

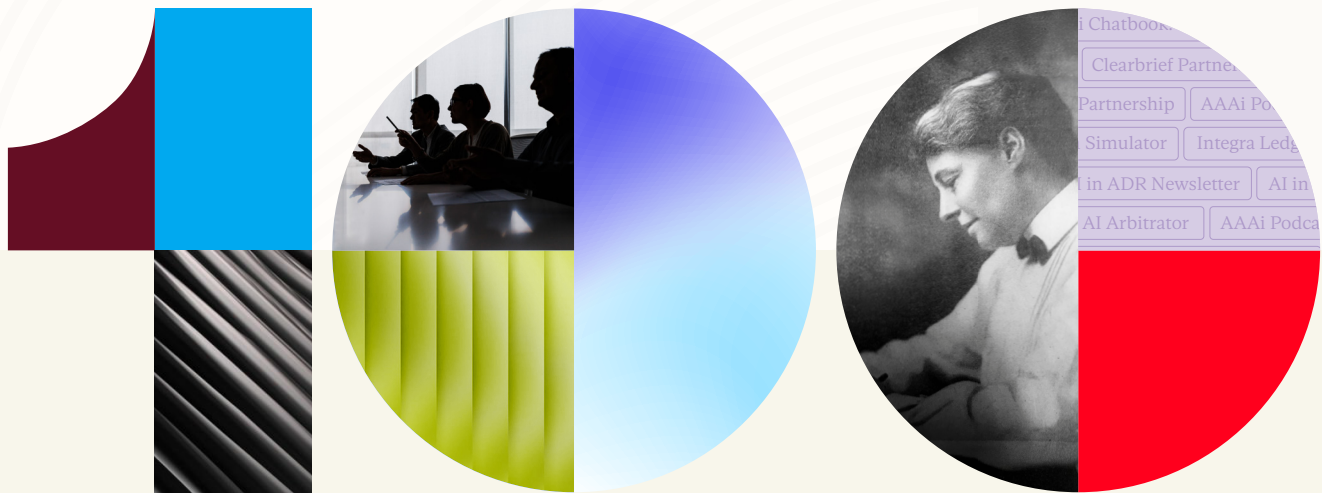


American  
Arbitration  
Association®

ICDR  
INTERNATIONAL CENTRE  
FOR DISPUTE RESOLUTION®

2025  
Annual  
Report

Resolution done right.



Progress made  
possible.

Positioning the AAA-ICDR® for Its Second Century.

## Mission

To lead the world in providing innovative measures to prevent, mitigate, and resolve disputes fairly and efficiently.

## Values

We lead with integrity.

We know the process matters.

We provide exceptional service.

We educate and solve problems.

We innovate and improve continuously.

We collaborate and embrace differences.



American  
Arbitration  
Association®

ICDR  
INTERNATIONAL CENTRE  
FOR DISPUTE RESOLUTION®

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# President's Letter



**Bridget M. McCormack**  
President & Chief Executive Officer

## Dear Stakeholders,

At the beginning of 2026, the American Arbitration Association®-International Centre for Dispute Resolution® (AAA-ICDR) marked its 100<sup>th</sup> anniversary. For a century, the AAA-ICDR has supported the resolution of disputes across industries and communities through neutrality, procedural integrity, and an unwavering commitment to fair process.

## 2025 was a milestone year that positioned the AAA-ICDR for its second century.

We moved from discussing the future of dispute resolution to building it. We modernized core platforms, expanded responsible AI capabilities across our systems, and launched a redesigned website to provide clearer guidance and a more accessible experience for parties, counsel, and panelists navigating the dispute resolution process.

We also introduced the AI Arbitrator – the first produced and governed by an arbitration institution. It applies artificial intelligence (AI) alongside the judgment of human arbitrators to resolve specific disputes more efficiently, while maintaining the governance, transparency, and due process standards that define our institution.

We expanded mediation services, launched new mediation tools and resources, and strengthened operational support dedicated to mediation to respond to growing demand for collaborative, flexible resolution pathways.

Across industries and practice areas, the AAA-ICDR continued to serve as a trusted forum for resolving disputes at scale. We administered 580,000 new cases, supporting parties with disputes in construction, healthcare, employment, labor, consumer, energy, technology, and many other sectors.

All of this work positioned the AAA-ICDR to enter its next chapter with confidence.

A century is more than a milestone. It is trust earned case by case through neutrality, procedural integrity, and fair process. Over 100 years, the AAA-ICDR has continuously adapted to support new industries and new parties, while remaining firmly anchored to these principles.

Today's dispute resolution environment is increasingly complex. Parties expect efficiency, transparency, and accessibility. Dispute resolution must scale to meet evolving needs without compromising its core principles. Emerging capabilities, such as generative AI, are expanding what is possible while raising important questions about governance, fairness, and accountability.

Conflict may not be a choice, but how we move through it is. At the AAA-ICDR, we remain committed to providing dispute resolution that is fair, neutral, available to all, and worthy of confidence now and for the next 100 years.

With gratitude,



**Bridget M. McCormack**  
President & Chief Executive Officer



**Entering  
A Century of  
Resolution.**

**And Counting.**

# Founded in 1926, the AAA-ICDR was created to offer a better way to resolve disputes.

Over the past 100 years, the AAA-ICDR has upheld that mission through a neutral process, deep practical expertise, and a focus on fairness, efficiency, and trust.

That legacy is not static. It is renewed continuously as the nature of disputes, the needs of parties, and the tools available to support resolution evolve.

Throughout 2025, the AAA-ICDR focused on strengthening the foundations that will carry it into its second century. That work took three primary forms:



## Modernizing how disputes are resolved

Upgrading core platforms, improving user experience, and expanding responsible AI capabilities – including the launch of the AI Arbitrator – with governance, transparency, and human oversight at the center.



## Strengthening dispute resolution across industries and practice areas

Focusing on construction, healthcare, energy, and technology, while expanding mediation services and launching new tools designed to improve access, efficiency, and outcomes.



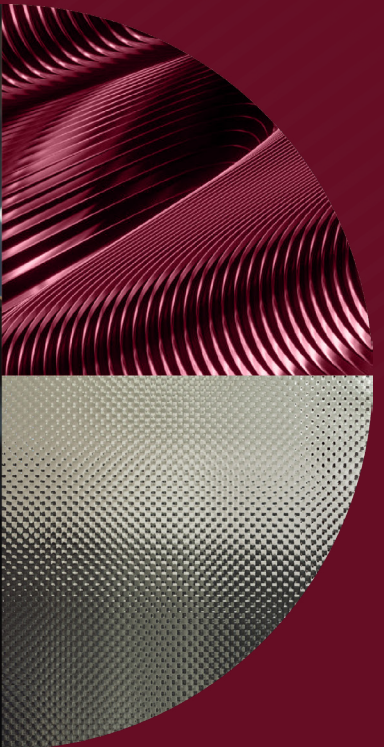
## Investing in education, professional engagement, and institutional capacity

Supporting the people and systems behind the process to sustain fair, high-quality dispute resolution amid growing complexity.

This report highlights meaningful progress from 2025 and how the AAA-ICDR carried its mission forward as it entered its centennial year.

01

# Impact by the Numbers



# Impact By the Numbers

## Key Metrics in ADR Efficiency and Growth

In 2025, the AAA-ICDR remained a leading forum for dispute resolution across industries worldwide. From high-value commercial disputes to consumer and employment claims, these metrics highlight the scale, speed, and effectiveness of AAA-ICDR arbitration and mediation.

[Explore the full 2025 case statistics and industry breakdowns.](#)

## Commercial

In 2025, almost 12,000 business-to-business cases were filed, representing

# \$21.4 billion

in total claims and \$7.7 billion in total counterclaims. Commercial arbitration continues to provide an efficient forum for resolving complex business disputes.

