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

American Bar Association

August 31, 2013 and 2012
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Certified Public Accountants</td>
<td>3</td>
</tr>
<tr>
<td>Consolidated Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statements of financial position</td>
<td>5</td>
</tr>
<tr>
<td>Statements of activities and changes in net assets</td>
<td>6</td>
</tr>
<tr>
<td>Statements of cash flows</td>
<td>8</td>
</tr>
<tr>
<td>Notes to consolidated financial statements</td>
<td>9</td>
</tr>
<tr>
<td>Details of Consolidation</td>
<td></td>
</tr>
<tr>
<td>Details of consolidated statements of financial position</td>
<td>32</td>
</tr>
<tr>
<td>Details of consolidated statements of activities and changes in net assets</td>
<td>33</td>
</tr>
<tr>
<td>Functional details of consolidated statements of activities and changes in net assets</td>
<td>34</td>
</tr>
<tr>
<td>Other Information (Unaudited)</td>
<td></td>
</tr>
<tr>
<td>Organizational data</td>
<td>36</td>
</tr>
<tr>
<td>Single Audit Reports</td>
<td></td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on internal control over financial reporting and on compliance and other matters required by <em>Government Auditing Standards</em></td>
<td>39</td>
</tr>
<tr>
<td>Report of Independent Certified Public Accountants on compliance related to major programs (OMB Circular A-133) and on internal control over compliance</td>
<td>41</td>
</tr>
<tr>
<td>Schedule of expenditures of federal awards</td>
<td>43</td>
</tr>
<tr>
<td>Notes to schedule of expenditures of federal awards</td>
<td>52</td>
</tr>
<tr>
<td>Schedule of findings and questioned costs</td>
<td>56</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Governors
American Bar Association

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, 2013 and 2012, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying details of consolidated statements of financial position, details of consolidated statements of activities and changes in net assets, and functional details of consolidated statements of activities an changes in net assets is presented for purposes of additional analysis, rather than to present the financial position and statement of activities and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards for the year ended August 31, 2013, 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. Such 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 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 7, 2014, 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 Agency’s internal control over financial reporting and compliance.

Chicago, Illinois
February 7, 2014
American Bar Association
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31,

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$26,393,436</td>
<td>$26,142,860</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>16,498,064</td>
<td>16,586,045</td>
</tr>
<tr>
<td>Inventory, net</td>
<td>3,754,118</td>
<td>3,476,778</td>
</tr>
<tr>
<td>Prepaid and other assets</td>
<td>3,743,993</td>
<td>2,510,556</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>190,793</td>
<td>142,231</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>282,126,843</td>
<td>258,557,561</td>
</tr>
<tr>
<td>Long-term investments held for a related party</td>
<td>240,280</td>
<td>244,174</td>
</tr>
</tbody>
</table>

Property and equipment
- Furniture and equipment | 40,519,634 | 39,602,688 |
- Leasehold improvements | 25,404,102 | 22,588,962 |
- Work in progress | 3,444,868 | 2,283,416 |
- Accumulated depreciation | (49,637,725) | (47,802,297) |

Property and equipment, net | 19,730,879 | 16,672,769 |

**TOTAL ASSETS** | **$352,678,406** | **$324,332,974** |

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$10,834,028</td>
<td>$8,526,464</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>58,522,460</td>
<td>60,326,013</td>
</tr>
<tr>
<td>Deferred rent abatement</td>
<td>18,402,606</td>
<td>12,151,691</td>
</tr>
<tr>
<td>Pension liability</td>
<td>59,496,546</td>
<td>77,000,971</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,143,552</td>
<td>7,569,240</td>
</tr>
<tr>
<td>Debt</td>
<td>79,063</td>
<td>1,027,824</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>300,073</td>
<td>304,036</td>
</tr>
</tbody>
</table>

Total liabilities | 155,860,330 | 166,906,139 |

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>74,003,867</td>
<td>47,989,107</td>
</tr>
<tr>
<td>Board-designated</td>
<td>112,596,897</td>
<td>99,897,653</td>
</tr>
</tbody>
</table>

Total unrestricted | 186,600,764 | 147,886,760 |

Temporarily restricted | 3,335,794 | 2,660,557 |

Permanently restricted | 6,881,518 | 6,879,518 |

Total net assets | 196,818,076 | 157,426,835 |

**TOTAL LIABILITIES AND NET ASSETS** | **$352,678,406** | **$324,332,974** |

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,

<table>
<thead>
<tr>
<th>Unrestricted net assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>$ 72,650,906</td>
<td>$ 73,639,404</td>
</tr>
<tr>
<td>Meeting fees</td>
<td>28,446,566</td>
<td>27,203,350</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,299,550</td>
<td>3,477,369</td>
</tr>
<tr>
<td>Gifts and grants</td>
<td>60,570,899</td>
<td>64,735,295</td>
</tr>
<tr>
<td>Publications</td>
<td>11,969,388</td>
<td>11,967,439</td>
</tr>
<tr>
<td>Royalties</td>
<td>7,869,591</td>
<td>7,341,520</td>
</tr>
<tr>
<td>Accreditation fees</td>
<td>3,196,456</td>
<td>2,402,870</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>2,855,956</td>
<td>2,610,381</td>
</tr>
<tr>
<td><strong>Investment income for operations</strong></td>
<td>7,684,852</td>
<td>6,696,656</td>
</tr>
<tr>
<td><strong>Designated reserve for operations</strong></td>
<td>(6,479,680)</td>
<td>(3,730,210)</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>998,581</td>
<td>1,212,644</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>206,022,425</td>
<td>205,017,138</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>96,314,494</td>
<td>92,703,606</td>
</tr>
<tr>
<td>Professional fees and services</td>
<td>23,975,657</td>
<td>25,098,502</td>
</tr>
<tr>
<td>Meetings and travel</td>
<td>38,600,647</td>
<td>41,683,224</td>
</tr>
<tr>
<td>Advertising and marketing</td>
<td>3,215,864</td>
<td>3,353,827</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>12,780,769</td>
<td>14,842,629</td>
</tr>
<tr>
<td>Facilities</td>
<td>22,812,318</td>
<td>20,338,959</td>
</tr>
<tr>
<td>General operations</td>
<td>7,032,432</td>
<td>7,983,714</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>204,732,181</td>
<td>206,004,461</td>
</tr>
<tr>
<td><strong>Excess operating revenues over (under) expenses</strong></td>
<td>1,290,244</td>
<td>(987,323)</td>
</tr>
<tr>
<td><strong>Non-operating and discontinued operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income and realized and unrealized gains, net</td>
<td>19,783,862</td>
<td>16,107,074</td>
</tr>
<tr>
<td>Gain on sale of building</td>
<td>-</td>
<td>42,731,552</td>
</tr>
<tr>
<td>Pension changes other than net periodic pension cost</td>
<td>23,498,579</td>
<td>(26,498,761)</td>
</tr>
<tr>
<td>Designated reserve for operations</td>
<td>(6,479,680)</td>
<td>(3,730,210)</td>
</tr>
<tr>
<td>Other non-operating items</td>
<td>620,999</td>
<td>(3,214,544)</td>
</tr>
<tr>
<td><strong>Total non-operating revenue</strong></td>
<td>37,423,760</td>
<td>25,395,111</td>
</tr>
<tr>
<td><strong>Change in unrestricted net assets</strong></td>
<td>38,714,004</td>
<td>24,407,788</td>
</tr>
</tbody>
</table>
## American Bar Association
### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
### Years ended August 31,

<table>
<thead>
<tr>
<th>Temporary restricted net assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts and pledges</td>
<td>$876,026</td>
<td>$917,455</td>
</tr>
<tr>
<td>Investment income</td>
<td>797,792</td>
<td>785,429</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(998,581)</td>
<td>(1,212,644)</td>
</tr>
</tbody>
</table>

| Change in temporarily restricted net assets | 675,237 | 490,240 |

<table>
<thead>
<tr>
<th>Permanently restricted net assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts and pledges</td>
<td>2,000</td>
<td>162,067</td>
</tr>
</tbody>
</table>

| Change in permanently restricted net assets | 2,000 | 162,067 |

| Change in total net assets | 39,391,241 | 25,060,095 |

| Net assets at beginning of year | 157,426,835 | 132,366,740 |

| Net assets at end of year      | $196,818,076 | $157,426,835 |

The accompanying notes are an integral part of these statements.
American Bar Association  
CONSORTIUM STATEMENTS OF CASH FLOWS  
Years ended August 31,  

