014</u>
Fund for Judicial Improvement Projects	\$1,634	\$1,938
FJE Endowment Fund	1,250	1,378
Death Penalty Representation Support Fund	328	272
Library of Congress STC Program Support Fund	181	37
Public Contract Law Education Projects	85	94
Benjamin Civiletti Fund	70	47
Magna Carta Memorial Restoration	63	-
Individual Rights and Responsibilities Programs	58	48
Spurgeon Professional Elder Law Education Program	45	40
Reform of Adult Guardianship Practice Through Wings	40	-
Tips Fellows Fund	33	19
Commission on Immigration Probar Project	32	-
E. Lawrence Barcella Jr. Fund	30	34
50/50 Anniversary Fund	29	-
Francis Shattuck Security/Peace Initiative	28	28
IBM Cybersecurity Legal Task Force	25	32
Robert B. Yegge Program	22	22
Next Steps	21	21
Addressing State Responsibility for Sexual Violence as a Weapon of War	20	20
Other	<u>324</u>	<u>292</u>
Total	<u>\$4,318</u>	<u>\$4,322</u>

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

During fiscal years 2015 and 2014, temporarily restricted net assets of \$1,570 and \$1,331, respectively, were released to cover program expenses meeting the donor restrictions. Released temporarily restricted net assets consisted of the following for the years ended August 31:

	<u>2015</u>	<u>2014</u>
Litigation Fellows Support Fund	\$ 306	\$ 263
Fund for Judicial Improvement Projects	212	212
Women in Profession	114	74
Commission on Immigration	109	137
Public Education	86	37
Commission on Racial and Ethnic Diversity	69	43
International Street Youth Summit	55	-
International Criminal Court Project	53	-
Library of Congress	53	35
Legal Opportunity Scholarship Fund	42	81
CEELI Committee	41	1
DRC Africa's Legal Scholarship Fund	37	11
Magna Carta Memorial Restoration	37	33
Icon of Liberty Under Law Magna Carta	31	-
AIDS Fundraiser	30	24
State Traffic Court Technology	29	1
Legal Assistance for Military	23	20
Child Welfare	22	-
LNS Conference Workshop	20	-
Other	<u>201</u>	<u>359</u>
Total	<u>\$1,570</u>	<u>\$1,331</u>

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 consisted of the following at August 31:

	<u>2015</u>	<u>2014</u>
FJE Endowment Fund	\$3,457	\$3,457
Justice Funds	2,114	2,113
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
Benjamin Civiletti Fund	90	-
Tax Assistance Public Service Endowment Fund	66	-
Henry C. Morris Fund	50	50
Borchard Foundations Projects	20	10
Other	<u>23</u>	<u>23</u>
Total	<u>\$7,057</u>	<u>\$6,890</u>

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

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.

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

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 was as follows as of August 31:

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$2,921	\$7,057	\$ 9,978
Quasi-endowment funds	<u>3,416</u>	—	—	<u>3,416</u>
Total funds	<u>\$3,416</u>	<u>\$2,921</u>	<u>\$7,057</u>	<u>\$13,394</u>

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ -	\$3,351	\$6,890	\$10,241
Quasi-endowment funds	<u>1,685</u>	—	—	<u>1,685</u>
Total funds	<u>\$1,685</u>	<u>\$3,351</u>	<u>\$6,890</u>	<u>\$11,926</u>

Changes in endowment net assets were as follows:

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

American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2015 and 2014
(Dollars in thousands)

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

NOTE L - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2015 through February 5, 2016, 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, other than the following.

In October 2015, the ABA entered into a variable rate loan agreement with a financial institution to borrow \$40,000, which was contributed to the Pension Plan. Interest charged to the loan will be based on, at the ABA's discretion, either (i) the CB Floating Rate or (ii) the Adjusted LIBO Rate for the Interest Period in effect plus 100 basis points. This loan is secured by the ABA's long term investments. Commencing on December 31, 2015, the ABA shall make \$2,000 in principal installments on the last day of each calendar quarter until the maturity date. The loan agreement matures on September 30, 2020.