## Financial Services

Financial services parties sought more than \$1.5 billion in total claims and nearly \$590 million in total counterclaims in 2025 new case filings. Awards in 2025 were issued in as little as 1.8 months, and in

**58% of high-value cases a sole arbitrator was appointed.**

Additionally, 34% of settled cases closed before incurring any arbitrator compensation.

## Healthcare

Healthcare disputes remained a significant area of activity, with more than 1,000 new cases filed in 2025, asserting more than

# \$4 billion

in total claims and \$1.8 billion in total counterclaims. More than 75% of cases closed in 2025 were settled, reflecting the high rate of resolution before going to award.

## Energy

Energy sector disputes included more than \$1.1 billion in claims filed in 2025, with 31% of cases involving international parties. Forty percent of cases closed in 2025 settled before award. The AAA-ICDR Global Energy Panel includes 179 arbitrators and mediators with deep industry expertise.

## Technology

Technology disputes often involve complex technical issues and high-value claims. In 2025, awards for large claims of

# \$1 million

or more were delivered in as little as 2.3 months, and 39% of cases settled before award. The AAA's panel includes 213 experienced technology arbitrators and mediators, and in 2025, parties in 83% of large-dollar cases selected a single arbitrator to decide their case.

## Consumer

Consumer arbitration delivered meaningful outcomes while staying accessible. In 2025, consumers were awarded more than

**\$26.7 million**

and in more than 3,600 cases, consumers paid no fees.

## Construction

Construction disputes often involve high-value, technically complex claims. In 2025, new filings included claims as high as \$514 million and counterclaims up to \$332 million, with large-dollar awards delivered on average about

**1.7x faster than cases that reached trial.**

The AAA-ICDR construction panel includes more than 1,100 experienced arbitrators and mediators.

## Labor

Labor arbitration remained a core service area, with 5,000 labor cases filed in 2025. Forty-one percent of cases closed in 2025 settled, and, for those cases that went to award, the median time to award was under 300 days, demonstrating the efficiency of labor arbitration.

## Employment

Employment arbitration remained an effective path to resolution, with 77% of cases closed in 2025 settling before award, and 22% of those settled cases closing before incurring any arbitrator compensation. The median time to award was 17 months in 2025, which is significantly faster than in most court proceedings.

## International

The AAA-ICDR continued to support cross-border dispute resolution, with 725 arbitrations and 73 mediations filed in 2025 involving parties from 96 countries. In 55% of cases involving a claim of at least \$3 million awarded in 2025, parties selected a single arbitrator, helping reduce time and cost.

**The median time to award for cases of \$1 million or more was 20.5 months.**



02

# Modernizing How Disputes Are Resolved



# Modernizing How Disputes Are Resolved

Throughout 2025, the AAA-ICDR accelerated the modernization of dispute resolution – strengthening the tools, platforms, and infrastructure that support fair, neutral process at scale. From the launch of the AI Arbitrator to platform upgrades and new technology partnerships, these efforts advanced clarity, access, and efficiency while preserving core due process standards.

## AI Arbitrator

The **AI Arbitrator** brings responsible AI into arbitration practice. Introduced in November 2025 for eligible two-party, documents-only construction disputes, the AI Arbitrator addresses a high-volume use case in which consistency, cost control, and procedural efficiency are critical.

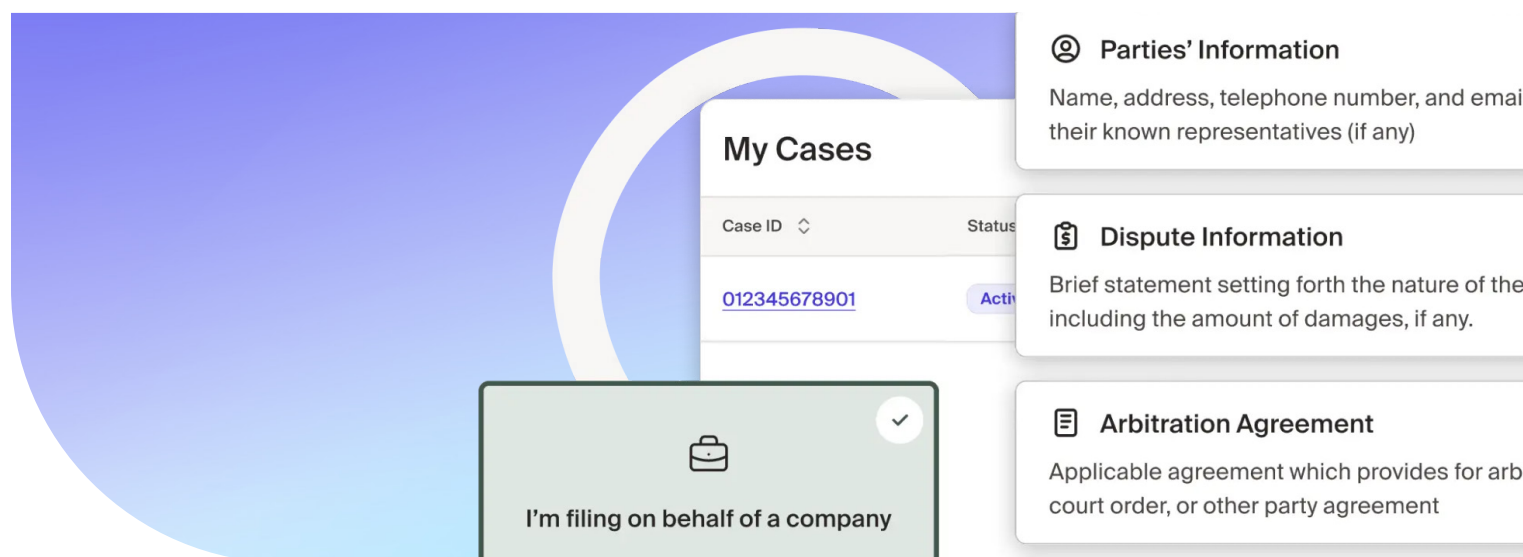
Trained on arbitrators' legal reasoning, AI supports case analysis and award drafting, enabling human arbitrators to focus on evaluating the record and exercising judgment.

**Early testing showed cost savings of 35–45% and time savings of 20–25% compared to traditional documents-only arbitration.**

This human-in-the-loop model integrates innovation with established oversight, reinforcing confidence in the arbitral process and establishing a structured institutional framework for AI-supported dispute resolution.

The launch generated significant national and international media coverage, with more than 60 articles examining the AAA-ICDR's approach to governed AI in arbitration. To support transparency and understanding, the AAA-ICDR developed extensive educational resources, including a **dedicated landing page**, **FAQs**, and **video series**, which explain the system's design, oversight structure, and real-world application.

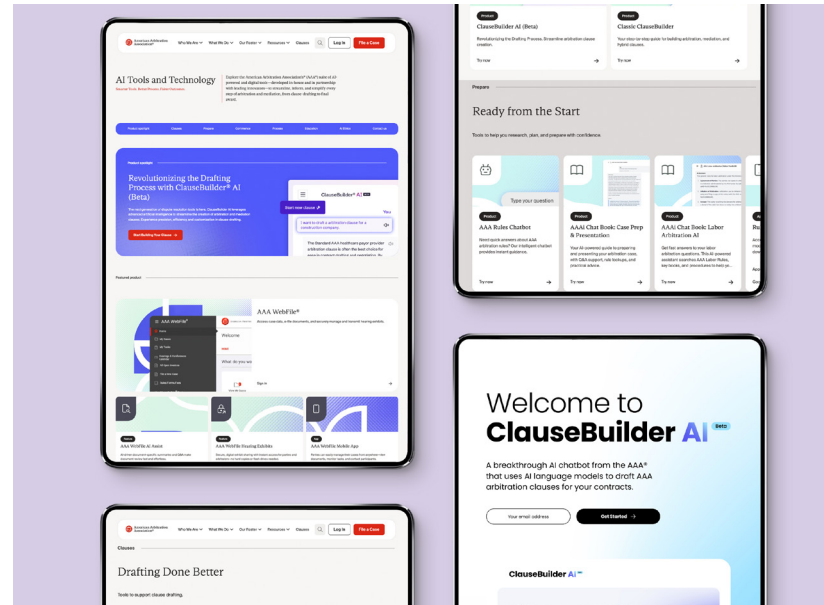
The AAA-ICDR plans to expand the AI Arbitrator in 2026 to include select commercial disputes.