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in total net assets</td>
<td>$ 39,391,241</td>
<td>$ 25,060,095</td>
</tr>
<tr>
<td>Adjustments to reconcile net change in total net assets to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,715,420</td>
<td>2,430,111</td>
</tr>
<tr>
<td>Loss (gain) on disposals and sale of property and equipment</td>
<td>144,419</td>
<td>(42,731,552)</td>
</tr>
<tr>
<td>Realized and change in unrealized gains from investing activities</td>
<td>(20,371,505)</td>
<td>(18,067,941)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in accounts receivable</td>
<td>87,981</td>
<td>942,451</td>
</tr>
<tr>
<td>(Increase) decrease in inventory</td>
<td>(277,340)</td>
<td>303,382</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid and other assets</td>
<td>(1,233,437)</td>
<td>21,639</td>
</tr>
<tr>
<td>Decrease (increase) in investments held for related parties</td>
<td>3,894</td>
<td>(19,439)</td>
</tr>
<tr>
<td>(Increase) decrease in due to/ from related parties, net</td>
<td>(52,525)</td>
<td>92,541</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>2,307,564</td>
<td>(1,899,757)</td>
</tr>
<tr>
<td>(Decrease) increase in deferred revenue</td>
<td>(1,803,553)</td>
<td>10,134,623</td>
</tr>
<tr>
<td>Increase in deferred rent abatement</td>
<td>6,330,915</td>
<td>1,129,261</td>
</tr>
<tr>
<td>(Decrease) increase in pension liability</td>
<td>(17,502,323)</td>
<td>25,182,037</td>
</tr>
<tr>
<td>Increase (decrease) in other liabilities</td>
<td>574,312</td>
<td>(2,126,473)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>12,315,063</td>
<td>450,978</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities                                                                |            |            |
| Sales of investments                                                                                  | 13,523,000 | 112,959,138 |
| Purchases of investments                                                                             | (16,720,777) | (170,915,969) |
| Sale of property                                                                                    | -          | 67,127,028  |
| Purchases of property and equipment                                                                  | (7,917,949) | (2,765,670)  |
| Net cash (used in) provided by investing activities                                                  | (11,115,726) | 6,404,527  |

| Cash flows from financing activities                                                                 |            |            |
| Principal payments on long-term debt                                                                | (948,761)  | (8,741,160) |
| Net cash used in financing activities                                                               | (948,761)  | (8,741,160) |
| Increase (decrease) in cash and cash equivalents                                                    | 250,576    | (1,885,655) |
| Cash and cash equivalents at beginning of year                                                       | 26,142,860 | 28,028,515  |
| Cash and cash equivalents at end of year                                                             | $ 26,393,436 | $ 26,142,860 |

Supplemental disclosure of cash flow information                                                      |            |            |
| Cash paid for interest                                                                               | $ 11,707   | $ 1,109,467 |
| Cash paid for income taxes                                                                          | 219,929    | 3,885,000   |

The accompanying notes are an integral part of these statements.
NOTE A - ORGANIZATION

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

The consolidated financial statements of the ABA include the accounts of the ABA, the American Bar Association Fund for Justice and Education (FJE), and The James O. Broadhead Corporation (JOB). The ABA Board of Governors (the Board) approved the dissolution of JOB in February 2013, and it was formally dissolved in April 2013.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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

- Temporarily restricted net assets are assets with donor restrictions that expire with the passage of time, the occurrence of an event, or the fulfillment of certain conditions. Earnings related to temporarily restricted net assets are recorded as temporarily restricted net assets until amounts are expensed in accordance with the donor’s specified purposes. When donor restrictions are met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as “net assets released from restrictions.”
• Unrestricted net assets are not subject to donor-imposed stipulations other than broad restrictions relating to the nature or purposes of the entity. The ABA uses unrestricted contributions at its complete discretion without time or purpose limits. Board-designated net assets are unrestricted net assets designated by the Board to be used for several specific purposes. The Board retains control over these net assets and may, at its discretion, subsequently use the net assets for other purposes.

Cash and Cash Equivalents
Cash equivalents include a money market fund with underlying securities having a dollar-weighted-average maturity of 90 days or less at the time of purchase. The ABA can liquidate shares of the fund at any time for no cost. The ABA had deposits in excess of federally insured limits at August 31, 2013 and 2012. 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 $22,325,025 and $10,081,572 in 2013 and 2012, 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 $2,832,401 and $2,619,745 in 2013 and 2012, respectively.

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

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

The ABA records leasehold improvements, furniture and equipment at cost and capitalizes acquisitions of such items having an initial cost of $5,000 or more. Acquisitions with a cost of less than $5,000 are expensed in the current period. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets ranging from five to 16 years.

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

Fair Value of Financial Instruments

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

Net Assets/Board Designated Funding of Operations

The ABA’s unrestricted net assets include certain amounts the Board has designated as a reserve for operations. As part of the ABA’s annual budgeting process, the Board decides whether it is appropriate to increase or decrease operating revenues by transferring amounts from or to the non-operating section of the consolidated statements of activities and changes in net assets. Amounts equal to the amounts transferred, if any, are then re-classified within the net assets section of the consolidated statements of financial position between Board-designated and undesignated. In the case of amounts transferred to operating revenues, the Board-designated amounts are decreased and the undesignated amounts are increased by the amounts transferred. In the case of amounts transferred from operating revenues, the Board-designated amounts are increased and the undesignated amounts are decreased by the amounts transferred. Allocations for operations from Board-designated reserves were $6,479,680 and $3,730,210 for fiscal years 2013 and 2012, 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 consolidated statements of activities and changes in net assets.
Membership Dues

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

Meeting Fees

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

Grant Revenue

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

Publications Revenue

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

Royalty Revenue

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

Advertising Expense

The ABA expenses advertising costs as incurred.

Income Taxes

The ABA and the FJE are, and prior to JOB’s liquidation, was qualified under the U.S. Internal Revenue Code (the IRC) as tax-exempt organizations or, in the case of the FJE, as a tax-exempt fund, and are exempt from tax on income related to their tax-exempt purposes under Section 501(a) of the IRC. The ABA is exempt from income taxes as an association described in Section 501(c) (6) of the IRC. The JOB is exempt under Section 501(c) (2), and the FJE is exempt under Section 501(c) (3). Management believes there are no material uncertain tax positions that require recognition in the accompanying financial statements. While exempt from income tax under IRC Section 501(a), the ABA is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The tax years of 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended August 31, 2013 and 2012.
Reclassification

Certain amounts in the 2012 financial statement have been reclassified to conform to the current year’s presentation.

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 $3,160,519 and $3,290,626 to the ABA in 2013 and 2012, respectively. The FJE contributed $225,000 to the National Judicial College in each year, 2013 and 2012. The ABA held $240,289 and $244,174 in long-term investments for the National Judicial College in 2013 and 2012, respectively. In addition, the ABA’s expenses were reduced by $1,452,567 and $1,482,894 in 2013 and 2012, respectively, for expense reimbursements received from the following related organizations:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABA Retirement Funds</td>
<td>$ 989,881</td>
<td>$ 984,021</td>
</tr>
<tr>
<td>American Bar Endowment</td>
<td>212,179</td>
<td>230,339</td>
</tr>
<tr>
<td>American Bar Foundation</td>
<td>64,768</td>
<td>73,886</td>
</tr>
<tr>
<td>American Bar Insurance</td>
<td>62,040</td>
<td>70,178</td>
</tr>
<tr>
<td>National Association of Women Lawyers</td>
<td>38,171</td>
<td>40,549</td>
</tr>
<tr>
<td>National Association of Bar Executives</td>
<td>31,127</td>
<td>18,891</td>
</tr>
<tr>
<td>National Conference of Bar Presidents</td>
<td>29,097</td>
<td>30,075</td>
</tr>
<tr>
<td>National Judicial College</td>
<td>25,304</td>
<td>34,955</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,452,567</strong></td>
<td><strong>$1,482,894</strong></td>
</tr>
</tbody>
</table>

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

The ABA’s consolidated long-term investments consist of $282,126,843 and $258,557,561 in mutual funds at August 31, 2013 and 2012, respectively.

Investment returns in each net asset category for the years ended August 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
<th>2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
<td>Total</td>
<td>Unrestricted</td>
</tr>
<tr>
<td>Interest and dividends (net of management, fees)</td>
<td>$7,619,654</td>
<td>$275,347</td>
<td>$7,895,001</td>
<td>$5,375,088</td>
</tr>
<tr>
<td>Realized gains, net</td>
<td>1,470,092</td>
<td>-</td>
<td>1,470,092</td>
<td>7,875,729</td>
</tr>
<tr>
<td>Unrealized gains in market value, net</td>
<td>18,378,968</td>
<td>522,445</td>
<td>18,901,413</td>
<td>9,552,913</td>
</tr>
<tr>
<td>Total investment return</td>
<td>$27,468,714</td>
<td>$797,792</td>
<td>$28,266,506</td>
<td>$22,803,730</td>
</tr>
</tbody>
</table>

On an annual basis, the Board may approve the allocation of investment income to operating revenue. Investment income allocated to operations in 2013 and 2012 totaled $7,684,852 and $6,696,853, 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 $19,783,862 and $16,106,877 for fiscal years 2013 and 2012, respectively.

The ABA pays management fees to various fund managers that are netted against investment income. Management fees were $74,632 and $72,272 for fiscal years 2013 and 2012, respectively. The liability related to long-term investments held for related parties is included under the caption “Due from related parties” or “Due to related parties” on the consolidated statements of financial position.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The ABA values its financial assets based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value in three broad levels, which are described below:
American Bar Association
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
August 31, 2013 and 2012

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. Level 2 also includes investments measured using NAV per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

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

In determining fair value, the ABA uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. Financial assets carried at fair value at August 31, 2013 and 2012, are classified in the tables below in one of three categories as described above. Transfers between levels are recognized as of the end of the reporting period.