DETAILS OF CONSOLIDATION

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

ASSETS	2015			2014		
	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	\$ 5,285	\$ 1,780	\$ 7,065	\$ 12,968	\$ 5,169	\$ 18,137
Accounts receivable, net	5,702	8,747	14,449	5,154	6,713	11,867
Inventory, net	3,702	80	3,782	3,945	97	4,042
Prepaid and other assets	2,447	31	2,478	2,899	75	2,974
Due from related parties	353	-	353	300	-	300
Long-term investments	290,616	13,659	304,275	313,440	12,406	325,846
Long-term investments held for a related party	258	-	258	255	-	255
Property and equipment						
Furniture and equipment	46,065	15	46,080	45,760	15	45,775
Leasehold improvements	23,907	-	23,907	23,887	-	23,887
Work in progress	582	317	899	125	235	360
Accumulated depreciation	(55,394)	(10)	(55,404)	(52,158)	(7)	(52,165)
Property and equipment, net	<u>15,160</u>	<u>322</u>	<u>15,482</u>	<u>17,614</u>	<u>243</u>	<u>17,857</u>
TOTAL ASSETS	<u>\$323,523</u>	<u>\$24,619</u>	<u>\$348,142</u>	<u>\$356,575</u>	<u>\$24,703</u>	<u>\$381,278</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 8,789	\$ 932	\$ 9,721	\$ 7,784	\$ 529	\$ 8,313
Deferred revenue	49,975	4,743	54,718	52,780	5,293	58,073
Deferred rent abatement	20,646	-	20,646	21,191	-	21,191
Pension liability	79,025	-	79,025	63,768	-	63,768
Other liabilities	9,116	6	9,122	8,832	8	8,840
Due to related parties	<u>318</u>	<u>-</u>	<u>318</u>	<u>314</u>	<u>-</u>	<u>314</u>
Total liabilities	167,869	5,681	173,550	154,669	5,830	160,499
NET ASSETS						
Unrestricted						
Undesignated	47,158	4,148	51,306	86,901	5,976	92,877
Board-designated	<u>108,495</u>	<u>3,416</u>	<u>111,911</u>	<u>115,005</u>	<u>1,685</u>	<u>116,690</u>
Total unrestricted	155,653	7,564	163,217	201,906	7,661	209,567
Temporarily restricted	-	4,318	4,318	-	4,322	4,322
Permanently restricted	<u>-</u>	<u>7,057</u>	<u>7,057</u>	<u>-</u>	<u>6,890</u>	<u>6,890</u>
Total net assets	<u>155,653</u>	<u>18,939</u>	<u>174,592</u>	<u>201,906</u>	<u>18,873</u>	<u>220,779</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$323,522</u>	<u>\$24,620</u>	<u>\$348,142</u>	<u>\$356,575</u>	<u>\$24,703</u>	<u>\$381,278</u>

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

	2015		Consolidated	2014 Consolidated
	American Bar Association	ABA Fund for Justice and Education		
Unrestricted				
Operating				
Revenues				
Membership dues	\$ 74,062	\$ -	\$ 74,062	\$ 71,913
Meeting fees	26,934	1,010	27,944	26,820
Advertising	3,414	-	3,414	3,409
Gifts and grants	8,149	51,719	59,868	58,347
Publications	8,081	383	8,464	11,176
Royalties	8,850	267	9,117	8,774
Accreditation fees	4,119	377	4,496	4,018
Other	1,483	184	1,667	2,484
Investment income for operations	10,035	2	10,037	7,293
Designated reserve for operations	-	-	-	8,810
Net assets released from restrictions	-	1,570	1,570	1,331
Total operating revenues	145,127	55,512	200,639	204,375
Expenses				
Salaries, wages and benefits	72,840	25,196	98,036	95,591
Professional fees and services	12,685	17,790	30,475	25,892
Meetings and travel	33,116	9,793	42,909	39,196
Advertising and marketing	3,247	30	3,277	3,797
Printing and publications	11,301	737	12,038	12,710
Facilities	17,096	4,924	22,020	21,168
General operations	2,660	4,001	6,661	5,840
Total operating expenses	152,945	62,471	215,416	204,194
Interfund transfers	7,751	(7,751)	-	-
Total operating expenses and transfers	160,696	54,720	215,416	204,194
Excess operating revenues (under) over expenses after transfers	(15,569)	792	(14,777)	181
Non-operating				
Investment income and realized and unrealized (losses) gains, net	(16,936)	(40)	(16,976)	34,699
Pension changes other than net periodic pension cost	(13,731)	-	(13,731)	(2,923)
Designated reserve for operations	-	-	-	(8,810)
Other non-operating items	(17)	(849)	(866)	(181)
Total non-operating	(30,684)	(889)	(31,573)	22,785
Change in unrestricted net assets	(46,253)	(97)	(46,350)	22,966
Temporarily restricted				
Gifts and pledges	-	1,815	1,815	1,076
Investment income	-	(249)	(249)	1,241
Net assets released from restrictions	-	(1,570)	(1,570)	(1,331)
Change in temporarily restricted net assets	-	(4)	(4)	986
Permanently restricted				
Gifts and pledges	-	167	167	9
Change in permanently restricted net assets	-	167	167	9
CHANGE IN TOTAL NET ASSETS	(46,253)	66	(46,187)	23,961
Net assets at beginning of year	201,906	18,873	220,779	196,818
Net assets at end of year	\$155,653	\$18,939	\$174,592	\$220,779