 **New AAA-ICDR Website**

The AAA-ICDR redesigned its website in 2025 to make its dispute resolution resources easier to find and use. The new site brings together industry and alternative dispute resolution (ADR) news, practice area resource hubs, panelist profiles, AI and technology insights, and AAA-ICDR events in a clearer, more intuitive structure.

With streamlined navigation and direct access to rules, procedures, and educational content, the redesigned website helps users find what matters most – quickly and confidently – at every stage of the dispute resolution process.



 **ClauseBuilder® AI Expansion**

Adoption of ClauseBuilder AI grew through strategic alliances with leading legal research and contract technology providers Jus Mundi, Dioptra, and Cicerai.

Through these collaborations, AAA-ICDR core ADR clauses are integrated into contract drafting platforms, and, in select environments, ClauseBuilder AI functionality is embedded directly into workflow tools – enabling users to design, customize, and evaluate dispute resolution clauses within the systems they already use.

These integrations promote clearer agreements and more effective dispute resolution at the point of contract creation.



 **Clearbrief Partnership**

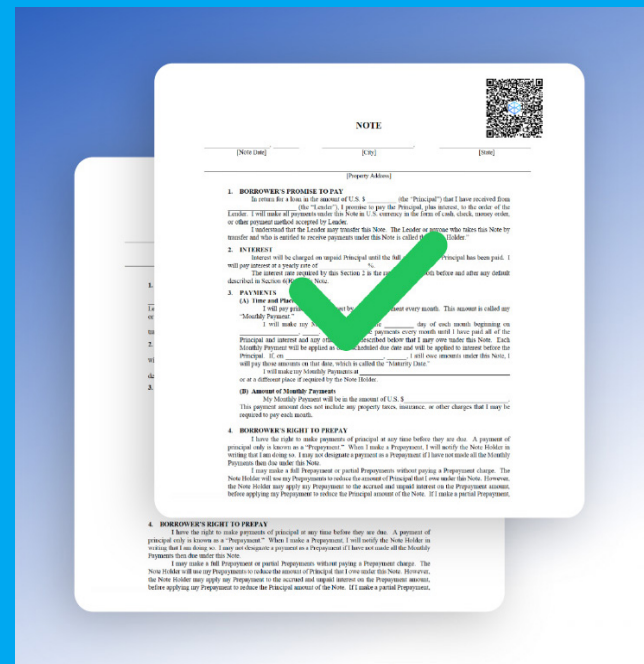
The AAA-ICDR partnered with Clearbrief, an AI-powered legal writing and citation validation platform recognized as the 2025 Legal Compliance Solution of the Year by LegalTech Breakthrough Awards and recipient of the 2025 Clio Cloud Conference Award for Best Practice of Law App.

Clearbrief enables arbitrators and mediators to verify citations directly against the record and case law, strengthening accuracy and transparency in written decisions. Deployment across the AAA-ICDR roster, supported by Clearbrief Academy training, enhanced professionalism and consistency in award drafting.



 **Integra Ledger  
Blockchain Partnership**

Through a partnership with Integra Ledger, the AAA-ICDR launched a blockchain-based document authentication service available to parties, law firms, and businesses. The platform enables tamper-proof, time- and date-stamped digital proofs without storing document contents, reinforcing evidentiary reliability and trust amid rising concerns about AI-generated forgeries.



 **AAAI Panelist Search**

The AAA-ICDR enhanced AAAI Panelist Search with AI-enabled semantic search, side-by-side profile comparison, and improved list management tools, giving parties greater clarity and control in panelist selection. The platform was recognized with the InnoLead 2025 IMPACT Award and named a finalist for Gartner's 2025 Eye on Innovation Awards.

### AAA WebFile® and Panelist eCenter®

The AAA-ICDR enhanced its secure online case platforms – AAA WebFile for parties and Panelist eCenter for panelists – with a refreshed interface and AI-enabled tools. New features such as document summarization and AI-driven Q&A streamline record review and support more efficient case administration.

### API Integrations

To support frequent filers and high-volume matters, the AAA-ICDR expanded API integrations across all practice areas, enabling system-to-system connectivity for document submission and case alerts.

These integrations improve operational efficiency, reduce manual handling, and support timely communication, strengthening the infrastructure needed to administer disputes at scale.

### AAi Chatbooks

In alliance with EdTek, the AAA-ICDR launched AAi Chatbooks – interactive tools that provide guided, source-based answers drawn from certain publications as well as AAA-ICDR rules and procedures.

Initial releases focused on case preparation, labor arbitration, and arbitration for non-attorneys, expanding access and understanding across user groups.

### Election AI Chatbot

To improve access and responsiveness for users navigating election administration, the AAA-ICDR introduced an AI-powered chatbot to support questions related to its online election services. The tool provides timely, plain-language guidance on election procedures and processes, helping users find answers quickly while reducing friction in high-volume election environments.

### Court-Connected Innovation

In collaboration with the National Center for State Courts, the AAA-ICDR advanced an AI-assisted platform with Pennsylvania's Lancaster County Court of Common Pleas to streamline the court's credit card debt diversion program.

The system supports intake, scheduling, eligibility review, and outcome tracking while preserving human oversight, with broader deployment and open-source development underway.

### AAA-ICDR-Suffolk Online Dispute Resolution Innovation Clinic

The AAA-ICDR, in partnership with Suffolk University Law School, advanced implementation of a court-connected online dispute resolution (ODR) initiative designed to expand access to family law dispute resolution in Massachusetts.

The program progressed from planning to active development, positioning it for the launch of a full ODR platform in 2026 under the leadership of former Massachusetts Probate and Family Court Chief Justice John D. Casey.



### **Future Dispute Resolution: Conferences & Hackathons**

The AAA-ICDR hosted Future Dispute Resolution Conferences at the Peace Palace in The Hague, Netherlands, and Cardozo School of Law in New York. The gatherings advanced global dialogue on AI in arbitration and mediation, with programming focused on ethics, governance, and practical application.

Accompanying cross-disciplinary hackathons generated forward-looking concepts for AI-enabled dispute prevention and resolution.



### **Advancing a Culture of Innovation**

The Innovation Department convened 15 strategy hackathons aligned with the AAA-ICDR's strategic priorities for staff.

The sessions engaged 630 employees across the organization and generated 85 idea submissions focused on improving internal processes, enhancing user experience, and developing new service and technology offerings.

Collectively, the initiative contributed 3,910 hours of innovation-focused participation, deepening cross-functional collaboration and institutional capacity.



03

# Resolution Across Industries and Practice Areas



# Resolution Across Industries and Practice Areas

In 2025, more than 580,000 cases were filed with the AAA-ICDR, a 9% increase from 2024, reflecting continued demand for fair, efficient dispute resolution across core industries and practice areas. Through updated rules, new industry-specific frameworks, expanded mediation services, and targeted community engagement, the organization reinforced its role as a trusted forum for resolving disputes at scale.

## New York State Insurance

The New York State Insurance (NYSI) Division received more than 511,000 no-fault submissions in 2025 – the highest volume on record – underscoring the scale and complexity of one of the nation’s largest arbitration programs. Process enhancements and automation improved efficiency and increased conciliation stage settlement rates while preserving fairness and due process.