<table>
<thead>
<tr>
<th>2013</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market accounts</td>
<td>$22,325,025</td>
<td>$ -</td>
<td>$ -</td>
<td>$22,325,025</td>
</tr>
<tr>
<td>Long-term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. large-cap index</td>
<td>95,105,011</td>
<td>-</td>
<td>-</td>
<td>95,105,011</td>
</tr>
<tr>
<td>U.S. mid-cap index</td>
<td>24,126,394</td>
<td>-</td>
<td>-</td>
<td>24,126,394</td>
</tr>
<tr>
<td>U.S. small-cap index</td>
<td>20,647,967</td>
<td>-</td>
<td>-</td>
<td>20,647,967</td>
</tr>
<tr>
<td>International index</td>
<td>50,451,499</td>
<td>-</td>
<td>-</td>
<td>50,451,499</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bond fund</td>
<td>91,795,972</td>
<td>-</td>
<td>-</td>
<td>91,795,972</td>
</tr>
<tr>
<td>Total long-term investments</td>
<td>282,126,843</td>
<td>-</td>
<td>-</td>
<td>282,126,843</td>
</tr>
<tr>
<td>Long-term investments held for a related party</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bond fund</td>
<td>240,280</td>
<td>-</td>
<td>-</td>
<td>240,280</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$304,692,148</td>
<td>$ -</td>
<td>$ -</td>
<td>$304,692,148</td>
</tr>
</tbody>
</table>
### Note F - Accounts Receivable

Accounts receivable consist of the following at August 31:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants (net of allowance for doubtful accounts of $632,304 in 2013 and $724,752 in 2012)</td>
<td>$7,344,445</td>
<td>$9,710,715</td>
</tr>
<tr>
<td>Tenant improvement reimbursements</td>
<td>2,033,428</td>
<td>-</td>
</tr>
<tr>
<td>Special advances on international grants</td>
<td>1,938,394</td>
<td>2,152,303</td>
</tr>
<tr>
<td>Advertising (net of allowance for doubtful accounts of $15,643 in 2013 and $131,936 in 2012)</td>
<td>1,008,438</td>
<td>1,223,755</td>
</tr>
<tr>
<td>Publications (net of allowance for doubtful accounts of $6,016 in 2013 and $12,371 in 2012)</td>
<td>992,012</td>
<td>823,951</td>
</tr>
<tr>
<td>Royalties</td>
<td>692,903</td>
<td>579,093</td>
</tr>
<tr>
<td>Mailing list (net of allowance for doubtful accounts of $1,992 in 2013 and $1,258 in 2012)</td>
<td>238,567</td>
<td>268,016</td>
</tr>
<tr>
<td>Other (net of allowance for doubtful accounts of $50,568 in 2013 and $101,658 in 2012)</td>
<td>2,249,877</td>
<td>1,828,212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,498,064</strong></td>
<td><strong>$16,586,045</strong></td>
</tr>
</tbody>
</table>
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 (plan sponsors) participate in the A-E-F-C Pension Plan (the Pension Plan), a defined benefit plan, and the ABA Thrift Plan, a contributory and defined contribution plan, (the Thrift Plan). In an amendment effective January 1, 2007, employees hired on or after that date are not eligible to participate in the Pension Plan but participate in the defined contribution portion of the Thrift Plan. Employees as of December 31, 2006 could remain in and accrue additional benefits under the Pension Plan or elect to convert to the defined contribution plan as of January 1, 2007. Annual contributions to the defined contribution plan are 5% of the participant’s annual salary. Employees who converted to the defined contribution plan retain vested benefits accrued as of December 31, 2006, under the Pension Plan.

Under the Thrift Plan, participants may contribute to a 401(k) in which the employer matches each contribution dollar-for-dollar to a maximum of $300 and 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, 2013 and 2012, was $7,609,229 and $5,497,254, respectively. Effective January 1, 2011, the Pension Plan was amended to reduce the plan benefit formula with the intent that the expected cost of ABA’s future accrual would approximate 5% of total participants’ pay.

The Pension Plan pays management fees to various fund managers that are netted against investment income. These management fees are in support of the Pension Plan as a whole, which also supports some ABA related parties. The management fees were $408,516 and $408,358 for fiscal years 2013 and 2012, respectively.

The funded status of the ABA’s portion of the Pension Plan at the measurement dates, August 31, 2013 and 2012, and the accrued pension costs recognized in the ABA’s consolidated statements of financial position at August 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in projected benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation at beginning of year</td>
<td>$183,976,161</td>
<td>$149,558,703</td>
</tr>
<tr>
<td>Service cost</td>
<td>2,066,441</td>
<td>2,004,772</td>
</tr>
<tr>
<td>Interest cost</td>
<td>7,187,568</td>
<td>7,491,540</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(20,850,727)</td>
<td>29,873,740</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(5,444,931)</td>
<td>(4,952,594)</td>
</tr>
<tr>
<td>Projected benefit obligation at end of year</td>
<td>166,934,512</td>
<td>183,976,161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Pension Plan assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of Pension Plan assets at beginning of year</td>
<td>106,975,290</td>
<td>97,739,869</td>
</tr>
<tr>
<td>Actual return on Pension Plan assets</td>
<td>4,292,632</td>
<td>7,374,037</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(5,444,931)</td>
<td>(4,952,594)</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1,612,973</td>
<td>6,813,978</td>
</tr>
<tr>
<td>Fair value of assets at end of year</td>
<td>107,435,964</td>
<td>106,975,290</td>
</tr>
<tr>
<td>Funded status as of the measurement date</td>
<td>$(59,498,548)</td>
<td>$(77,000,871)</td>
</tr>
</tbody>
</table>
Components of adjustments to unrestricted net assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized prior service cost</td>
<td>$(2,522,272)</td>
<td>$(4,009,519)</td>
</tr>
<tr>
<td>Unrecognized net loss</td>
<td>$60,198,284</td>
<td>$85,184,110</td>
</tr>
<tr>
<td><strong>Total adjustments to unrestricted net assets</strong></td>
<td><strong>$57,676,012</strong></td>
<td><strong>$81,174,591</strong></td>
</tr>
</tbody>
</table>

Amounts recognized in the consolidated statements of financial position

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued pension liability</td>
<td>$(59,498,548)</td>
<td>$(77,000,871)</td>
</tr>
<tr>
<td><strong>Accumulated benefit obligation</strong></td>
<td><strong>$166,934,512</strong></td>
<td><strong>$183,976,161</strong></td>
</tr>
</tbody>
</table>

Weighted-average assumptions used to determine benefit obligations

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.91%</td>
<td>3.97%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.30</td>
<td>3.30</td>
</tr>
<tr>
<td>Expected return on Pension Plan assets</td>
<td>7.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Components of net periodic pension costs

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$2,066,441</td>
<td>$2,004,772</td>
</tr>
<tr>
<td>Interest cost</td>
<td>7,187,568</td>
<td>7,491,540</td>
</tr>
<tr>
<td>Actual return on Pension Plan assets</td>
<td>(7,395,918)</td>
<td>(7,404,171)</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>7,238,385</td>
<td>5,015,200</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(1,487,247)</td>
<td>(1,610,087)</td>
</tr>
<tr>
<td><strong>Total net periodic pension cost</strong></td>
<td><strong>7,609,229</strong></td>
<td><strong>5,497,254</strong></td>
</tr>
</tbody>
</table>

Weighted-average assumptions used to determine net periodic benefit cost

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.97%</td>
<td>5.11%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>3.30</td>
<td>4.00</td>
</tr>
<tr>
<td>Expected return on Pension Plan assets</td>
<td>7.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Components of pension-related changes other than net periodic pension costs are as follows at August 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (gain) loss</td>
<td>(17,747,441)</td>
<td>29,903,874</td>
</tr>
<tr>
<td>Amortization of net gain</td>
<td>(7,238,385)</td>
<td>(5,015,200)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>1,487,247</td>
<td>1,610,087</td>
</tr>
<tr>
<td><strong>Total pension changes other than net periodic pension costs</strong></td>
<td><strong>(23,498,579)</strong></td>
<td><strong>26,498,761</strong></td>
</tr>
</tbody>
</table>

Total net periodic pension (benefit) cost and pension changes other than net periodic pension cost

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total net periodic pension (benefit) cost and pension changes other than net periodic pension cost</strong></td>
<td><strong>$(15,889,350)</strong></td>
<td><strong>$31,996,015</strong></td>
</tr>
</tbody>
</table>
Pension Plan Assets

