

AMERICAN BANKRUPTCY INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

**AMERICAN BANKRUPTCY INSTITUTE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5



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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Bankruptcy Institute
Alexandria, Virginia

We have audited the accompanying statement of financial position of American Bankruptcy Institute (the Organization) as of December 31, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of American Bankruptcy Institute for the year ended December 31, 2009 were audited by other auditors and, in their report dated April 22, 2010; they expressed an unqualified opinion on those statements. As discussed in Note 11, the Organization has restated its 2009 financial statements during the current year to correct an error in the treatment of capital leases, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2009 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Bankruptcy Institute as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 11 that were applied to restate the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

LarsonAllen LLP
LarsonAllen LLP

Arlington, Virginia
March 24, 2011

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**AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

	2010	Restated 2009
ASSETS		
Cash and Cash Equivalents	\$ 196,757	\$ 313,091
Investments	10,004,647	8,990,701
Accounts Receivable, Net	143,112	170,561
Interest Receivable	10,178	26,917
Contributions Receivable, Net	116,721	168,453
Prepaid Expenses	498,243	374,389
Property and Equipment, Net	298,555	456,426
Deposits	46,632	46,632
Total Assets	\$ 11,314,845	\$ 10,547,170
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Obligations	\$ 999,059	\$ 1,118,594
Capital Lease Payable	30,642	40,940
Deferred Revenue	2,826,044	2,641,549
Total Liabilities	3,855,745	3,801,083
NET ASSETS		
Unrestricted:		
Undesignated	4,675,003	4,309,707
Board Designated Reserve	2,626,679	2,237,474
Total Unrestricted	7,301,682	6,547,181
Temporarily Restricted	157,418	198,906
Total Net Assets	7,459,100	6,746,087
Total Liabilities and Net Assets	\$ 11,314,845	\$ 10,547,170

See accompanying Notes to Financial Statements.

AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			Restated 2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Conferences and Meetings	\$ 5,476,179	\$ -	\$ 5,476,179	\$ 4,919,952	\$ -	\$ 4,919,952
Membership Dues	2,842,237	-	2,842,237	2,759,362	-	2,759,362
Publications and Other Income	1,247,987	-	1,247,987	1,143,428	-	1,143,428
Investment Income	260,255	-	260,255	372,268	-	372,268
Contributions	238,769	35,637	274,406	110,642	93,745	204,387
Net Assets Released from Restriction	77,125	(77,125)	-	101,917	(101,917)	-
Total Revenue	<u>10,142,552</u>	<u>(41,488)</u>	<u>10,101,064</u>	<u>9,407,569</u>	<u>(8,172)</u>	<u>9,399,397</u>
EXPENSE						
Program Expense:						
Conferences and Meetings	5,156,583	-	5,156,583	4,548,745	-	4,548,745
Publications and Other Sales	1,938,414	-	1,938,414	1,763,517	-	1,763,517
Membership Services	638,507	-	638,507	578,559	-	578,559
Research Projects and Grants	272,628	-	272,628	486,236	-	486,236
Total Program Expense	<u>8,006,132</u>	<u>-</u>	<u>8,006,132</u>	<u>7,377,057</u>	<u>-</u>	<u>7,377,057</u>
Supporting Expense:						
General and Administrative	1,083,694	-	1,083,694	1,110,375	-	1,110,375
Membership Development	206,036	-	206,036	222,674	-	222,674
Fundraising	92,189	-	92,189	65,257	-	65,257
Total Supporting Expense	<u>1,381,919</u>	<u>-</u>	<u>1,381,919</u>	<u>1,398,306</u>	<u>-</u>	<u>1,398,306</u>
Total Expense	<u>9,388,051</u>	<u>-</u>	<u>9,388,051</u>	<u>8,775,363</u>	<u>-</u>	<u>8,775,363</u>
CHANGE IN NET ASSETS	754,501	(41,488)	713,013	632,206	(8,172)	624,034
Net Assets - Beginning of Year	<u>6,547,181</u>	<u>198,906</u>	<u>6,746,087</u>	<u>5,914,975</u>	<u>207,078</u>	<u>6,122,053</u>
NET ASSETS - END OF YEAR	<u>\$ 7,301,682</u>	<u>\$ 157,418</u>	<u>\$ 7,459,100</u>	<u>\$ 6,547,181</u>	<u>\$ 198,906</u>	<u>\$ 6,746,087</u>

See accompanying Notes to Financial Statements.