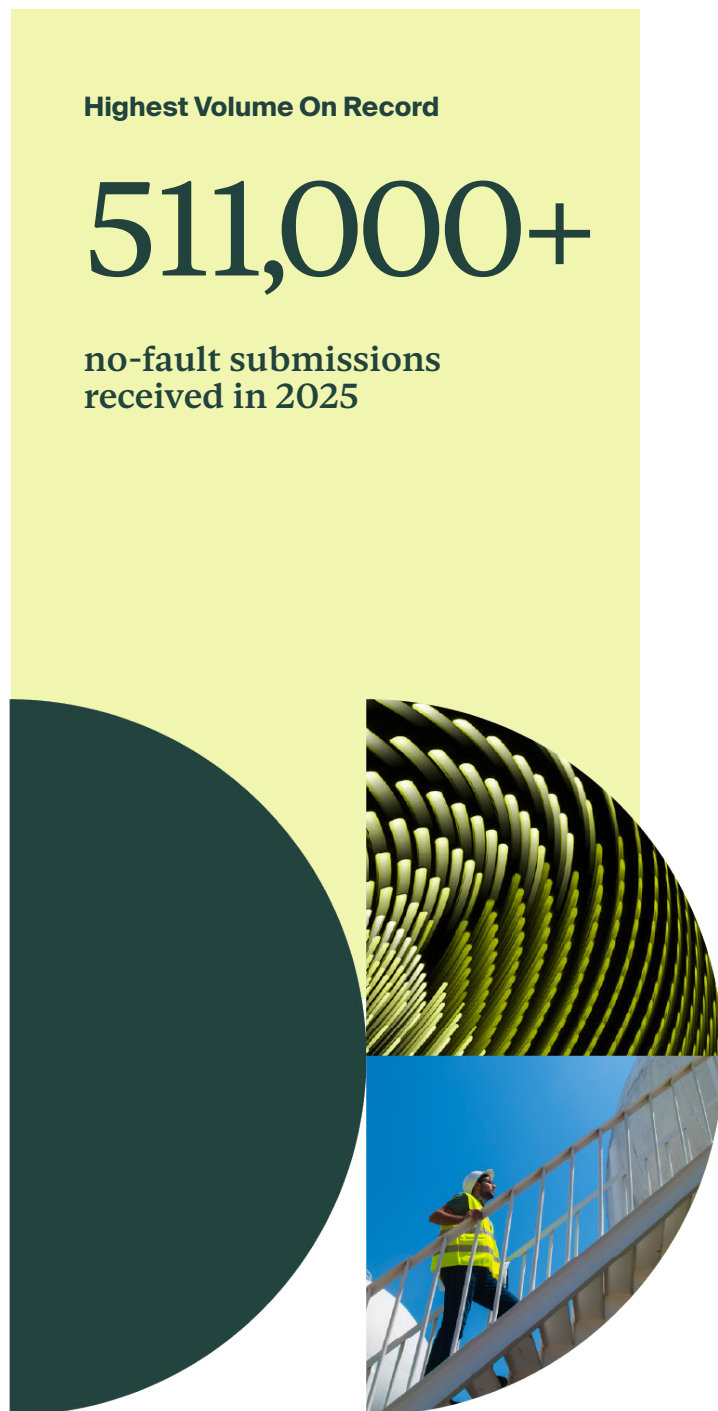
## Modernizing Document Processing With AI-Assisted Indexing

To manage monthly document volumes exceeding 100,000 submissions, NYSI implemented Intellidact, an AI-powered indexing platform. The system improves consistency and reduces manual effort while preserving human oversight, positioning the division for continued operational gains in 2026.

Highest Volume On Record

# 511,000+

no-fault submissions  
received in 2025



## Commercial

Across business-to-business matters, 11,983 cases were filed with the AAA-ICDR in 2025. Through specialized programs and updated frameworks, the organization supported parties navigating often complex, high-value disputes with efficiency and procedural clarity.

## Financial Services

With more than 800 cases filed in 2025, the Financial Services sector maintained a strong nationwide presence. The AAA-ICDR Financial Advisory Committee met to address emerging issues and new SEC regulations, promoting continued alignment with market needs.

The inaugural Financial Services Conference convened more than 100 industry leaders to examine best practices and arbitration in the digital age, reinforcing the AAA-ICDR's role at the intersection of regulation and innovation.

# 11,983

**Business-to-business cases filed with the AAA-ICDR in 2025**

## Healthcare

Healthcare disputes accounted for almost 1,050 cases filed with the AAA-ICDR in 2025. The Healthcare Advisory Council reviewed the Healthcare Payor Provider Arbitration Rules and approved targeted clarifications regarding consolidation and joinder, with updates taking effect in 2026.

## Sports and NIL

The AAA-ICDR continues to administer sports-related and name, image, and likeness (NIL) disputes as this emerging area of law evolves. New **Supplementary Procedures** and **Due Process Guidelines** provide a structured, neutral framework for resolving NIL matters involving contracts, compensation, eligibility, and governance.

The streamlined process includes emergency relief options, transparent fee structures, experienced arbitrators drawn from the AAA-ICDR's Sports and Commercial Panels, and strong privacy protections for sensitive information.

## Consumer

In 2025, 9,419 single consumer disputes were filed with the AAA-ICDR. Through targeted rule updates and expanded mediation pathways, the AAA-ICDR reinforced fairness, usability, and predictability for consumers and businesses alike.

### Streamlined Arbitration for California Lemon Law

The AAA-ICDR introduced Documents-Only Streamlined Arbitration Rules for California Lemon Law attorneys' fees disputes, resolving eligible cases in under 30 days. The framework provides a clear and efficient path for a growing, narrowly defined category of claims while preserving due process.

### Updated Consumer Arbitration Rules

The AAA-ICDR revised its Consumer Arbitration Rules to reflect stakeholder feedback, evolving best practices, and technological advancements. Draft rule changes were released for public comment, strengthening transparency and stakeholder engagement. The final updates provide clearer structure, enhanced case administration standards, and a more intuitive, accessible process.

### Integrated Consumer Mediation Procedures

Newly launched Consumer Mediation Procedures were formally integrated into the rules, expanding access to streamlined, cost-effective mediation pathways for consumers and businesses.

# 9,419

Consumer disputes filed  
with the AAA-ICDR in 2025



## Construction

In 2025, 5,377 construction disputes were filed with the AAA-ICDR. Drawing on deep industry expertise and updated guidance, the AAA-ICDR promoted dispute management and procedural efficiency across complex projects.

### Convening the Construction Community

The sold-out 20<sup>th</sup> Annual AAA-ICDR Construction Conference drew an attendance of convening executives, counsel, arbitrators, and industry experts. Programming addressed the full dispute lifecycle – from clause design and dispute avoidance to ethics and technology in discovery.

### Advancing Best Practices in Discovery

In collaboration with its National Construction Dispute Resolution Committee, the AAA-ICDR released “E-Discovery Considerations for Construction Arbitration,” providing practical guidance for managing electronically stored information proportionately and efficiently, including responsible use of AI-assisted review.

### Thought Leadership for High-Stakes Disputes

The AAA-ICDR launched Mastering Dispute Resolution: Conflict Resolution Strategies for High-Stakes Investment Risk. The initiative featured a comprehensive special report, a multi-part video series, and in-depth articles that delivered practical insights on managing high-stakes investment risk through effective dispute-resolution design.

# 5,377

Construction disputes filed  
with the AAA-ICDR in 2025

## Labor

In 2025, 5,000 labor cases were filed with the AAA-ICDR, reinforcing its role as a trusted national forum for public- and private-sector dispute resolution.