The composition of Pension Plan assets at the measurement dates of August 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>17.3%</td>
<td>16.6%</td>
</tr>
<tr>
<td>International</td>
<td>6.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Global</td>
<td>12.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Total equity securities</td>
<td>36.5</td>
<td>34.2</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>28.1</td>
<td>30.7</td>
</tr>
<tr>
<td>Invested cash</td>
<td>2.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Total debt securities</td>
<td>30.4</td>
<td>31.7</td>
</tr>
<tr>
<td>Real asset fund</td>
<td>8.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Absolute return</td>
<td>14.3</td>
<td>13.8</td>
</tr>
<tr>
<td>Equity hedge funds</td>
<td>10.8</td>
<td>12.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

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.
The fair values of the ABA’s plan assets at August 31, 2013 and 2012, by asset category are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock funds</td>
<td>$3,855,937</td>
<td>$ -</td>
<td>$ -</td>
<td>$3,855,937</td>
</tr>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>1,455,924</td>
<td>-</td>
<td>1,455,924</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>20,856,609</td>
<td>-</td>
<td>-</td>
<td>20,856,609</td>
</tr>
<tr>
<td>Equity</td>
<td>17,209,061</td>
<td>-</td>
<td>-</td>
<td>17,209,061</td>
</tr>
<tr>
<td>Collective trust funds</td>
<td>-</td>
<td>9,369,342</td>
<td>-</td>
<td>9,369,342</td>
</tr>
<tr>
<td>Fixed</td>
<td>-</td>
<td>10,677,157</td>
<td>-</td>
<td>10,677,157</td>
</tr>
<tr>
<td>Equity</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited liability company</td>
<td>-</td>
<td>8,970,477</td>
<td>-</td>
<td>8,970,477</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>-</td>
<td>28,833,542</td>
<td>6,207,915</td>
<td>35,041,457</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$41,921,607</td>
<td>$59,306,442</td>
<td>$6,207,915</td>
<td>$107,435,964</td>
</tr>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock funds</td>
<td>$4,851,923</td>
<td>$ -</td>
<td>$ -</td>
<td>$4,851,923</td>
</tr>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>1,017,339</td>
<td>-</td>
<td>1,017,339</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>17,517,155</td>
<td>-</td>
<td>-</td>
<td>17,517,155</td>
</tr>
<tr>
<td>Equity</td>
<td>15,924,218</td>
<td>-</td>
<td>-</td>
<td>15,924,218</td>
</tr>
<tr>
<td>Collective trust funds</td>
<td>-</td>
<td>17,519,350</td>
<td>-</td>
<td>17,519,350</td>
</tr>
<tr>
<td>Fixed</td>
<td>-</td>
<td>8,321,125</td>
<td>-</td>
<td>8,321,125</td>
</tr>
<tr>
<td>Equity</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited liability company</td>
<td>-</td>
<td>8,237,247</td>
<td>-</td>
<td>8,237,247</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$38,293,296</td>
<td>$35,095,061</td>
<td>$33,586,933</td>
<td>$106,975,290</td>
</tr>
</tbody>
</table>
The following table sets forth the investment strategies and redemption terms for those investments that are measured at NAV per share as of August 31, 2013:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Fair value</th>
<th>Restrictions</th>
<th>Redemption frequency</th>
<th>Redemption period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited liability company</td>
<td>$ 8,970,477</td>
<td>No lock-up</td>
<td>Monthly</td>
<td>45 Days</td>
</tr>
<tr>
<td>Collective trust funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>9,369,342</td>
<td>No lock-up</td>
<td>Daily or Monthly</td>
<td>1 - 30 Days</td>
</tr>
<tr>
<td>Equity</td>
<td>10,677,157</td>
<td>No lock-up</td>
<td>Daily or Monthly</td>
<td>1 - 30 Days</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>35,041,457</td>
<td>0-24-month lock-up</td>
<td>Daily, Monthly or Annually</td>
<td>7 - 90 Days</td>
</tr>
<tr>
<td>Total</td>
<td>$64,058,433</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table sets forth the investment strategies and redemption terms for those investments that are measured at NAV per share as of August 31, 2012:

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

Limited liability company - Invests in predominantly US large-cap equities. This fund is valued using NAV.

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

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

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

To determine the expected annual long-term rate of return for the Pension Plan, the historical performance, investment community forecasts, and current market conditions are analyzed to develop expected returns for each of the asset classes used by the Pension Plan. The expected returns for each asset class are then weighted by the target allocations of the Pension Plan. Effective September 1, 2010, and continued through 2013, the expected long-term rate of return assumption used to determine pension expense is 7.00%.
The following table summarizes the change in fair values associated with level 3 assets:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$33,586,933</td>
<td>$24,903,394</td>
</tr>
<tr>
<td>Transfers from Level 3 to Level 2</td>
<td>(28,360,657)</td>
<td>-</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>7,614,215</td>
</tr>
<tr>
<td>Unrealized gains related to instruments still held at the reporting date</td>
<td>981,639</td>
<td>1,069,324</td>
</tr>
<tr>
<td><strong>Balance at end of year</strong></td>
<td><strong>$6,207,915</strong></td>
<td><strong>$33,586,933</strong></td>
</tr>
</tbody>
</table>

**Transfers Between Levels**

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

At August 31, 2013, it was determined that $28,360,657 of the total hedge fund investment was fully redeemable. As a result, these investments were transferred from Level 3 to Level 2. At August 31, 2012, these investments were deemed to be Level 3 since they were new to the portfolio and they were not fully redeemable.

**Cash Flows**

Expected contributions for the fiscal year ending August 31, 2014: $4,178,429

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$6,676,000</td>
</tr>
<tr>
<td>2015</td>
<td>7,202,000</td>
</tr>
<tr>
<td>2016</td>
<td>7,722,000</td>
</tr>
<tr>
<td>2017</td>
<td>8,230,000</td>
</tr>
<tr>
<td>2018</td>
<td>8,730,000</td>
</tr>
<tr>
<td>2019 through 2023</td>
<td>50,870,000</td>
</tr>
</tbody>
</table>

**ABA Thrift Plan**

The ABA’s expense related to the 401(k) match of the Thrift Plan for the years ended August 31, 2013 and 2012, totaled $1,308,296 and $1,237,216, respectively. The ABA’s expense related to the discretionary contribution of the defined contribution for the plan years ended August 31, 2013 and 2012, totaled $1,523,172 and $1,287,082, respectively.
NOTE H - DEBT

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

In July 2002, the ABA entered into a variable rate loan agreement with a financial institution to borrow $8,538,852, which was used to build out the office space at the 321 North Clark Street facility in Chicago. Interest charged on the loan agreement is set at the London Interbank Offered Rate plus 1.15% and is determined and payable monthly. Commencing October 1, 2004, and each month thereafter, the ABA is required to repay the outstanding principal in equal monthly installments based on a nine-year amortization schedule, together with all interest accrued. The loan agreement matures on October 1, 2013. The total outstanding amounts under the loan agreement were $79,063 and $1,027,825 at August 31, 2013 and 2012, respectively. Interest expense for the years ended August 31, 2013 and 2012, totaled $7,235 and $20,342, respectively. Cash paid for interest for the years ended August 31, 2013 and 2012, totaled $8,222 and $21,562, respectively.

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

The estimated fair value of the ABA’s indebtedness is calculated using a discounted cash flow analysis based on the current incremental borrowing rate for a similar type of borrowing arrangement. Under this methodology, the fair value of the debt was $79,063 and $1,036,184 at August 31, 2013 and 2012, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES

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

In February 2012, the ABA entered into a lease agreement for office space located in Washington, D.C. (Washington Square Lease). The lease period 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, 2013, are as follows:

<table>
<thead>
<tr>
<th>Fiscal years ending August 31,</th>
<th>Minimum lease payments</th>
<th>Minimum sublease rental income</th>
<th>Net minimum lease payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 5,086,444</td>
<td>$ 232,430</td>
<td>$ 4,854,014</td>
</tr>
<tr>
<td>2015</td>
<td>8,332,605</td>
<td>239,644</td>
<td>8,092,961</td>
</tr>
<tr>
<td>2016</td>
<td>8,920,986</td>
<td>249,688</td>
<td>8,671,298</td>
</tr>
<tr>
<td>2017</td>
<td>9,173,563</td>
<td>270,773</td>
<td>8,902,790</td>
</tr>
<tr>
<td>2018</td>
<td>9,474,868</td>
<td>280,927</td>
<td>9,193,941</td>
</tr>
<tr>
<td>Thereafter</td>
<td>82,738,400</td>
<td>1,403,200</td>
<td>81,335,200</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>$123,726,866</td>
<td>$2,676,662</td>
<td>$121,050,204</td>
</tr>
</tbody>
</table>

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

In conjunction with the Washington Square Lease, the landlord has made contributions for tenant improvements amounting to $6,044,120 in 2013. These contributions are reflected as a leasehold improvement and a deferred rent abatement in the consolidated statements of financial position. The leasehold improvement contribution will be amortized over the lesser of the term of the lease or the useful life of the assets from the time they are put into service. 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 $95,938 for the year ended August 31, 2013, and the remaining unamortized balance is $5,948,182 at August 31, 2013.