**AMERICAN BANKRUPTCY INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 713,013	\$ 624,034
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	158,191	162,497
Loss on Disposal of Property and Equipment	658	-
Provision for Bad Debt	9,467	1,452
Discount of Contributions Receivable	(447)	3,297
Realized (Gain) Loss on Investments	(15,186)	47,812
Unrealized Gain on Invesments	(13,049)	(154,669)
(Increase) Decrease in:		
Accounts Receivable	17,982	942
Interest Receivable	16,739	7,635
Contributions Receivable	52,179	(11,651)
Prepaid Expenses	(123,854)	(50,921)
Deposits	-	2,650
Increase (Decrease) in:		
Accounts Payable and Other Obligations	(119,535)	(68,289)
Capital Lease Payable	(10,298)	40,940
Deferred Revenue	184,495	84,527
Net Cash Provided by Operating Activities	870,355	690,256
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(978)	(93,928)
Purchases of Investments	(5,699,694)	(6,004,923)
Proceeds on Sales of Investments	4,713,983	5,539,594
Net Cash Used in Investing Activities	(986,689)	(559,257)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(116,334)	130,999
Cash and Cash Equivalents - Beginning of Year	313,091	182,092
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 196,757	\$ 313,091
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Period for Income Taxes	\$ 77,022	\$ 67,053
Cash Paid During the Period for Interest	\$ 2,841	\$ -

See accompanying Notes to Financial Statements.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

American Bankruptcy Institute (the Organization) was founded in 1982 as a non-profit and nonpartisan educational institution. The Organization provides a multi-disciplinary forum for the exchange of ideas and information on insolvency, reorganization, and bankruptcy issues. Through the Organization, accountants, attorneys, bankers, court clerks, consumer specialists, credit managers, finance and insurance executives, judges, legislators, professors, and others pursue mutual business, professional, and academic interests. In fulfillment of its mission to provide information to its members, journalists, Congress and the public, the Organization is engaged in numerous educational and research activities, as well as the production of a number of publications both for the insolvency practitioner and the public.

The Organization's major programs consist of the following:

Conferences and Meetings

The Organization holds two national membership meetings and many regional conferences throughout the year. These meetings offer a concentrated opportunity for the exchange of ideas, discussions of findings among colleagues, and continuing legal education.

Publications and Other Sales

The Organization produces various publications and journals that represent its commitment to the ongoing enhancement of quality education on insolvency topics. Additionally, the Organization maintains a comprehensive internet site covering insolvency issues and providing instant updates on legislation, new filings, Supreme Court cases, bankruptcy filing statistics, and daily bankruptcy news.

Membership Services

The Organization provides ongoing services to its members in order to provide a broad, in-depth resource of insolvency issues and related services.

Research Projects and Grants

The Organization provides funding and scholarships to enhance bankruptcy research and education.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses when the obligation is incurred.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and the Board Designated Reserve, which consists of unrestricted net assets designated by the Board of Directors for research and educational activities.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. From time to time the Organization maintains cash balances which may exceed Federally insured limits. Management does not believe that this results in any significant credit risk.

Investments

Investments are stated at fair value and consist of certificates of deposit, money market funds, mutual funds - bonds, exchange traded funds, and equities. Realized and unrealized gains or losses are included in investment income in the statements of activities and changes in net assets.

Fair Value Measurements

The Organization accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Organization is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The Organization has certificates of deposits classified at this level.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Organization has no investments classified at this level.

Accounts Receivable

Accounts receivable consist of amounts due to the Organization from sponsorships and the sale of advertising space in the American Bankruptcy Institute Journal. The Organization's management periodically reviews the status of these receivables for collectibility, which is assessed on management's knowledge of the relationship with the customer and the age of the receivable. Based on these reviews and the nature of the receivables, management has estimated \$18,326 and \$7,621 may be uncollectible and has recorded an allowance accordingly for the years ended December 31, 2010 and 2009, respectively.

Contributions Receivable

Contributions receivable consist of pledges individuals or companies have made to the Organization. The face amount of the contributions receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts (See Note 4).

Property and Equipment

Property and equipment greater than \$2,500 is recorded at the original cost and is being depreciated on a straight-line basis over estimated lives of three to five years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue represents members dues recognized over the applicable membership period or member dues received before the membership period, and income for conferences and meetings received in advance of the event.

Revenue Recognition

Conferences and Meetings

Conferences and meetings revenue are recognized when the event takes place.

Membership Dues

Membership dues are recognized as revenue over the applicable membership period. Membership dues collected in advance are included in deferred revenue.

Publications and Other Sales

Publication and other sales consist of advertising, publication sales and sponsorship revenue and are recognized when the publication is issued.

Contributions

The Organization recognizes all unconditional contributions received as income in the period received or pledged. Unconditional contributions are reported as unrestricted, temporarily restricted or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. However, the Organization is subject to tax on its unrelated business income activities (primarily advertising), and recorded expense for the years ended December 31, 2010 and 2009, of \$94,140 and \$67,053, respectively, for unrelated business income taxes.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The tax returns for the fiscal years ended 2007 through 2009 are open to examination by federal and state authorities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain items in the fiscal year 2009 financial statements have been reclassified to conform to the 2010 presentation.