### Expanding the Future of Labor Dispute Resolution

The AAA-ICDR partnered with the Scheinman Institute at Cornell University's School of Industrial and Labor Relations to support the launch of the National Conflict Resolution Service, a nonprofit hub for labor dispute resolution, training, and conflict management.

Through this collaboration, the AAA-ICDR will administer labor arbitrations and mediation matters while expanding professional development for emerging and experienced neutrals – strengthening pipeline development and access to labor dispute services nationwide.

## Employment

In 2025, more than 4,000 single employment cases were filed with the AAA-ICDR. In response to increasing regulatory scrutiny, evolving labor models, and growing participation by self-represented parties, the AAA-ICDR enhanced its employment arbitration processes to support scalability, efficiency, and procedural fairness.

### Modernizing Employment Arbitration Rules

The Employment/Workplace Arbitration Rules underwent their first comprehensive revision since 2009. Draft rules were released publicly for comment, strengthening transparency and stakeholder engagement.

The updated rules enhance clarity, procedural effectiveness, and fairness while maintaining the AAA-ICDR's longstanding commitment to due process and neutrality.

5,000

Labor cases

filed with the AAA-ICDR in 2025

4,439

Employment cases

filed with the AAA-ICDR in 2025

## International

In 2025, the International Centre for Dispute Resolution (ICDR®) received 725 new international arbitrations and 73 new international mediations. Amid growing regulatory and jurisdictional complexity, the ICDR advanced its global presence and reinforced transparency and institutional credibility in international matters.

### Expanding Global Reach and Market Presence

The ICDR deepened its engagement in key international markets through targeted, senior-level outreach and the launch of new regional advisory bodies. In 2025, this included a strategic business development delegation to Brazil and the formation of the ICDR Malaysia Committee to expand engagement with legal and business communities in Southeast Asia.

The Malaysia Committee joins the ICDR's Greater China and Singapore Committees, reinforcing the ICDR's long-term commitment to Asia and strengthening regional dialogue around international arbitration and mediation practice.

### Record Growth in Asia-Pacific

The Asia Case Management Centre delivered its strongest revenue performance in over a decade, managing an expanded portfolio of complex cross-border arbitrations and reinforcing Singapore's role as a regional hub.

### Data Protection and Cross-Border Trust

The ICDR fulfilled all requirements under the AAA-ICDR Data Privacy Framework Program with the U.S. Department of Commerce, reinforcing confidence in its administration of sensitive international disputes.

### Advancing Transparency, Innovation, and Global Standards

The ICDR expanded publication of redacted awards and institutional materials through platforms including Jus Mundi, Westlaw, Kluwer Arbitration, and the International Council for Commercial Arbitration. The launch of the ICDR Dispute Resolution Library on Jus Mundi improved global accessibility and research transparency.

**725** International Arbitrations

**73** International Mediations

## Mediation

Mediation filings increased, driven by growth in commercial and consumer matters.

Commercial mediation filings rose 15%, reflecting growing reliance on mediation for complex business disputes. Consumer mediation filings increased 79%, signaling expanded engagement in consumer-facing programs.

These trends underscore mediation's continued evolution as a flexible, scalable resolution pathway across industries.

### AAAI Mediator Search

The AAA-ICDR launched [AAAI Mediator Search](#), providing public access to detailed mediator profiles supported by AI-enabled search and intuitive filtering. The platform enhances transparency and informed mediator selection.

### Strengthening Mediation Case Support

A dedicated Mediation Case Support Specialist team was established to improve consistency and responsiveness in mediation administration, aligning processes more closely with mediation-specific timelines.

### Expanding Construction Mediation in California

The [Featured California Construction Mediation Panel](#) was introduced to highlight experienced construction mediators in a high-volume market.

### Consumer Mediation Procedures

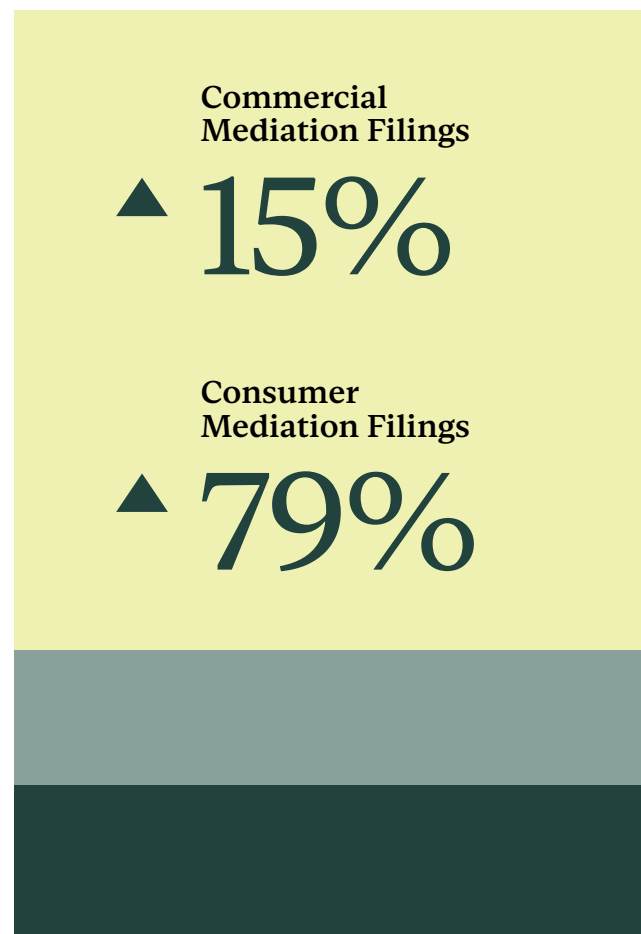
The AAA-ICDR launched its first [Consumer Mediation Procedures](#), providing a structured, accessible mediation framework tailored to consumer disputes.

### Updated Mediator Qualifications

A supplemental questionnaire for new mediator applicants was introduced to reinforce quality and demonstrated experience.

### Mediation Magazine

The AAA-ICDR launched [Mediation Magazine](#), a continuously updated digital publication featuring practitioner insights, case studies, and thought leadership.



## ODR.com

In 2025, ODR.com expanded the AAA-ICDR's digital dispute resolution ecosystem, focusing on scalable court-connected and public-sector online mediation and dispute resolution services.

### Expanding Court-Connected ODR Solutions

New public-sector clients included the Alaska Court System, the California State Bar, and Michigan Court-Connected Mediation Centers. Additional institutional partnerships expanded reach and support revenue growth into 2026.

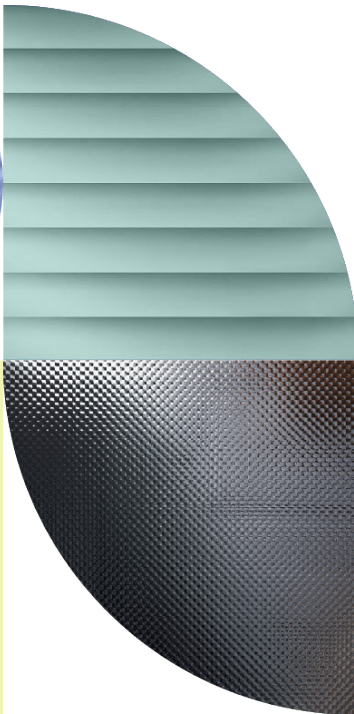
In August 2025, ODR.com launched a dedicated platform for court traffic and citation appeals, adopted by more than a dozen Michigan district courts and processing tens of thousands of cases, with additional deployments underway.

### Modernizing Platform Infrastructure and Security

ODR.com upgraded legacy clients to its new platform, enhanced mobile responsiveness and analytics capabilities, and implemented significant security improvements in preparation for SOC 2 certification in 2026.

### Expanding Digital Reach

Through its Mediate.com platform, ODR.com extended its global visibility in 2025, attracting more than 500,000 visitors and reinforcing its role in shaping dialogue around dispute resolution and emerging technologies.