The Washington Square Lease includes additional rent abatements to be amortized in the future amounting to $3,794,569 for the year ended August 31, 2013. 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 $61,203 for the year ended August 31, 2013, and the remaining unamortized balance is $1,011,645 at August 31, 2013.

In conjunction with the North Clark Lease, the landlord made a contribution for tenant improvements amounting to $10,266,090 and $979,695 in 2004 and 2011, respectively. This contribution is reflected as a leasehold improvement and deferred rent abatement in the consolidated statements of financial position. The first leasehold improvement contribution is being amortized over 15 years, the life of the lease, and is included in facilities expense in the consolidated statements of activities and changes in net assets. The second leasehold improvement contribution is being amortized over 13 years, the life of the lease extension, and is included in facilities expense in the consolidated statements of activities and changes in net assets. The deferred rent abatement is being accreted over 15 years, and is included as a reduction in rent expense, which also is included in facilities expense. The amortization and accretion amounted to $759,752 and $759,767 for the years ended August 31, 2013 and 2012, respectively, and the remaining unamortized balance is $4,814,405 and $5,574,158 at August 31, 2013 and 2012, respectively.
The North Clark Lease includes additional rent abatements to be amortized in the future amounting to $3,395,962 and $3,709,435 for the years ended August 31, 2013 and 2012, respectively. These abatements are reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets with the deferred rent abatement in the consolidated statements of financial position. The amortization and accretion amounted to $313,473 for the years ended August 31, 2013 and 2012, and the remaining unamortized balance is $6,708,374 and $5,404,992 at August 31, 2013 and 2012, respectively.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant improvement-rent abatement</td>
<td>$17,289,905</td>
<td>$11,497,665</td>
</tr>
<tr>
<td>Amortization of abatement on tenant improvements</td>
<td>$(6,527,317)</td>
<td>$(5,671,627)</td>
</tr>
<tr>
<td>Rent expense-rent abatement, net</td>
<td>$7,720,018</td>
<td>$6,325,653</td>
</tr>
<tr>
<td>Deferred rent abatement</td>
<td>$18,482,606</td>
<td>$12,151,691</td>
</tr>
</tbody>
</table>

Rent expense for all operating leases totaled $8,772,690 and $8,846,138 for the years ended August 31, 2013 and 2012, 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, 2013 and 2012, totaled $186,440 and $218,527, respectively.

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

**NOTE J - FUNCTIONAL EXPENSES**

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td>$169,171,527</td>
<td>$169,183,521</td>
</tr>
<tr>
<td>General and administrative</td>
<td>$34,796,449</td>
<td>$36,193,169</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$764,205</td>
<td>$627,771</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$204,732,181</strong></td>
<td><strong>$206,004,461</strong></td>
</tr>
</tbody>
</table>
NOTE K - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

<table>
<thead>
<tr>
<th>Fund</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund for Judicial Improvement Projects</td>
<td>$1,531,630</td>
<td>$1,228,058</td>
</tr>
<tr>
<td>FJE Endowment Fund</td>
<td>762,351</td>
<td>338,851</td>
</tr>
<tr>
<td>Death Penalty Representation Support Fund</td>
<td>280,246</td>
<td>292,475</td>
</tr>
<tr>
<td>Public Contract Law Education Projects</td>
<td>101,420</td>
<td>103,389</td>
</tr>
<tr>
<td>Commission on Law and Aging</td>
<td>73,453</td>
<td>128,266</td>
</tr>
<tr>
<td>Individual Rights and Responsibilities Programs</td>
<td>61,153</td>
<td>68,702</td>
</tr>
<tr>
<td>IBM Cyber security Legal Task Force</td>
<td>41,982</td>
<td>68,931</td>
</tr>
<tr>
<td>Commission on Immigration</td>
<td>40,331</td>
<td>40,217</td>
</tr>
<tr>
<td>State Traffic Court Technology</td>
<td>33,760</td>
<td>34,729</td>
</tr>
<tr>
<td>Francis Shattuck Security/ Peace Initiative</td>
<td>27,963</td>
<td>27,963</td>
</tr>
<tr>
<td>Litigation Fellows Support Fund</td>
<td>25,152</td>
<td>39,084</td>
</tr>
<tr>
<td>AIDS Fundraiser</td>
<td>24,424</td>
<td>-</td>
</tr>
<tr>
<td>Diversity - Next Steps</td>
<td>23,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Robert B. Yegge Program</td>
<td>22,500</td>
<td>23,000</td>
</tr>
<tr>
<td>Addressing State Resp. for Sexual Violence as a Weapon of War</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Other</td>
<td>266,429</td>
<td>238,892</td>
</tr>
<tr>
<td>Total</td>
<td>$3,335,794</td>
<td>$2,660,557</td>
</tr>
</tbody>
</table>

During fiscal years 2013 and 2012, temporarily restricted net assets of $998,581 and $1,212,644, respectively, were released to cover program expenses meeting the donor restrictions. Released temporarily restricted net assets consist of the following for the years ended August 31:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litigation Fellows Support Fund</td>
<td>$285,257</td>
<td>$308,363</td>
</tr>
<tr>
<td>Commission on Immigration</td>
<td>134,625</td>
<td>43,593</td>
</tr>
<tr>
<td>Fund for Judicial Improvement Projects</td>
<td>91,268</td>
<td>233,446</td>
</tr>
<tr>
<td>Pro Bono Military Project</td>
<td>65,345</td>
<td>-</td>
</tr>
<tr>
<td>Commission on Law and Aging</td>
<td>54,813</td>
<td>128,425</td>
</tr>
<tr>
<td>Rule of Law Initiative</td>
<td>53,256</td>
<td>13,780</td>
</tr>
<tr>
<td>Commission on Racial and Ethnic Diversity</td>
<td>49,994</td>
<td>55,235</td>
</tr>
<tr>
<td>TIPS Leadership Academy</td>
<td>40,000</td>
<td>-</td>
</tr>
<tr>
<td>Public Education</td>
<td>31,715</td>
<td>11,656</td>
</tr>
<tr>
<td>Women in Law Leadership Academy</td>
<td>29,500</td>
<td>-</td>
</tr>
<tr>
<td>IBM Cybersecurity Task Force</td>
<td>27,949</td>
<td>6,069</td>
</tr>
<tr>
<td>Legal Opportunity Scholarship Fund</td>
<td>27,664</td>
<td>21,385</td>
</tr>
<tr>
<td>Individual Rights and Responsibilities Programs</td>
<td>19,879</td>
<td>15,354</td>
</tr>
<tr>
<td>IOLTA Special Projects</td>
<td>15,514</td>
<td>15,783</td>
</tr>
<tr>
<td>Other</td>
<td>71,802</td>
<td>359,555</td>
</tr>
<tr>
<td>Total</td>
<td>$998,581</td>
<td>$1,212,644</td>
</tr>
</tbody>
</table>

26
Permanently restricted net assets are maintained in perpetuity and invested according to the ABA investment policy and donor-imposed restrictions. The investment income is available to support various programs and operations as restricted by the donor. Permanently restricted net assets consist of the following at August 31:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>FJE Endowment Fund</td>
<td>$3,456,670</td>
<td>$3,456,670</td>
</tr>
<tr>
<td>Justice Funds</td>
<td>2,112,386</td>
<td>2,112,386</td>
</tr>
<tr>
<td>Marie Walsh Sharpe Fund</td>
<td>927,115</td>
<td>927,115</td>
</tr>
<tr>
<td>E. Lawrence Barcella Fund</td>
<td>110,000</td>
<td>110,000</td>
</tr>
<tr>
<td>Carols Morris Fund for Professional Education</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Erskine M. Ross Fund</td>
<td>100,014</td>
<td>100,014</td>
</tr>
<tr>
<td>Henry C. Morris Fund</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Magna Carta Memorial Fund</td>
<td>16,923</td>
<td>16,923</td>
</tr>
<tr>
<td>Thurgood Marshall Fund for Individual Rights</td>
<td>6,410</td>
<td>6,410</td>
</tr>
<tr>
<td>Benjamin Civiletti Fund</td>
<td>2,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,881,518</strong></td>
<td><strong>$6,879,518</strong></td>
</tr>
</tbody>
</table>

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 FJE must
hold in perpetuity. Under this policy, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% annually over the long term. Actual returns in any given year may vary from this amount.