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

	2015				2014
	General operations	Sections	Grants/gifts	Consolidated	Consolidated
Unrestricted					
Operating					
Revenues					
Membership dues	\$ 61,105	\$ 12,957	\$ -	\$ 74,062	\$ 71,913
Meeting fees	7,337	19,824	783	27,944	26,820
Advertising	2,849	565	-	3,414	3,409
Gifts and grants	15,217	6,696	37,955	59,868	58,347
Publications	2,978	5,393	93	8,464	11,176
Royalties	7,389	1,473	255	9,117	8,774
Accreditation fees	469	4,027	-	4,496	4,018
Other	1,471	102	94	1,667	2,484
Investment income for operations	8,750	1,285	2	10,037	7,293
Designated reserve for operations	-	-	-	-	8,810
Net assets released from restrictions	32	-	1,538	1,570	1,331
Section service fees	<u>342</u>	<u>(342)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	107,939	51,980	40,720	200,639	204,375
Expenses					
Salaries, wages and benefits	75,216	11,048	11,772	98,036	95,591
Professional fees and services	10,176	3,157	17,142	30,475	25,892
Meetings and travel	9,957	25,091	7,861	42,909	39,196
Advertising and marketing	2,804	472	1	3,277	3,797
Printing and publications	5,342	6,427	269	12,038	12,710
Facilities	15,128	4,253	2,639	22,020	21,168
General operations	<u>(4,360)</u>	<u>8,179</u>	<u>2,842</u>	<u>6,661</u>	<u>5,840</u>
Total operating expenses	114,263	58,627	42,526	215,416	204,194
Interfund/intrafund transfers	<u>1,981</u>	<u>1,426</u>	<u>(3,407)</u>	<u>-</u>	<u>-</u>
Total operating expenses and transfers	116,244	60,053	39,119	215,416	204,194
Excess operating revenues (under) over expenses after transfers	(8,305)	(8,074)	1,602	(14,777)	181
Non-operating					
Investment income and realized and unrealized (losses) gains, net	(14,140)	(2,798)	(38)	(16,976)	34,699
Pension changes other than net periodic pension costs	(13,731)	-	-	(13,731)	(2,923)
Designated reserve for operations	-	-	-	-	(8,810)
Other non-operating items	<u>22</u>	<u>(40)</u>	<u>(848)</u>	<u>(866)</u>	<u>(181)</u>
Total non-operating	(27,849)	(2,838)	(886)	(31,573)	22,785
Change in unrestricted net assets	(36,154)	(10,912)	716	(46,350)	22,966
Temporarily restricted					
Gifts and pledges	(16)	-	1,831	1,815	1,076
Investment income	-	-	(249)	(249)	1,241
Net assets released from restrictions	<u>(25)</u>	<u>-</u>	<u>(1,545)</u>	<u>(1,570)</u>	<u>(1,331)</u>
Change in temporarily restricted net assets	(41)	-	37	(4)	986
Permanently restricted					
Gifts and pledges	<u>-</u>	<u>-</u>	<u>167</u>	<u>167</u>	<u>9</u>
Change in permanently restricted net assets	-	-	167	167	9
CHANGE IN TOTAL NET ASSETS	(36,195)	(10,912)	920	(46,187)	23,961
Net assets at beginning of year	<u>92,544</u>	<u>109,590</u>	<u>18,645</u>	<u>220,779</u>	<u>196,818</u>
Net assets at end of year	<u>\$ 56,349</u>	<u>\$ 98,678</u>	<u>\$19,565</u>	<u>\$174,592</u>	<u>\$220,779</u>

OTHER INFORMATION (UNAUDITED)

**American Bar Association
ORGANIZATIONAL DATA
Year ended August 31, 2015**

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

Officers During 2014 - 2015

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

Board of Governors During 2014 - 2015

Ex-Officio members	The Officers
First District	Wendell G. Large
Second District	Alice A. Bruno
Third District	Thomas R. Curtin
Fourth District	Herbert B. Dixon, Jr.
Fifth District	William Thomas Coplin
Sixth District	David F. Bienvenu
Seventh District	Stephen E. Chappellear
Eighth District	Eduardo Roberto Rodriguez
Ninth District	John S. Skilton
Tenth District	Joseph B. Bluemel
Eleventh District	Jimmy Goodman
Twelfth District	Harry Truman Moore
Thirteenth District	John C. Schulte
Fourteenth District	Laura V. Farber
Fifteenth District	Kenneth G. Standard
Sixteenth District	Timothy W. Bouch
Seventeenth District	Paul T. Moxley
Eighteenth District	Robert T. Gonzales