04

# Investing in Education, Professional Engagement, and Institutional Capacity



# Investing in Education, Professional Engagement, and Institutional Capacity

Behind every arbitration and mediation case the AAA-ICDR administers is a network of professionals, systems, and standards designed to uphold fairness, consistency, and trust at scale. During 2025, the AAA-ICDR strengthened its panel, workforce, and professional infrastructure to meet rising demand across the dispute resolution landscape.

## Supporting Arbitrators and Mediators

The AAA-ICDR reinforced the professional capacity of its arbitrators and mediators through engagement, operational support, and community-building initiatives to sustain excellence across a growing caseload.

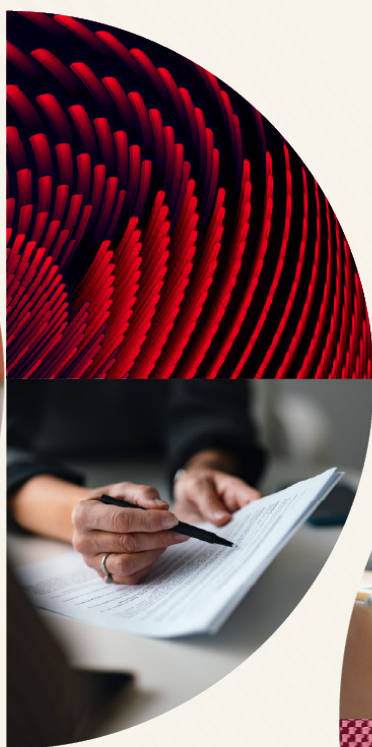
### AAA-ICDR Panels Conference

More than 400 arbitrators and mediators convened in Dallas for the biennial AAA-ICDR Panels Conference, reinforcing professional standards, peer engagement, and community across the roster. The event featured faculty-led programming and launched the inaugural AAA-ICDR awards recognizing excellence in dispute resolution.

### ADR Assistant Pilot Program

The AAA-ICDR launched the ADR Assistant pilot program to reduce panelists' administrative burden while preserving neutrality. ADR Assistants provide administrative support, including scheduling and document coordination.

In 2025, the pilot supported approximately 400 cases and 20 panelists. Post-pilot interviews reflected an approximate 95% satisfaction rate. Participating arbitrators reported that, with the ADR Assistant handling administrative tasks, they were able to focus more fully on substantive issues. Early results indicate a more consistent and streamlined experience for parties and panelists.



## Education, Training, and Professional Development

Education Services delivered 92 live programs to more than 11,000 registrants – a 110% year-over-year increase – and issued nearly 8,000 CLE credits. This growth reflects expanding demand for structured, practice-focused training across arbitration and mediation.

### Expanding AI Education for the Legal Profession

Building on its own enterprise AI transformation, the AAA-ICDR partnered with Practising Law Institute and Creative Lawyers to launch the first in a series of continuing education courses, “[Building a Law Firm AI Strategy: Lessons from the American Arbitration Association’s Transformation](#).” The self-paced program uses the AAA-ICDR’s experience as a case study, providing law firm leaders with a practical framework for responsible generative AI adoption grounded in governance, risk management, and institutional trust.

### Arbitration Advocacy Certificate Program

The AAA-ICDR piloted its first cohort-based Arbitration Advocacy Certificate Program, earning strong feedback for its interactive design and arbitrator-led instruction. Insights from the pilot informed refinements to a broader open-enrollment program launching in 2026.

### Modernizing Arbitrator and Mediator Education

Core education programs were redesigned to enhance consistency, scalability, and technology readiness. Updates to the Arbitration Fundamentals Training Program and Mediator Essentials incorporated scenario-based learning, blended delivery formats, and AI-focused modules emphasizing responsible technology use in dispute resolution.

### Webinar Programming and Scalable Learning

Education Services launched its first revenue-generating webinar series, creating a scalable platform for professional development across core and emerging ADR topics. The broader webinar portfolio also included 10 AI-focused programs covering practical applications of generative AI, digital tools in arbitration and mediation, discovery developments, case management, and emerging risk considerations.

**These programs on AI usage drew more than 2,000 attendees, reflecting sustained demand for responsible, practice-oriented AI education across the ADR community.**

### Academic and Early-Career Engagement

The AAA-ICDR expanded law school partnerships and early-career engagement through curriculum development and academic collaborations, including a 40-hour mediation training at the University of Louisville and new arbitration advocacy programming with Stetson Law School and Florida State University.

### AI in ADR Weekly Newsletter

The AAA-ICDR Institute launched a weekly [AI in ADR newsletter](#) that delivers curated analysis of emerging developments at the intersection of AI and dispute resolution.

## Inclusion and Engagement

Fair process depends on broad participation and sustained opportunity. In 2025, the AAA-ICDR continued strengthening pathways into arbitration and mediation while expanding engagement and retention efforts across its roster and the broader ADR community.

### Expanding Pathways into ADR

The AAA-ICDR strengthened pipeline development through sustained mentorship and professional development initiatives, including the Higginbotham Fellows Program, Pathways to ADR, and New Arbitrator Roundtables. In 2025, the Higginbotham Fellows Program included 15 fellows. The redesigned Diverse Student ADR Summit doubled participation from approximately 20 to 40 students, expanding early exposure to ADR careers.

### Women Panelist Engagement and Retention

Through the Women Panelist Resource Group, the AAA-ICDR expanded national programming focused on substantive ADR topics, professional development, and emerging issues such as AI in dispute resolution – strengthening connections, visibility, and long-term engagement among women neutrals.

**In 2025, program sessions drew from 35 to more than 175 attendees, with 400+ registrations for select national programs.**

### Recognition for Inclusion Leadership

The AAA-ICDR's leadership in inclusion and engagement was recognized through multiple national and regional honors, including the CPR Diversity in ADR Award, the Houston Business Journal Outstanding Head of Diversity Award, recognition as a finalist for the Women, Influence & Power in Law In-House Ally Award, and recognition by the National Black Law Student Association. These honors reflect sustained impact and credibility across the ADR and legal communities.



## Best-in-Class, Future-Ready Workforce

The AAA-ICDR strengthened its workforce to support continued growth, innovation, and operational excellence. Strategic hiring, leadership development, and national employer recognition reinforced the organization's long-term capacity to support the delivery of fair, neutral dispute resolution at scale.

### Recognition as a Best-in-Class Employer

In 2025, the AAA-ICDR's commitment to an exceptional, inclusive workplace was recognized through multiple national honors. The organization was named to the NonProfit Times' 2025 Best NonProfits to Work For list, recognized as an AJ Gallagher Best-in-Class Employer, and honored by Best Companies Group as America's Best Workplaces 2025, Best Workplaces for Women 2025, and Best Hybrid/Remote Workplaces 2025. These awards reflect strong employee engagement and a people-first culture.

### Workforce Readiness and AI Enablement

The AAA-ICDR advanced its workforce's responsible use of AI through approved enterprise tools and structured training. Staff reported average time savings of approximately two hours per week through the use of approved AI tools – translating to an estimated \$700,000 in annual efficiency gains and reinforcing disciplined adoption across the organization.

To support long-term capability, the AAA-ICDR launched two internal certificate programs – AI Foundations and AI Mastery – combining structured learning with applied, role-based projects. More than 30% of staff enrolled, and over 90% completed at least 10 hours of AI-related training, building digital fluency and responsible AI use across the organization.

### Advancing a Traits-Based Hiring Model

The AAA-ICDR adopted a traits-based hiring approach using the Compass assessment, emphasizing adaptability, resilience, and inductive reasoning to support stronger long-term performance and internal mobility.