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$2,235,091</td>
</tr>
<tr>
<td>Quasi-endowment funds</td>
<td>1,483,242</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$1,483,242</td>
<td>$2,235,091</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$1,491,332</td>
</tr>
<tr>
<td>Quasi-endowment funds</td>
<td>1,357,885</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$1,357,885</td>
<td>$1,491,332</td>
</tr>
</tbody>
</table>
### American Bar Association

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**August 31, 2013 and 2012**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endowment net assets, August 31, 2012</strong></td>
<td>$1,357,885</td>
<td>$1,491,332</td>
<td>$6,879,518</td>
<td>$9,728,735</td>
</tr>
<tr>
<td><strong>Investment return</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>64,880</td>
<td>275,447</td>
<td></td>
<td>340,327</td>
</tr>
<tr>
<td>Net appreciation (realized and</td>
<td>60,477</td>
<td>522,446</td>
<td></td>
<td>582,923</td>
</tr>
<tr>
<td>unrealized)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investment return</strong></td>
<td>125,357</td>
<td>797,893</td>
<td></td>
<td>923,250</td>
</tr>
<tr>
<td><strong>Contributions</strong></td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Appropriation of endowment assets for expenditures</strong></td>
<td>-</td>
<td>(54,134)</td>
<td>-</td>
<td>(54,134)</td>
</tr>
<tr>
<td><strong>Endowment net assets, August 31, 2013</strong></td>
<td>$1,483,242</td>
<td>$2,235,091</td>
<td>$6,881,518</td>
<td>$10,599,851</td>
</tr>
</tbody>
</table>

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

On September 15, 2011, the ABA entered into a sales agreement with JBC Funds 740 LLC for the sale of property located at 740 15th Street N.W., Washington D.C. This sale was completed on December 16, 2011 and led to the dissolution of JOB. As a result of the dissolution of JOB, operating revenues in the amount of $5,044 and $775,040 for fiscal years 2013 and 2012, respectively, and operating expenses in the amount of $-0- and $441,312 for fiscal years 2013 and 2012, respectively were classified as discontinued operations in the non-operating section of the Statement of Activities. In 2013, an income tax credit of $869,080 was recognized for overpayment of taxes paid in fiscal 2012 related to the sale of the building.

NOTE M - SUBSEQUENT EVENTS

The ABA evaluated events and transactions occurring subsequent to August 31, 2013 through February 7, 2014, the date the consolidated financial statements were available to be issued. During this period, there have been no subsequent events requiring recognition or disclosure in the consolidated financial statements.
DETAILS OF CONSOLIDATION
### DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31,

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>American Bar Association</th>
<th>ABA Fund for Justice and Education</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$24,128,989</td>
<td>$2,264,447</td>
<td>$26,393,436</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>7,152,577</td>
<td>9,345,487</td>
<td>16,498,064</td>
</tr>
<tr>
<td>Inventory, net</td>
<td>3,659,980</td>
<td>94,138</td>
<td>3,754,118</td>
</tr>
<tr>
<td>Prepaid and other assets</td>
<td>3,743,993</td>
<td>-</td>
<td>3,743,993</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>190,793</td>
<td>-</td>
<td>190,793</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>270,929,357</td>
<td>11,197,486</td>
<td>282,126,843</td>
</tr>
<tr>
<td>Long-term investments held for related parties</td>
<td>240,280</td>
<td>-</td>
<td>240,280</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>19,730,879</td>
<td>-</td>
<td>19,730,879</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$329,776,848</td>
<td>$22,901,558</td>
<td>$352,678,406</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>American Bar Association</th>
<th>ABA Fund for Justice and Education</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$10,336,486</td>
<td>$497,542</td>
<td>$10,834,028</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>55,984,373</td>
<td>2,538,087</td>
<td>58,522,460</td>
</tr>
<tr>
<td>Deferred rent abatement</td>
<td>18,482,606</td>
<td>-</td>
<td>12,151,691</td>
</tr>
<tr>
<td>Pension liability</td>
<td>59,498,548</td>
<td>-</td>
<td>77,000,871</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,143,552</td>
<td>-</td>
<td>7,569,240</td>
</tr>
<tr>
<td>Debt</td>
<td>79,063</td>
<td>-</td>
<td>1,027,824</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>(462,211)</td>
<td>762,284</td>
<td>300,073</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>152,062,417</td>
<td>3,797,913</td>
<td>155,860,330</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>American Bar Association</th>
<th>ABA Fund for Justice and Education</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>66,600,776</td>
<td>7,403,091</td>
<td>74,003,867</td>
</tr>
<tr>
<td>Board-designated</td>
<td>111,113,655</td>
<td>1,483,242</td>
<td>112,596,897</td>
</tr>
<tr>
<td><strong>Total unrestricted</strong></td>
<td>177,714,431</td>
<td>8,886,333</td>
<td>186,600,764</td>
</tr>
</tbody>
</table>

| Temporarily restricted | - | 3,335,794 | 3,335,794 |
| Permanently restricted | - | 6,881,518 | 6,881,518 |
| **Total net assets** | 177,714,431 | 19,103,645 | 196,818,076 |

| TOTAL LIABILITIES AND NET ASSETS | $329,776,848 | $22,901,558 | $352,678,406 |

<p>| 2012 | $298,105,242 | $23,960,663 | $2,267,069 | $324,332,974 |</p>
<table>
<thead>
<tr>
<th></th>
<th>American Bar Association</th>
<th>ABA Fund for Justice and Education</th>
<th>The James O. Broadhead Corporation</th>
<th>Consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td><strong>Operating</strong></td>
<td><strong>Revenues</strong></td>
<td><strong>Membership dues</strong></td>
<td>$72,650,906</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Meeting fees</strong></td>
<td>26,324,031</td>
<td>1,920,525</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Advertising</strong></td>
<td>3,299,550</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Gifts and grants</strong></td>
<td>7,430,611</td>
<td>33,140,288</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Publications</strong></td>
<td>11,303,313</td>
<td>486,075</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Royalties</strong></td>
<td>7,817,710</td>
<td>31,681</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Other</strong></td>
<td>2,340,997</td>
<td>2,149</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Investment income for operations</strong></td>
<td>7,682,109</td>
<td>2,743</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Designated reserve for operations</strong></td>
<td>6,479,680</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Net assets released from restrictions</strong></td>
<td>4,255,719</td>
<td>3,045,730</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total operating revenues</strong></td>
<td>$145,623,568</td>
<td>60,398,857</td>
<td>-</td>
<td>206,022,425</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Salaries, wages and benefits</strong></td>
<td>$67,414,905</td>
<td>28,899,589</td>
<td>-</td>
<td>96,314,494</td>
</tr>
<tr>
<td></td>
<td><strong>Professional fees and services</strong></td>
<td>8,359,080</td>
<td>15,616,577</td>
<td>-</td>
<td>23,975,657</td>
</tr>
<tr>
<td></td>
<td><strong>Meetings and travel</strong></td>
<td>27,569,477</td>
<td>11,031,170</td>
<td>-</td>
<td>38,600,647</td>
</tr>
<tr>
<td></td>
<td><strong>Advertising and marketing</strong></td>
<td>3,173,411</td>
<td>42,453</td>
<td>-</td>
<td>3,215,864</td>
</tr>
<tr>
<td></td>
<td><strong>Printing and publications</strong></td>
<td>11,869,721</td>
<td>911,048</td>
<td>-</td>
<td>12,780,769</td>
</tr>
<tr>
<td></td>
<td><strong>Facilities</strong></td>
<td>18,116,622</td>
<td>4,695,696</td>
<td>-</td>
<td>22,812,318</td>
</tr>
<tr>
<td></td>
<td><strong>General operations</strong></td>
<td>2,724,950</td>
<td>4,307,482</td>
<td>-</td>
<td>7,032,432</td>
</tr>
<tr>
<td></td>
<td><strong>Total operating expenses</strong></td>
<td>$139,228,166</td>
<td>65,504,015</td>
<td>-</td>
<td>204,732,181</td>
</tr>
<tr>
<td></td>
<td><strong>Interfund transfers</strong></td>
<td>840,946</td>
<td>(840,946)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total operating expenses and transfers</strong></td>
<td>$140,069,112</td>
<td>64,663,069</td>
<td>-</td>
<td>204,732,181</td>
</tr>
<tr>
<td></td>
<td><strong>Excess operating revenues over (under) expenses after transfers</strong></td>
<td>5,554,456</td>
<td>(4,264,212)</td>
<td>-</td>
<td>1,290,244</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-operating and discontinued operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Investment income, realized and unrealized gains, net</strong></td>
<td>19,317,279</td>
<td>232,484</td>
<td>-</td>
<td>19,549,763</td>
</tr>
<tr>
<td></td>
<td><strong>Gain on sale of building</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Pension changes other than net periodic pension cost</strong></td>
<td>23,498,579</td>
<td>-</td>
<td>-</td>
<td>23,498,579</td>
</tr>
<tr>
<td></td>
<td><strong>Designated reserve for operations</strong></td>
<td>(6,479,680)</td>
<td>-</td>
<td>-</td>
<td>(6,479,680)</td>
</tr>
<tr>
<td></td>
<td><strong>Other non-operating items</strong></td>
<td>(21,752,978)</td>
<td>874,099</td>
<td>-</td>
<td>(20,878,879)</td>
</tr>
<tr>
<td></td>
<td><strong>Total non-operating items</strong></td>
<td>(14,432,200)</td>
<td>21,733,952</td>
<td>1,106,608</td>
<td>75,423,760</td>
</tr>
<tr>
<td></td>
<td><strong>Change in unrestricted net assets</strong></td>
<td>20,137,656</td>
<td>17,669,740</td>
<td>1,106,608</td>
<td>38,714,004</td>
</tr>
<tr>
<td></td>
<td><strong>Temporarily restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Gifts and pledges</strong></td>
<td>-</td>
<td>876,026</td>
<td>-</td>
<td>876,026</td>
</tr>
<tr>
<td></td>
<td><strong>Investment income</strong></td>
<td>-</td>
<td>797,792</td>
<td>-</td>
<td>797,792</td>
</tr>
<tr>
<td></td>
<td><strong>Net assets released from restrictions</strong></td>
<td>-</td>
<td>(988,818)</td>
<td>-</td>
<td>(988,818)</td>
</tr>
<tr>
<td></td>
<td><strong>Change in temporarily restricted net assets</strong></td>
<td>-</td>
<td>675,237</td>
<td>-</td>
<td>675,237</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Permanently restricted</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Gifts and pledges</strong></td>
<td>-</td>
<td>2,000</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td><strong>Change in permanently restricted net assets</strong></td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td><strong>Change in net assets</strong></td>
<td>20,137,656</td>
<td>18,146,977</td>
<td>1,106,608</td>
<td>39,391,244</td>
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<td></td>
<td><strong>Net assets at beginning of year</strong></td>
<td>106,999,503</td>
<td>956,668</td>
<td>49,470,694</td>
<td>157,426,835</td>
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<tr>
<td></td>
<td><strong>Change in net assets upon JOB dissolution</strong></td>
<td>30,377,272</td>
<td>90,377,272</td>
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<td>90,377,272</td>
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<tr>
<td></td>
<td><strong>Net assets at end of year</strong></td>
<td>$137,377,841</td>
<td>$196,818,076</td>
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<td>$196,818,076</td>
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### American Bar Association