**American Bar Association
ORGANIZATIONAL DATA - CONTINUED
Year ended August 31, 2015**

Judicial

Member-at-Large

Jodi B. Levin

Section

Members-at-Large

William R. Bay
Donald R. Dunner
Kenneth W. Gideon
Timothy B. Walker
Pamela C. Enslin
David Russell Poe

Minority

Members-at-Large

Ruthe Catolico Ashley
Michael E. Flowers

Women

Members-at-Large

Pamela A. Bresnahan
Marcia Milby Ridings

Young Lawyers

Members-at-Large

William Ferreira
Min K. Cho

Law Student

Member-at-Large

Chloe Raquel Woods

SINGLE AUDIT REPORTS



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS*

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Board of Governors and Management
American Bar Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the American Bar Association (the ABA), which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2016.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the ABA's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the ABA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the ABA's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the ABA's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the ABA's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ABA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois

February 5, 2016



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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Board of Governors and Management
American Bar Association

Report on compliance for each major federal program

We have audited the compliance of the American Bar Association (the ABA) with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. The ABA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the ABA's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the ABA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ABA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the ABA's compliance.

Opinion on each major federal program

In our opinion, the ABA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on internal control over compliance

Management of the ABA is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ABA's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ABA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the ABA's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois
February 5, 2016