### Leadership Development and Succession Planning

An enterprise-wide succession planning framework was launched alongside a customized executive leadership program developed with the Massachusetts Institute of Technology Sloan School of Management, supporting leadership continuity and long-term institutional resilience.

**\$700,000**

Estimated annual efficiency gains through the use of approved AI tools across the organization

05

# AAA-ICDR Foundation®



# AAA-ICDR Foundation

In 2025, the AAA-ICDR Foundation advanced its mission to expand access to justice and strengthen community-based dispute resolution through targeted grantmaking, new engagement initiatives, and expanded thought leadership.

## Grantmaking Impact

The Foundation Board approved \$1,710,292 in funding across national, community, and rapid-response initiatives.

 **\$1,710,292**

## Special Initiative Grants included:

**\$550,000**

Dignity Best Practice

## Annual Grant Cycle

Through the 2025 Annual Grant Cycle, grants were awarded to:

**\$653,492**

Street Law

**\$244,800**

National Civic League

**\$182,000**

Everyday Democracy

## Rapid Response Fund

Rapid Response Fund grants supported urgent community needs, including:

**\$55,000**

National Association  
for Community Mediation  
(Los Angeles wildfires response)

**\$25,000**

Western Justice Center

### Panel Partners Program

The Foundation launched the California Panel Partners Program, a grantmaking initiative designed to expand its geographic reach through collaboration with AAA-ICDR panelists. Through the program, panelists nominate mission-aligned nonprofit organizations in their local communities to receive Foundation funding. By channeling grants to trusted community partners, the initiative extends the Foundation's impact while harnessing the collective leadership and philanthropic engagement of the AAA-ICDR panel.

### Expanding Strategic Focus

The Foundation introduced a new priority focus area: advancing mediation and conflict resolution practices within alternative crisis response initiatives and community-centered public safety models. This focus reflects a growing recognition of mediation's role in addressing complex social challenges outside traditional legal frameworks.

### Foundation Podcast

The Foundation expanded its outreach by launching the AAA-ICDR Foundation Podcast. The series highlights innovative efforts to broaden access to dispute resolution and strengthen community impact.

#### Episodes in 2025 featured:

- ▶ [Roca, Inc.](#)
- ▶ [Bruce Meyerson](#)  
AAA-ICDR Foundation Chair
- ▶ [Bridget McCormack](#)  
AAA-ICDR President and CEO



The background features a dark teal color with a pattern of concentric, slightly irregular circles that create a sense of depth and movement. The circles are more prominent in the lower half of the image.

# The Next Century Of Resolution

# In 2025, the AAA-ICDR focused on positioning the organization for its second century.

By modernizing how disputes are resolved, the AAA-ICDR demonstrated that responsible innovation can strengthen neutrality rather than dilute it.

By deepening its leadership across industries and practice areas, the AAA-ICDR reinforced the value of specialized expertise in an increasingly complex dispute landscape.

And by investing in the people and systems behind the process, it ensured that growth and technology remain grounded in human judgment, discipline, and professional standards.

**These are not short-term initiatives.**

## They establish the foundation for what comes next.

As dispute resolution becomes more digital and more global, the AAA-ICDR will continue advancing these three commitments — modernizing with governance, serving industries with expertise, and strengthening the professionals who make fair process possible.

The second century of resolution will not look like the first. It will demand discipline in innovation, governance in growth, and confidence in process. The AAA-ICDR is prepared not simply to adapt to that future, but to shape it.

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# AAA-ICDR Board and Council

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Arbitration  
Association®

ICDR  
INTERNATIONAL CENTRE  
FOR DISPUTE RESOLUTION®

Resolution done right.

# Progress made possible.

2025 Annual Report and Financial Statements



AMERICAN ARBITRATION ASSOCIATION®

**AMERICAN ARBITRATION ASSOCIATION, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2025 AND 2024**

## AMERICAN ARBITRATION ASSOCIATION, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS  
AMERICAN ARBITRATION ASSOCIATION, INC.

***Opinion***

We have audited the consolidated financial statements of American Arbitration Association, Inc. and subsidiaries (collectively the "Association"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2025 and 2024, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

INDEPENDENT AUDITOR'S REPORT (CONT.)

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*CohnReznick LLP*

New York, New York  
April 23, 2026

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2025 AND 2024

	2025	2024
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 29,451,000	\$ 18,974,000
RESTRICTED CASH	7,126,000	4,646,000
INVESTMENTS - At Fair Value	482,409,000	381,553,000
ADMINISTRATION FEES RECEIVABLE, Less allowances for credit losses of \$795,000 in 2025 and \$573,000 in 2024	41,649,000	37,054,000
OTHER RECEIVABLES	1,666,000	1,621,000
PREPAID EXPENSES	6,154,000	5,549,000
RIGHT-OF-USE ASSETS	13,900,000	18,817,000
INTERNAL-USE SOFTWARE DEVELOPMENT AND CONSTRUCTION IN PROGRESS	1,336,000	3,344,000
INTANGIBLE ASSETS - ODR.COM	2,853,000	5,812,000
FURNISHINGS, EQUIPMENT, IT SYSTEMS AND LEASEHOLD IMPROVEMENTS - Net	22,562,000	11,103,000
<b>TOTAL ASSETS</b>	<b>\$ 609,106,000</b>	<b>\$ 488,473,000</b>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 283,968,000	\$ 235,805,000
Operating lease liabilities	16,516,000	22,555,000
Accrued postretirement medical costs and other accrued liabilities	7,657,000	7,643,000
Agency fund	4,642,000	4,650,000
Deferred revenue	106,184,000	57,617,000
<b>Total Liabilities</b>	<b>418,967,000</b>	<b>328,270,000</b>
Commitments and Contingencies		
NET ASSETS:		
Without donor restrictions:		
Undesignated	110,194,000	16,956,000
Board Designated	79,945,000	143,247,000
<b>Total without donor restrictions</b>	<b>190,139,000</b>	<b>160,203,000</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 609,106,000</b>	<b>\$ 488,473,000</b>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
<b>OPERATING REVENUES</b>		
Administration fees earned:		
Commercial	\$ 107,415,000	\$ 94,427,000
State insurance	42,758,000	41,349,000
Labor	3,253,000	2,894,000
Elections	6,559,000	4,146,000
Totals	<u>159,985,000</u>	<u>142,816,000</u>
Publications and education	1,328,000	955,000
Other operating income	2,397,000	1,741,000
Totals	<u>163,710,000</u>	<u>145,512,000</u>
<b>OPERATING EXPENSES</b>		
Administration of tribunals	152,795,000	136,016,000
Elections	5,962,000	4,285,000
Publications and education	4,588,000	2,913,000
General and administration	10,748,000	8,549,000
Totals	<u>174,093,000</u>	<u>151,763,000</u>
<b>Net Operating (Loss) Income</b>	(10,383,000)	(6,251,000)
<b>NON-OPERATING INCOME AND EXPENSES</b>		
Investment return, net	40,962,000	19,239,000
Loss on disposal of assets	(126,000)	(188,000)
Impairment loss on goodwill	(2,181,000)	-
Gain on remeasurement of contingent liability	1,767,000	-
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE POSTRETIREMENT MEDICAL OBLIGATION ADJUSTMENT</b>	30,039,000	12,800,000
Postretirement medical obligation adjustment	(103,000)	(603,000)
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	29,936,000	12,197,000
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR</b>	<u>160,203,000</u>	<u>148,006,000</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR</b>	<u>\$ 190,139,000</u>	<u>\$ 160,203,000</u>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,936,000	\$ 12,197,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,086,000	4,372,000
Non-cash operating lease costs	5,273,000	7,620,000
Bad debt and change in provisions for credit losses	800,000	1,144,000
Impairment loss on goodwill	2,181,000	-
Gain on remeasurement of contingent liability	(1,767,000)	-
Net realized and unrealized gain on investments	(24,498,000)	(2,210,000)
Loss on disposal of assets	126,000	188,000
Changes in operating assets and liabilities:		
Increase in administration fees receivable	(5,395,000)	(3,117,000)
Increase in other receivables	(45,000)	(452,000)
Increase in prepaid expenses	(605,000)	(75,000)
Increase in accounts payable and accrued expenses	49,930,000	12,186,000
Decrease in operating lease liabilities	(6,395,000)	(7,933,000)
Increase in accrued postretirement medical costs	14,000	485,000
(Decrease)/Increase in agency fund	(8,000)	330,000
Increase in deferred revenue	48,567,000	7,326,000
Net cash provided by operating activities	<u>103,200,000</u>	<u>32,061,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furnishings, equipment, technology and leasehold improvements	(13,111,000)	(299,000)
Proceeds from sale of investments	217,385,000	232,635,000
Purchase of investments	(293,743,000)	(255,356,000)
Purchase of intangible assets - ODR.com	-	(4,500,000)
Internal-use software development and construction in progress	(774,000)	(2,770,000)
Net cash used in investing activities	<u>(90,243,000)</u>	<u>(30,290,000)</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<u>12,957,000</u>	<u>1,771,000</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<u>23,620,000</u>	<u>21,849,000</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 36,577,000</u>	<u>\$ 23,620,000</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Internal-use software development costs in progress and construction-in-progress transferred to furnishings, equipment, technology, and leasehold improvements	<u>\$ 2,749,000</u>	<u>\$ 402,000</u>
Intangible assets - ODR.com addition included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 1,767,000</u>