#### FUNCTIONAL DETAILS OF CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Years ended August 31,**

#### 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>General Operations</th>
<th>Other funds</th>
<th>Sections</th>
<th>Grants/G/if.</th>
<th>The JAMS O. Broadcast Corp.</th>
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<th>Consolidated</th>
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<td><strong>Unrestricted</strong></td>
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<td>Operating Revenues</td>
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<td>$ -</td>
<td>$ 43,685,276</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 72,650,905</td>
<td>$ 73,629,604</td>
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<td>27,203,520</td>
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<td>Gifts and grants</td>
<td>15,800,203</td>
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<td>36,803,990</td>
<td>60,570,899</td>
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<td>Publications</td>
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<td>146,057</td>
<td>11,967,439</td>
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<td>Royalties</td>
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<td>1,445,506</td>
<td>7,959,381</td>
<td>7,341,520</td>
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<td><strong>Net asset reclassifications upon JOB dissolution</strong></td>
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<td></td>
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<tr>
<td>Gifts and pledges</td>
<td>3,186,426</td>
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<td>2,613,681</td>
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<td>Investment income</td>
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<td>2,422,394</td>
<td>7,684,852</td>
<td>6,896,656</td>
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<td>Designated reserve for operations</td>
<td>6,479,660</td>
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<td>-</td>
<td>6,479,660</td>
<td>3,793,210</td>
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<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>(47,149)</td>
<td>-</td>
<td>1,045,730</td>
<td>-</td>
<td>-198,581</td>
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<td>Section service fees</td>
<td>233,433</td>
<td>(333,512)</td>
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<td><strong>Total operating revenues</strong></td>
<td>112,463,765</td>
<td>896,615</td>
<td>51,365,069</td>
<td>41,877,036</td>
<td>206,022,423</td>
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<td>205,071,138</td>
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<td>Expenses</td>
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<td>-</td>
<td>9,985,518</td>
<td>13,802,172</td>
<td>96,314,492</td>
<td>92,703,606</td>
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<td><strong>Non-operating and discontinued operations</strong></td>
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<tr>
<td>Investment income, realized, and unrealized gains</td>
<td>12,313,342</td>
<td>-</td>
<td>7,002,887</td>
<td>23,975,657</td>
<td>25,068,502</td>
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<td>Gain on sale of building</td>
<td>3,572,966</td>
<td>-</td>
<td>352,781</td>
<td>3,925,747</td>
<td>4,278,322</td>
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<td>Pension changes other than net periodic pension costs</td>
<td>23,408,579</td>
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<td>-</td>
<td>23,408,579</td>
<td>(26,489,761)</td>
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<tr>
<td>Designated reserve for operations</td>
<td>(6,479,660)</td>
<td>-</td>
<td>-</td>
<td>(6,479,660)</td>
<td>(6,479,660)</td>
<td></td>
<td></td>
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<tr>
<td>Other non-operating items</td>
<td>(1,106,402)</td>
<td>-</td>
<td>(1,106,402)</td>
<td>874,124</td>
<td>23,498,579</td>
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<tr>
<td><strong>Total non-operating</strong></td>
<td>(20,141,839)</td>
<td>-</td>
<td>6,940,311</td>
<td>233,002</td>
<td>31,066,608</td>
<td>25,385,111</td>
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<td><strong>Excess operating revenues over (under) expenses after transfers</strong></td>
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<td>-</td>
<td>1,426,929</td>
<td>(976,679)</td>
<td>(1,290,244)</td>
<td>(987,323)</td>
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<td><strong>Temporarily restricted</strong></td>
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<tr>
<td><strong>Gifts and pledges</strong></td>
<td>34,000</td>
<td>-</td>
<td>842,026</td>
<td>876,026</td>
<td>917,635</td>
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<tr>
<td><strong>Investment income</strong></td>
<td>(101)</td>
<td>-</td>
<td>797,782</td>
<td>797,782</td>
<td>797,782</td>
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<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>(998,383)</td>
<td>-</td>
<td>(998,383)</td>
<td>(998,383)</td>
<td>(1,323,444)</td>
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<tr>
<td><strong>Change in temporarily restricted net assets</strong></td>
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<td>-</td>
<td>641,338</td>
<td>675,237</td>
<td>490,240</td>
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<td><strong>Permanently restricted</strong></td>
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<td></td>
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<tr>
<td><strong>Gifts and pledges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in permanently restricted net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>30,013,720</td>
<td>-</td>
<td>8,369,240</td>
<td>(98,327)</td>
<td>31,066,608</td>
<td>25,060,095</td>
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<tr>
<td><strong>Net assets at beginning year</strong></td>
<td>(1,555,152)</td>
<td>-</td>
<td>89,575,075</td>
<td>19,554,248</td>
<td>49,475,864</td>
<td>132,366,740</td>
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</tr>
<tr>
<td><strong>Net asset reclassifications upon JOB dissolution</strong></td>
<td>50,577,272</td>
<td>-</td>
<td>-</td>
<td>(30,577,272)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$ 70,005,410</td>
<td>$ -</td>
<td>$ 94,526,272</td>
<td>$ 12,051,521</td>
<td>$ 206,078,076</td>
<td>$ 137,426,835</td>
<td></td>
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</table>
OTHER INFORMATION (UNAUDITED)
Established in 1878 as a voluntary not-for-profit association of the legal profession, the ABA was incorporated effective December 7, 1992.

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.

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.

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.
### American Bar Association
**ORGANIZATIONAL DATA - CONTINUED**
**Year ended August 31, 2013**

<table>
<thead>
<tr>
<th>Judicial</th>
<th>Member-at-Large</th>
<th>Jodi B. Levin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section</td>
<td>Members-at-Large</td>
<td>Mary Ellen Coster Williams, Peter Alan Winograd, Charles A. Collier, Jr, Barbara Mendel Mayden, Kenneth W. Gideon, Timothy B. Walker</td>
</tr>
<tr>
<td>Minority</td>
<td>Members-at-Large</td>
<td>Harold D. Pope, Michael E. Flowers</td>
</tr>
<tr>
<td>Women</td>
<td>Members-at-Large</td>
<td>Michelle A. Behnke, Sandra R. McCandless</td>
</tr>
<tr>
<td>Young Lawyers</td>
<td>Members-at-Large</td>
<td>William Ferreira, Michael Pellicciotti</td>
</tr>
<tr>
<td>Law Student</td>
<td>Member-at-Large</td>
<td>Bryan Rogers</td>
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</table>
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

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 American Bar Association (the ABA), which comprise the consolidated statement of financial position as of August 31, 2013, 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 consolidated financial statements, and have issued our report thereon dated February 7, 2014.

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 consolidated 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 over financial reporting 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 over financial reporting, 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.

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. 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 were not identified.
Compliance and other matters
As part of obtaining reasonable assurance about whether the ABA’s consolidated financial statements are free of 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 consolidated 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 7, 2014
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

Board of Governors and Management
American Bar Association

Report on compliance for each major federal program
We have audited the compliance of 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, 2013. 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, 2013.

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.