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of Justice (DOJ)				
Other programs				
DOJ IJP of San Diego Project	DJJ-13P-EIR01-0124	16.000	\$ (1)	
Violence Against Women OVW Technical Assistance Initiative				
Civil Litigation Skills for Domestic and Sexual Violence Cases	2013-TA-AX-K035	16.526	212	
DOJ Holistic Legal Services For Victims of Domestic and Sexual Violence	2011-TA-AX-K093	16.526	44	
Comprehensive Skills Training for Domestic and Sexual Violence Litigation	2014-TA-AX-K027	16.526	30	
DOJ/OVW Safe Havens Project	2012-TA-AX-K001	16.526	20	
Comprehensive Domestic Violence Course	2009-TA-AX-K006	16.526	(1)	
			305	
National Institute of Justice Research, Evaluation, and Development Project Grants				
Study Collateral Consequences For Criminal Convictions	2009-IJ-CX-0102	16.560	155	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program				
Racial Justice Task Force Pilot Project	2009-DG-BX-K028	16.580	138	
CC and Recording: Administering SAA	2007-TT-BX-K001	16.580	3	
Asia DOJ Regional Anti-Corruption Advisor	2010-D6-BX-K017	16.580	(1)	
			140	
Total Edward Byrne Memorial State and Local Law Enforcement Assistance			140	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of Justice (DOJ) - continued				
Crime Victim Assistance/Discretionary Grants				
DOJ/OVC Action Partnership	2012-VF-GX-K012	16.582	\$ 144	
Edward Byrne Memorial Competitive Grant Program				
DOJ Elder Abuse Pocket Guide	2010-DJ-BX-K078	16.751	93	
NACDL Project (through the Criminal Defense Lawyers)	2013-MU-BX-K014	16.751	60	74-1916258
Total Edward Byrne Memorial Competitive Grant Program			153	
Total DOJ			896	
U.S. Department of State (DOS)				
International Programs to Combat Human Trafficking				
State/Southeast Asia Empowering ASEAN's Efforts to Prevent and Combat Trafficking in Persons	S-SJTIP-13-GR-1001	19.019	217	
State Jordan Strengthening Capacity to Prosecute Trafficking in Persons Cases	S-SJTIP-12-GR-1028	19.019	65	
Regional Research on Tip in Supply Chains in Sub-Saharan Africa	S-SJTIP-14-GR-1042	19.019	18	04-3304538
Total International Programs to Combat Human Trafficking			300	
Iran Assistance Program				
Turkey Enhancing Advocacy and the Defense of Rights	S-NEAAC-14-CA-1005	19.221	768	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
International Programs to Support Democracy, Human Rights and Labor				
State/Regional Judicial Training Institute Needs and Feasibility Assessment Program	S-LMAQM-12-GR-1081	19.345	\$ 849	
State Justice Defenders: Global Program to Support Embattled Local Lawyers	S-LMAQM-11-GR-0575	19.345	700	
China Strengthening Civil Society and Legal Actors to Protect Citizens' Rights	S-LMAQM-13-GR-1125	19.345	623	
Southeast Asia Empowering Internet Freedom in the Global Information Age	S-LMAQM-14-GR-1068	19.345	523	
China Improving the Quality of Criminal Justice in the New Reform	S-LMAQM-14-GR-1084	19.345	466	
Russia Strengthening the Public Oversight and Monitoring Capacity	S-LMAQM-13-GR-1136	19.345	345	
State Moldova National Partnership for Equal Rights	S-LMAQM-13-GR-1024	19.345	270	
State/China Legal Defense, Empowerment and the Rule of Law	S-LMAQM-12-GR-1088	19.345	263	
DRL Guinea Toolkit Sole Source	S-LMAQM-14-GR-1093	19.345	263	
Car Constitutional Reform	12-11251-NCS.M-1002	19.345	252	52-1338892
Pakistan: Protecting Human Rights and Counter Terrorism	S-LMAQM-12-GR-1053	19.345	229	
China Strengthening Civil Society and Legal Actors to Protect LGBT Rights	S-LMAQM-14-GR-1036	19.345	229	
Mali Reconciliation and Justice	S-LMAQM-14-GR-1113	19.345	219	
NDI Russia Empowering the LGBT Community	12-11251-NCS.H-1002	19.345	216	52-1338892
Mauritania Strengthening Civil Society	S-LMAQM-14-GR-1177	19.345	183	
Nigeria Early Warning System	S-LMAQM-13-CA-1168	19.345	148	52-2151557
Nepal Building NGO Capacity for Police Accountability	12-11251-NCS.J-1002	19.345	95	52-1338892
State/NDI Mali Building the Foundations of Transitional Justice	12-11251-NCS.D-1002	19.345	93	
Bahrain/Gulf Freedom of Expression in the Arabian Peninsula Program	S-LMAQM-14-GR-1122	19.345	91	
DRC Early Warning and Response System	12-11251-NCS.N-1002	19.345	90	52-1338892
NDI Singapore LGBT Project	12-11251-NCS.G-1002	19.345	75	52-1338892
DRC Sustaining Civilian Protection Through an Early Warning System	12-11251-NCS.K-1002	19.345	62	52-1338892
NED/Sudan Fostering the Capacity of Lawyers to Engage in Formal Legal Processes	2015-051	19.345	47	52-1344831
Malaysia Protecting Religious Freedom	S-LMAQM-15-GR-1037	19.345	26	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of State (DOS) - continued				
International Programs to Support Democracy, Human Rights and Labor - continued				
NED/Sudan Fostering the Capacity of Lawyers to Engage in Formal Legal Processes	2014-049	19.345	\$ 19	52-1344831
Gender Based Violence Emergency Response and Protection Initiative	S-LMAQM-13-CA-1168	19.345	16	52-2151557
Nigeria LGBT Initiative for Paralegal Services Cost Amendment	HA-1125-12-2	19.345	15	36-1877640
Regional Human Rights Program	12-11251-NCS.L-1002	19.345	15	52-1338892
State Cee Regional Roma	S-LMAQM-10-GR-0603	19.345	(1)	
Dev Local Capacity to Investigate Cases of Mass Violence in North Kivu	S-LMAQM-09-GR-593	19.345	(1)	
State DRC Protecting PR	S-LMAQM-11-GR-0600	19.345	(1)	
China Lawyers, Rights Advocacy And Rule Of Law	S-LMAQM-11-GR-0568	19.345	(1)	
South Sudan Assessment on Human Rights Investigations	12-11251-NCS.I-1002	19.345	(1)	52-1338892
Azerbaijan Supporting Civil Society	12-11251-NCS.F-1002	19.345	(1)	52-1338892
Jordan Repatriation of Domestic Workers	12-11251-NCS.E-1002	19.345	(2)	52-1338892
State/Zambia Judicial Training	S-LMAQM-12-GR-1069	19.345	(2)	
State/NDI Syria Enhancing Regional Human Rights	12-11251-NCS.C-1002	19.345	(2)	52-1338892
Rule Of Law In Vietnam	S-LMAQM-07-GR-137	19.345	(4)	
Total International Programs to Support Democracy, Human Rights and Labor			6,406	
Professional and Cultural Exchange Programs - Citizen Exchanges				
Middle East Partnership Initiative				
Gulf - Continuing Legal Education	S-NEAPI-11-CA-327	19.500	680	
State Morocco Civil Society Empowerment	S-NEAPI-12-CA-043	19.500	435	
State/Libya Supporting the Libyan Transition Through Legal Professional Development	S-NEAPI-13-CA-1019	19.500	498	
Total Middle East Partnership Initiative			1,613	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of State (DOS) - continued				
Overseas Refugee Assistance Programs for Western Hemisphere	S-PRMCO-14-CA-1178	19.518	\$ 91	
Overseas Refugee Assistance Program for Near East and South Asia	S-PRMCO-14-CA-1263	19.519	693	
Criminal Justice Systems				
INL/DRC Women's Justice and Empowerment Initiative	S-INLEC-11-CA-0051	19.703	1,044	
State/INL Russia Anti-Corruption and Criminal Law	S-INLEC-12-CA-0038	19.703	1,014	
INL/Peru Program to Support the Criminal Justice Sector	S-INLEC-12-CA-0016	19.703	940	
State/Mexico Merida Initiative Oral Trial Moot Court	S-INLEC-13-GR-0062	19.703	900	
INL/Haiti Program to Strengthen the Criminal Justice Sector	S-INLEC-12-CA-0022	19.703	809	
State/INL Morocco Anti-Corruption Program	S-INLEC-12-CA-1002	19.703	755	
State/INL Moldova Criminal Law Program	S-INLEC-12-CA-1003	19.703	734	
State/INL Ukraine Judicial Sector Reform	S-INLEC-12-CA-1006	19.703	653	
INL/Center America Strengthen Forensics Capacity	S-INLEC-11-GR-0038	19.703	647	
Central Asia Court Monitoring of Drug Related Criminal Cases	S-INLEC-14-CA-1016	19.703	608	
INL Tajikistan Legal Education Reform Program	S-INLEC-14-CA-0063	19.703	551	
Central African Republic Strengthening the Justice Sector and Combatting Impunity	S-INLEC-14-CA-1036	19.703	464	
State/INL Georgia Judicial Sector Reform	S-INLEC-12-CA-1004	19.703	450	
State/INL Tajikistan Program to Support Legal Reform	S-INLEC-12-CA-0053	19.703	423	
Haiti Judicial Transparency Program	S-INLEC-14-GR-0011	19.703	401	
State/Armenia Criminal Law Reform Program	S-INLEC-12-CA-035	19.703	382	
State Azerbaijan Program to Support the Judiciary and the Rule of Law	S-INLEC-12-CA-0034	19.703	247	
Panama Culture of Lawfulness	S-INLEC-13-CA-0044	19.703	137	
State/INL Serbia Criminal Defense Capacity Program	S-INLEC-12-CA-0043	19.703	137	
INL/Macedonia Defense Bar Program	S-INLEC-11-CA-0050	19.703	128	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of State (DOS) - continued				
Criminal Justice Systems - continued				
Egypt Strengthening Egyptian Prosecutors to Investigate and Prosecute Crime Including SGBV	S-INLEC-14-GR-1020	19.703	\$ 121	
Rule of Law Training Modules for Prosecutors	S-INLEC-14-GR-1011	19.703	98	
Train Panama's Judges and Public Defenders on the Accusatory Justice System	S-PM070-13-CA-511	19.703	69	
State/Panama Training Program for Specialized Police	S-PM070-13-CA-512	19.703	58	
INL/Support the Criminal Justice System in Ecuador	S-INLEC-11-CA-0016	19.703	(19)	
Total Criminal Justice Systems			11,751	
Trans-National Crime	S-INLEC-11-GR-0041	19.705	604	
Total DOS			22,226	
U.S. Department of Transportation (DOT)				
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants				
NHTSA/Judicial Fellowship - Judicial Outreach Liaison	DTNH-22-11-H-00335	20.614	294	
Total DOT			294	
National Endowment for the Humanities (NEH)				
Promotion of the Humanities Public Programs				
NEH/Civility and Free Expression in a Constitutional Democracy - A National Dialogue	MW-50007-12	45.164	(1)	
NEH US Citizenship in the 21st Century	GE-50733-13	45.164	2	
Total NEH			1	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of Health and Human Services (DHHS)				
Special Programs for the Aging Title IV and Title II Discretionary Projects				
Priority IV: Information and Resource Development	90LA0008-03-00	93.048	\$ (2)	
Priority IV: Information and Resource Development	90LA0008-04-00	93.048	118	
Priority III: Legal Training and Case Consultation	90LA0011-01-00	93.048	22	
National Center on Elder Abuse Project	90AB0003-01-00 / 58002280	93.048	3	95-1642394
Total Special Programs for the Aging Title IV and Title II Discretionary Projects			141	
Maternal and Child Health Federal Consolidated Programs	5 UC4MC21529-03-00	93.110	(5)	
State Court Improvement Program	Not known	93.586	4	
Adoption Opportunities				
National Child Welfare Resource Center on Legal and Judicial Issues	90CZ0016/05	93.652	451	
DHHS/Child Welfare Legal and Judicial Issues	90CZ0016/04	93.652	3	
Total Adoption Opportunities			454	
Foster Care Title IV-E				
PA Permanency Barriers Project	Not known	93.658	12	23-1857015
Diakon / Pennsylvania Permanency Barriers Project	Not known	93.658	543	23-1857015
Total Foster Care Title IV-E			555	
Child Abuse and Neglect Discretionary Activities	90CZ0025-01-00	93.670	729	
Total DHHS			1,878	