Subsequent Events

Management has evaluated subsequent events for disclosure in these financial statements through March 24, 2011, which is the date the financial statements are available to be issued.

NOTE 2 INVESTMENTS

Investments are recorded at fair value and consisted of the following at December 31:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Undesignated:				
Money Market Funds	\$ 1,221,990	\$ 1,221,990	\$ 586,552	\$ 586,552
Certificates of Deposit	3,122,003	3,131,066	3,814,660	3,849,232
Equities	-	-	103,397	128,057
Mutual Funds - Bonds	3,182,981	3,201,067	2,269,505	2,239,498
Exchange Traded Funds	-	-	1,499	1,756
Trusts	-	-	1,580	1,825
Sub Total	7,526,974	7,554,123	6,777,193	6,806,920
Board Designated Reserve:				
Money Market	627,647	627,647	378,209	378,209
Certificates of Deposit	1,357,830	1,403,978	1,760,697	1,805,572
Mutual Funds - Bonds	404,547	418,899	-	-
Sub Total	2,390,024	2,450,524	2,138,906	2,183,781
Total	\$ 9,916,998	\$ 10,004,647	\$ 8,916,099	\$ 8,990,701

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 2 INVESTMENTS (CONTINUED)

Investment income consisted of the following for the years ended December 31:

2010	Undesignated	Board Designated Reserve	Total
Interest and Dividends	\$ 172,853	\$ 59,167	\$ 232,020
Realized Gain	15,186	-	15,186
Unrealized (Loss) Gain	(1,869)	14,918	13,049
Total	<u>\$ 186,170</u>	<u>\$ 74,085</u>	<u>\$ 260,255</u>
2009	Undesignated	Board Designated Reserve	Total
Interest and Dividends	\$ 201,459	\$ 63,952	\$ 265,411
Realized Loss	(47,812)	-	(47,812)
Unrealized (Loss) Gain	140,334	14,335	154,669
Total	<u>\$ 293,981</u>	<u>\$ 78,287</u>	<u>\$ 372,268</u>

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Significant Accounting Policies.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2010			Total
	Level 1	Level 2	Level 3	
Undesignated:				
Certificates of Deposit	\$ -	\$ 3,131,066	\$ -	\$ 3,131,066
Mutual Funds - Bonds	3,201,067	-	-	3,201,067
Sub Total	<u>3,201,067</u>	<u>3,131,066</u>	<u>-</u>	<u>6,332,133</u>
Board Designated Reserve:				
Certificates of Deposit	-	1,403,978	-	1,403,978
Mutual Funds - Bonds	418,899	-	-	418,899
Sub Total	<u>418,899</u>	<u>1,403,978</u>	<u>-</u>	<u>1,822,877</u>
Total	<u>\$ 3,619,966</u>	<u>\$ 4,535,044</u>	<u>\$ -</u>	<u>\$ 8,155,010</u>

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	2009			Total
	Level 1	Level 2	Level 3	
Undesignated:				
Certificates of Deposit	\$ -	\$ 3,849,232	\$ -	\$ 3,849,232
Equities	128,057	-	-	128,057
Mutual Funds - Bonds	2,239,498	-	-	2,239,498
Exchange Traded Funds	1,756	-	-	1,756
Trusts	1,825	-	-	1,825
Sub Total	<u>2,371,136</u>	<u>3,849,232</u>	<u>-</u>	<u>6,220,368</u>
Board Designated Reserve:				
Certificates of Deposit	-	1,805,572	-	1,805,572
Sub Total	<u>-</u>	<u>1,805,572</u>	<u>-</u>	<u>1,805,572</u>
 Total	 <u>\$ 2,371,136</u>	 <u>\$ 5,654,804</u>	 <u>\$ -</u>	 <u>\$ 8,025,940</u>

Money market funds are not included in the above tables.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable relate to the Board Designated Reserve program. They are unconditional, are to be received over a period up to five years, and have been discounted to their present value at December 31, 2010 and 2009. The following amounts are to be received as of December 31:

	2010	2009
Receivable in Less Than One Year	\$ 52,538	\$ 82,271
Receivable in One to Five Years	80,970	104,654
Total	<u>133,508</u>	<u>186,925</u>
 Present Value Discount	 (4,975)	 (5,422)
Allowance for Doubtful Accounts	(11,812)	(13,050)
Total	<u>\$ 116,721</u>	<u>\$ 168,453</u>

The contributions receivable due after one year have been discounted to their present value using a risk-adjusted discount rate of 4.2% in 2010 and up to 3.6% in 2009.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$ 137,829	\$ 142,871
Network and Database	521,846	586,818
Leasehold Improvements	<u>603,638</u>	<u>603,634</u>
 Total	 1,263,313	 1,333,323
 Less: Accumulated Depreciation and Amortization	 <u>(964,758)</u>	 <u>(876,897)</u>
Net	<u>\$ 298,555</u>	<u>\$ 456,426</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$158,191 and \$162,497, respectively.