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 7, 2014
<table>
<thead>
<tr>
<th>Federal grantor agency/ program title/ pass-through entity/ project description</th>
<th>Agency award number</th>
<th>CFDA number</th>
<th>Federal expenditures</th>
<th>Pass-through ID</th>
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<td>Regional Criminal Justice Initiative, Bulgaria</td>
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<td>Asia Raca Program 2006</td>
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<td>War Crimes Digest Publication</td>
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<td>Kosovo Criminal Law Reform</td>
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<td>Missing Alzheimer's Disease Patient Assistance Program</td>
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<td>Violence Against Women Culturally and Linguistically Specific Services Program</td>
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<td>Sexual Assault Services Formula Program</td>
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Middle East Partnership Initiative

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**Total DOS**

21,195,264

| U.S. Department of Transportation (DOT) | | | | |
| National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants | | | | |

**Total DOT**

348,375

| National Endowment for the Humanities (NEH) | | | | |
| Promotion of the Humanities Public Programs | | | | |
| NEH - Bridging Cultures | MB5003610 | 45.164 | 459 | |
| NEH/ Civility And Free Expression In A Constitutional Democracy - A National Dialogue | MW-50007 | 45.164 | 257,846 | |
| NEH US Citizenship in the 21st Century | GE-50007-12 | 45.164 | 10 | |

**Total NEH**

258,315

<p>| U.S. Department of Education (DOE) | | | | |
| | | P906A0300001 | 84,936 | 183 |</p>
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### U.S. Agency for International Development (USAID)

Other programs

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<td>Court Personnel Guide Edit</td>
<td>AEP-A-00-99-016-00</td>
<td>98.001</td>
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<td>Rights Administration Project- Asia</td>
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<td>Legal Education in Kazakhstan</td>
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<td>98.001</td>
<td>(64)</td>
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<td>Legal Education in Kyrgyzstan</td>
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<td>Stability Pact Anti-Corruption- Aid Leader</td>
<td>194-A-00-04-00101-00</td>
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<td>Nigeria Trafficking in Persons</td>
<td>620-A-00-06-0029-00</td>
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<td>Armenia Associate</td>
<td>111-A-00-00-0007-00</td>
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<td>Rule of Law in Armenia (w/ 451)</td>
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<td>Turkmenistan Community Empowerment Program (through Counterpart International)</td>
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<td>(3,859)</td>
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<td>Improving Quality of Justice in China (through University of Massachusetts)</td>
<td>SUB486-A-00-08-00018-00</td>
<td>98.001</td>
<td>(377)</td>
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<td>Rule of Law Moldova (w/ 4513)</td>
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<td>(2,746)</td>
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<td>492-A-00-07-00017-00</td>
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<td>(2,716)</td>
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<td>Aid FH Uzbekistan Human Rights and Public D of (through Freedom House)</td>
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<td>Human Rights Culture in Liberia (through Freedom House)</td>
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<td>Justice System Reform and Transparency in Panama</td>
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<td>AID/ FH Multiple Sectors Strengthening the Impact of the Rule of Law (through Freedom House)</td>
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<td>Agency award number</td>
<td>CFDA number</td>
<td>Federal expenditures</td>
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<td>Other programs - Continued</td>
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<td>USAID/ FH Fiji Supporting the Development of a New Constitution (through Freedom House)</td>
<td>DFD-A-00-09-00058-03</td>
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<td>$ 667,309</td>
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<td>Strengthening the Legal Profession in Iran</td>
<td>AID-OAA-A-09-00007</td>
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<td>FH Azerbaijan Rule of Law Program (through Freedom House)</td>
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<td>AID/ FH Azerbaijan Rule of Law Program (through Freedom House)</td>
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<td>USAID/ SC DRC Protecting Children’s Right (through Save the Children Federation)</td>
<td>AID-623-A-12-00016</td>
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<td>105,215</td>
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<td>Libya Support to Constitution Drafting Processes (through Freedom House)</td>
<td>DFD-A-00-09-00058-04</td>
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<td>54,740</td>
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<tr>
<td>CLE Young Lawyers in Egypt</td>
<td>263-G-00-06-00064-00</td>
<td>98.001</td>
<td>620,202</td>
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<tr>
<td>AID/ Iran Citizen Capacity and Legal Rights Programs</td>
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<td>98.001</td>
<td>1,193,028</td>
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<tr>
<td>USAID/ FH Multi Regional Judicial Interventional in Atrocity Prevention (through Freedom House)</td>
<td>AID-OAA-LA-11-00007</td>
<td>98.001</td>
<td>101,352</td>
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<tr>
<td>AID/ FH Enhancing the Protection and Promotion of Human Right in Jordan (through Freedom House)</td>
<td>AID-278-LA-11-00001</td>
<td>98.001</td>
<td>1,479,372</td>
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<tr>
<td>Indonesia USAID Tigers with Teeth: Strengthening Legal Advocacy Efforts to Build Asean’s Regional Human Rights System</td>
<td>AID-497-A-11-00013</td>
<td>98.001</td>
<td>648,021</td>
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<td>Guinea Human Rights Paralegal Program</td>
<td>AID-675-A-13-00004</td>
<td>98.001</td>
<td>49,904</td>
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<td>USAID Kyrgyzstan Support to the Kyrgyzstani Legal Defense Community</td>
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<td>USAID Iran Citizen Capacity and Legal Rights</td>
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<td>IMA-DRC (through Interchurch Medical Assistance)</td>
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<td>International Medical Corps (through International Medical Corps)</td>
<td>AID-623-A-10-0001-00</td>
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<td>USAID Mexico Judicial Exchanges</td>
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<td>USAID Kazakhstan Judicial Independence Program</td>
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<tr>
<td>USAID/ TAF China Justice Under Rule of Law in Society (through the Asia Foundation)</td>
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<td>USAID Philippines Judicial Strengthening to Improve</td>
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<tr>
<td>Support for Civil Society and Rule of Law Initiative in Iran</td>
<td>AID-OAA-A-09-00007</td>
<td>98.001</td>
<td>(70)</td>
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</tr>
</tbody>
</table>

Total USAID

$15,176,818

Total expenditures of federal awards

$40,912,458

The accompanying notes are an integral part of this schedule.
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, Audit of States, Local Governments, and Nonprofit 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, 2013, reflects CFDA changes issued through August 2013.

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.
## 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:

<table>
<thead>
<tr>
<th>Program title</th>
<th>Contract number</th>
<th>CFDA number</th>
<th>Amount provided to subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice Civil Rights Division</td>
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<td></td>
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<tr>
<td>GMU</td>
<td>2009-DB-BX-K102</td>
<td>16.109</td>
<td>65,625</td>
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<td>NACDL/ National Assoc. of Criminal Defense Lawyers</td>
<td>2009-DB-BX-K102</td>
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<td>60,014</td>
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<tr>
<td>Pace University School of Law</td>
<td>2009-DB-BX-K102</td>
<td>16.109</td>
<td>4,789</td>
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<td>Seattle University School of Law</td>
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<td>16.109</td>
<td>872</td>
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<td>Total Department of Justice Civil Rights Division</td>
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<td>133,492</td>
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<tr>
<td>Department of State</td>
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<td>FWLD</td>
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<tr>
<td>Kathmandu School of Law</td>
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<td>Family Support Center</td>
<td>S-SGTIP-10-GR-0020</td>
<td>19.019</td>
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<td>Solomon Islands Christian Association Fed of Women</td>
<td>S-SGTIP-10-GR-0020</td>
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<td>13,590</td>
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<td>National Center for Youth Opportunity</td>
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<td>Republican Centre of Info and Youth Orientation</td>
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<td>The National Center for Human Rights</td>
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<td>Institute for Research on Policy and Law Development</td>
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<td>Vietnam’s Lawyer’s Association</td>
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<td>Institute for War and Peace Reporting US</td>
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<td>Advocacy Forum Nepal</td>
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<td>Bulgarian Institute for Legal Initiatives</td>
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<td>Novi Sad Humanitarian Center</td>
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<td>Roma Women Organization from Macedonia</td>
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<td>TEMEDT- Assoc Consid de la Pair</td>
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<td>Beijing Enable Legal Consulting LTD</td>
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<td>Green Anhui Environmental Consultation Center</td>
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American Bar Association

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended August 31, 2013

<table>
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<th>Program title</th>
<th>Contract number</th>
<th>CFDA number</th>
<th>Amount provided to subrecipients</th>
</tr>
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<tbody>
<tr>
<td>Department of State - Continued</td>
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<tr>
<td>China Univ of Pol Science and Law Ins of Legal Practice</td>
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American Bar Association  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
Year ended August 31, 2013

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<tr>
<th>Program title</th>
<th>Contract number</th>
<th>CFDA number</th>
<th>Amount provided to subrecipients</th>
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<td>The National Center for Human Rights</td>
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Total U.S. Agency for International Development  
1,917,841

Total  
$3,603,827
I. **Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued (unqualified, qualified, adverse or disclaimer): Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported

Type of auditors' report issued on compliance for major programs (unqualified, qualified, adverse or disclaimer): Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ Yes X No

Identification of major programs:

<table>
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<th>CFDA numbers</th>
<th>Name of federal program or cluster</th>
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<td>19.703</td>
<td>Criminal Justice Systems</td>
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<td>98.001</td>
<td>USAID Foreign Assistance for Programs Overseas</td>
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Dollar threshold used to distinguish between Type A and Type B programs: $1,425,762

Audittee qualified as a low-risk audittee? ___ Yes X No
II. Financial Statement Findings

None noted.

III. Federal Award Findings

None noted.