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Department of Homeland Security (DHS)				
Disaster Legal Services				
FEMA Budget 2014	HSFE80-14-P-0002	97.033	\$ 6	
Total DHS			<u>6</u>	
U.S. Agency for International Development (USAID)				
USAID Foreign Assistance for Programs Overseas				
USAID Philippines Judicial Strengthening to Improve	AID-492-A-00-12-00015	98.001	4,979	
Libya Supporting Consensus Building for the National Dialogue, Constitution and Governing Process	AID-OAA-LA-14-00009	98.001	1,628	
USAID/TAF China Justice Under Rule of Law in Society (through the Asia Foundation)	AID-486-A-12-000010	98.001	1,237	36-6055558
USAID Mexico Judicial Exchanges	AID-523-A-10-00001	98.001	973	
CLE For Young Lawyers In Egypt	263-G-00-06-00064-00	98.001	845	
The Balkans Regional Rule of Law Network Program (through the Freedom House)	AID-OAA-LA-13-00010	98.001	784	52-1095113
USAID Turkey Citizen Capacity and Legal Rights	AID-OAA-A-13-00009	98.001	753	
USAID Kyrgyzstan Support To The Kyrgyzstani Legal Defense Community	AID-176-A-12-00001-00	98.001	628	
Egypt Strengthening the Capacity of the Egyptian Judiciary	AID-263-A-15-00001	98.001	536	13-1656647
USAID Kazakhstan Judicial Independence Program	AID-176-A-12-00011	98.001	506	
IMA - DRC (through the Interchurch Medical Assistance)	AID-623-A-10-00012-00	98.001	197	52-2112460
AID/SCI DRC Protecting Children's Rights (through the Save the Children Foundation)	AID-623-A-12-00018	98.001	194	06-0726487
Guinea Human Rights Paralegal Program	AID-675-A-13-00004	98.001	175	
Mali Human Rights Advocacy	AID-688-LA-15-00001	98.001	152	
Sri Lanka Civil Society Initiatives to Promote the Rule of Law	AID-383-TO-13-00004	98.001	127	13-1656647
USAID/FH Mali Transitional Justice (through the Freedom House)	DFD-A-00-09-00058-05	98.001	64	13-1656647

American Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

Federal grantor agency/program title/pass-through entity/ project description	Agency award number	CFDA number	Federal expenditures	Pass-through ID
U.S. Agency for International Development (USAID) - continued				
USAID Foreign Assistance for Programs Overseas - continued				
Guinea Maternal and Child Survival Program	AIDOAAA1400028/JHPIE GO15SBA035	98.001	\$ 38	
Libya Support to Constitution Drafting Processes (through the Freedom House)	DFD-A-00-09-00058-04	98.001	2	52-1095113
International Medical Corps (through the International Medical Corps)	AID-623-A-10-00013-00	98.001	(2)	95-3949646
USAID/FH Multi Regional Judicial Interventional in Atrocity Prevention (through the Freedom House)	AID-OAA-LA-11-00007	98.001	(3)	52-1095113
Indonesia USAID Tigers with Teeth: Strengthening Legal Advocacy Efforts to Build ASEAN's Regional Human Rights System	AID-497-A-11-00013	98.001	(5)	
Judicial Reform in Philippines 07-09	492-A-00-07-00017-00	98.001	(10)	
AID/Iran Citizen Capacity And Legal Rights Programs	AID-OAA-A-11-00023	98.001	(15)	
Enhancing The Protection And Promotion Of Human Rights In Jordan (through the Freedom House)	AID-278-LA-11-00001	98.001	(23)	52-1095113
Total USAID			13,760	
Total expenditures of federal awards			\$ 39,061	

The accompanying notes are an integral part of this schedule.

American Bar Association
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended August 31, 2015
(In thousands)

NOTE A - SCOPE OF FEDERAL AWARDS

The American Bar Association (the ABA) received federal and state funding through grants and contracts with certain federal and state agencies and subcontracts with various other agencies. All expenditures related to the federal awards are included in the scope of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Expenditures are recorded for program activities and capital purchases in accordance with the terms of the applicable award. Revenues are recognized to the extent of expenditures incurred in the consolidated financial statements of the ABA.

NOTE C - CATEGORIZATION OF EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants that were active during the year. The categorization of expenditures by program included in the schedule of expenditures of federal awards is based on the Catalog of Federal Domestic Assistance (CFDA). In accordance with the ABA's policy, the schedule of expenditures of federal awards for the fiscal year ended August 31, 2015, reflects CFDA changes issued through August 2015.