NOTE 6 CAPITAL LEASES

In 2009, the Organization entered into a lease for two copiers. These assets are included and reported in property and equipment in the statements of financial position. Amortization of the assets under the capital lease is included in depreciation expense for the years ended December 31, 2010 and 2009. The lease expires in 2013. The future minimum lease payments at December 31, 2010 are as follows:

<u>Years Ending December 31,</u>	
2011	\$ 13,140
2012	13,140
2013	<u>7,665</u>
Total Minimum Lease Payments	33,945
Amount Representing Interest	<u>3,303</u>
 Present Value of Net Minimum Lease Payments	 30,642
Current Portion of Capital Lease Obligation	<u>(13,140)</u>
 Long-term Portion of Capital Lease Obligation	 <u>\$ 17,502</u>

The amount capitalized for lease arrangements and included in property and equipment in the statements of financial position as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Furniture and Equipment	\$ 45,000	\$ 45,000
Less: Accumulated Depreciation	(9,000)	(3,750)
Furniture and Equipment, Net	<u>\$ 36,000</u>	<u>\$ 41,250</u>

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	2010	2009
Member Dues	\$ 2,231,863	\$ 2,080,191
Meetings and Conferences	585,893	519,375
Advertising	8,288	39,296
Other	-	2,687
	\$ 2,826,044	\$ 2,641,549

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2010 and 2009, temporarily restricted net assets consist of the following:

	2010	2009
Board Designated Reserve		
Contributions Receivable	\$ 116,721	\$ 168,456
National Conference on Bankruptcy Judges Grant	10,697	10,450
West Grant	30,000	20,000
	\$ 157,418	\$ 198,906

NOTE 9 RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan under the Internal Revenue Code Section 403(b). Employees are eligible to participate following six months of service. The Organization matches up to the first 6% of an eligible employee's gross salary. For the years ended December 31, 2010 and 2009, the Organization incurred plan expenses of \$120,844 and \$118,650, respectively.

NOTE 10 COMMITMENTS

The Organization is obligated, as lessee, under non-cancelable operating leases for spaces and equipment in Alexandria, Virginia. The office lease expires in 2013 and contains an option to extend for an additional five years to 2018. In accordance with the leases, the Organization receives partial space rent-free and leasehold concessions valued at \$330,910, and is subject to a 3% escalation clause for part of the space. A portion of the office space is covered under a sublease expiring in 2011 which is also subject to a 3% escalation clause. The Organization has recorded rent expense for these spaces on a straight line basis and established a deferred rent liability to be charged to rent expense over the life of the lease. As of December 31, 2010 and 2009, this liability is \$292,481 and \$373,776, respectively, and is included in accounts payable and other obligations on the accompanying statements of financial position.

**AMERICAN BANKRUPTCY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 COMMITMENTS (CONTINUED)

The following is a schedule by years of future minimum rental payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of December 31, 2010:

<u>Year Ending December 31:</u>	<u>Office Lease</u>	<u>Other Equipment</u>	<u>Total</u>
2011	\$ 608,760	\$ 20,172	\$ 628,932
2012	605,936	11,636	617,572
2013	423,747	7,981	431,728
2014	-	2,660	2,660
Total	<u>\$ 1,638,443</u>	<u>\$ 42,449</u>	<u>\$ 1,680,892</u>

Total rent expense for the years ended December 31, 2010 and 2009 was \$520,015 and \$541,599 respectively.

Employee Contract

The Organization has an employment agreement with its Executive Director through 2015. The terms of the agreement stipulate that, if his employment is terminated without cause during his employment, the Organization will continue to pay his salary for a period of nine months subsequent to the effective date of such termination.

Conference Facilities

The Organization reserves spaces for its conferences several years in advance. The contracts contain various performance requirements including penalties for cancellation of the events. As of December 31, 2010, the maximum contingency for liquidated damages is approximately \$3,964,000.

NOTE 11 RESTATEMENT

Management restated the 2009 financial statements to correct an error in the classification of an office equipment lease, changing its classification from an operating lease to a capital lease. The effect of this restatement resulted in an increase in liabilities of \$40,940, an increase in property and equipment, net of \$41,250, and a decrease in general and administrative expenses and an increase in net assets of \$310.