The ABA has various contracts presented on the schedule of expenditures of federal awards that do not have CFDA numbers assigned. When a CFDA number is not assigned, federal awards from the same agency made for the same purpose are combined and considered one program for purposes of determining major programs.

NOTE D - NON-CASH ASSISTANCE

The ABA did not receive any non-cash assistance from federal awards.

American Bar Association
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

NOTE E - SUBRECIPIENTS

Of the federal expenditures presented in the schedule of expenditures of federal awards, the ABA provided federal awards to a number of subrecipients as follows:

Program Title	Contract Number	CFDA Number	Amount provided to subrecipients
U.S. Department of State (DOS)			
State Jordan Strengthening Capacity to Prosecute Trafficking in Persons Cases	S-SJTIP-12-GR-1028	19.019	\$ (1)
China Strengthening Civil Society And Legal Actors To Protect LGBT Rights	S-LMAQM-14-GR-1036	19.345	69
China Strengthening Civil Society And Legal Actors To Protect Citizens' Rights	S-LMAQM-13-GR-1125	19.345	62
State Moldova National Partnership For Equal Rights	S-LMAQM-13-GR-1024	19.345	54
NDI Singapore LGBT Project	12-11251-NCS.G-1002	19.345	51
State/NDI Mali Building The Foundations Of Transitional Justice	12-11251-NCS.D-1002	19.345	42
Nepal Building NGO Capacity For Police Accountability	12-11251-NCS.J-1002	19.345	36
State Justice Defenders: Global Program To Support Embattled Local Lawyers	S-LMAQM-11-GR-0575	19.345	19
Pakistan: Protecting Human Rights And Counter Terrorism	S-LMAQM-12-GR-1053	19.345	1
Total 19.345			334
State Morocco Civil Society Empowerment	S-NEAPI-12-CA-043	19.500	17
Overseas Refugee Assistance Program for Near East and South Asia	S-PRMCO-14-CA-1263	19.519	65
State/INL Morocco Anti-Corruption Program	S-INLEC-12-CA-1002	19.703	11
State/Armenia Criminal Law Reform Program	S-INLEC-12-CA-035	19.703	15
INL/Macedonia Defense Bar Program	S-INLEC-11-CA-0050	19.703	(6)
Total 19.703			20
Trans-National Crime	S-INLEC-11-GR-0041	19.705	20
Total DOS			455
U.S. Department of Health and Human Services (DHHS)			
National Child Welfare Resource Center On Legal And Judicial Issues	90CZ0016/05	93.652	301
PA Permanency Barriers Project	Not Known	93.658	29
Child Abuse and Neglect Discretionary Activities	90CZ0025-01-00	93.670	297
Total DHHS			627

American Bar Association
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2015
(In thousands)

U.S. Agency for International Development (USAID)			
USAID Philippines Judicial Strengthening To Improve	AID-492-A-00-12-00015	98.001	\$ 1,599
USAID/TAF China Justice Under Rule Of Law In Society	AID-486-A-12-000010	98.001	303
Guinea Human Rights Paralegal Program	AID-675-A-13-00004	98.001	81
USAID Kyrgyzstan Support To The Kyrgyzstani Legal Defense Community	AID-176-A-12-00001-00	98.001	21
IMA - DRC (through the Interchurch Medical Assistance)	AID-623-A-10-00012-00	98.001	4
AID/FH Enhancing The Protection And Promotion Of Human Rights In Jordan	AID-278-LA-11-00001	98.001	4
AID/SCI DRC Protecting Children's Rights	AID-623-A-12-00018	98.001	2
Indonesia USAID Tigers With Teeth: Strengthening Legal Advocacy Efforts To Build ASEAN's Regional Human Rights System	AID-497-A-11-00013	98.001	<u>(3)</u>
Total USAID			<u>2,011</u>
Total			<u>\$ 3,093</u>

**American Bar Association
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended August 31, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	___	Yes	<u> X </u> No
• Significant deficiency(ies) identified?	___	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	___	Yes	<u> X </u> No

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	___	Yes	<u> X </u> No
• Significant deficiency(ies) identified?	___	Yes	<u> X </u> None reported
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___	Yes	<u> X </u> No

Identification of major programs:

<u>CFDA numbers</u>	<u>Name of federal program or cluster</u>
19.500	Middle East Partnership Initiative
19.703	Criminal Justice Systems

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,171,795
Auditee qualified as a low-risk auditee?	<u> X </u> Yes ___ No

American Bar Association
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended August 31, 2015

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.