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 1 - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### ***Business and principles of consolidation:***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the financial position and operating activities of American Arbitration Association, Inc. ("AAA"), and the subsidiaries it controls (collectively the "Association"). All inter-company accounts and transactions have been eliminated in consolidation.

AAA is a not-for-profit organization that provides administrative, educational and development services for the widespread use of dispute resolution procedures both domestically and internationally.

On May 28, 2024, the Association acquired 100% of the outstanding shares of Resourceful Internet Solutions, Inc. ("RIS"), a for-profit entity, and its sole subsidiary, ODR.com, Inc. ("ODR.com"). The acquisition enhances the Association's technological capabilities and expands its online dispute resolution offerings. The transaction was accounted for as a business combination in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-805 - Business Combinations, using the acquisition method. On December 11, 2024, operations of RIS were absorbed by ODR.com. The financial results of ODR.com have been included in the consolidated financial statements from the acquisition date (see Note 8).

#### ***New Accounting Pronouncement:***

In July 2025, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The Association early adopted ASU 2025-05 for the year ended December 31, 2025 and elected the practical expedient permitted under the guidance. As a non-public entity, the Association also elected to consider collection activity occurring after the balance sheet date when estimating expected credit losses on current accounts receivable and current contract assets. The adoption of ASU 2025-05 was applied prospectively and did not have a material impact on the Association's consolidated financial statements.

#### ***Revenue recognition:***

The Association does not typically enter into contracts with parties to cases administered by the Association. However, solely for the purposes of applying the revenue recognition guidance noted in FASB ASC Topic 606 and these consolidated financial statements, the Association will consider the acceptance of a demand for arbitration under any of the Association's fee schedules or the provision of dispute resolution services as a contract. Payment terms vary by the type of services offered. Unless prepayment is required by law or regulation, the standard payment terms generally align with the timing of the services performed and do not include a financing component. The Association recognizes revenue when services are delivered to a customer or administrative milestones are achieved, in amounts that reflect the consideration that the Association expects to receive in exchange for those services. The transaction price is allocated to each service or administrative milestone based upon progress towards resolution of the dispute or the relative benefit derived by the customer from the completion of each component of the services delivered.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### **Administration fees:**

The initial filing fee for commercial cases, which are subject to a minimum fee, is billed at the commencement of the dispute resolution process. Under certain limited circumstances, the initial filing fee is eligible for refund following this commencement. Based on analysis of current trends, the Association recorded a provision for deferred revenue in December 31, 2025 and 2024 of \$386,000 and \$287,000, respectively, which is included in the accompanying consolidated balance sheets and represents the estimated amount of future refunds. Deferred revenue related to initial filing fee for commercial cases at January 1, 2024 was \$338,000.

Most cases administered by the Association utilize fee schedules with an initial filing fee and a subsequent case management or final fee billed at a later stage of a case. For these cases, a portion of the initial filing fee is recognized upon filing, with the remainder recognized upon completion of arbitrator appointment. The subsequent fee, typically billed in advance of the first scheduled hearing, may be refundable at the conclusion of the case if no hearings have occurred. Revenue from the case management or final fee is recognized as each administrative milestone is completed, usually following the completion of evidentiary hearings or the closure of a case.

In cases utilizing a simple fee schedule with only an administrative filing fee, a portion of that fee is recognized as revenue upon filing, with the remaining balance recognized as each administrative milestone is completed, usually following the appointment of the arbitrator and the closure of the case.

In accordance with FASB ASC Topic 606, the Association recorded deferred revenue from administration fees of \$104,419,000 and \$55,824,000 as of December 31, 2025 and 2024, respectively, which is included in the accompanying consolidated balance sheets. Deferred revenue from administration fees at January 1, 2024 was \$48,462,000.

In accordance with FASB ASC Topic 606, the Association recorded deferred revenue from hosting arrangements, memberships, and training services provided by ODR.com of \$306,000 and \$232,000 as of December 31, 2025 and 2024, respectively, which is included in the accompanying consolidated balance sheets.

Other fees, including registration fees for educational programs, event sponsorships, subscriptions, and other services may be payable in advance prior to an education program event or delivery of services. As of December 31, 2025 and 2024, deferred revenue from education and services revenue of \$163,000 and \$382,000, respectively, is included in deferred revenue in the accompanying consolidated balance sheets. Deferred revenue from education and services revenue at January 1, 2024 was \$89,000.

Filing parties in certain high-volume programs may deposit funds with the Association to be drawn down and applied to invoices as filing fees are invoiced. As of December 31, 2025 and 2024, such deposits received in advance of demands for arbitration being filed totaling \$910,000 and \$892,000, respectively, are included in deferred revenue in the accompanying consolidated balance sheets. Deferred revenue for deposits received in advance of demands for arbitration being file at January 1, 2024 was \$941,000.

As of December 31, 2025 and 2024, administration fees receivable, net amounted to \$41,649,000 and \$37,054,000, respectively. At January 1, 2024, administration fees receivable, net was \$35,081,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### **Measure of operations:**

The Association includes, in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Net investment return, gain and losses on disposal of assets, postretirement medical obligation adjustments, and nonrecurring items of revenue and expenses are reported as part of non-operating activities.

### **Cash and cash equivalents:**

The Association considers all highly liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents. Cash and cash equivalents were \$29,451,000 and \$18,974,000 as of December 31, 2025 and 2024, respectively.

### **Restricted cash:**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total shown in the consolidated statements of cash flows:

	2025	2024
Cash and cash equivalents	\$ 29,451,000	\$ 18,974,000
Restricted cash	7,126,000	4,646,000
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 36,577,000</u>	<u>\$ 23,620,000</u>

As of December 31, 2025 and 2024, restricted cash consists of amounts held as collateral under letter of credit agreements and funds designated for the EU-US Data Privacy Framework, which the Association's international division, the International Centre for Dispute Resolution, manages for the U.S. Department of Commerce.

Restricted cash related to letter of credit agreements totaled \$2,484,000 and \$0 as of December 31, 2025 and 2024, respectively.

The remaining restricted cash relates to EU-US Data Privacy Framework. The program requires participating organizations of the program to pay a periodic contribution to the fund to be used for the costs associated with the arbitrations arising out of the EU-US Data Privacy Framework program. The Association records restricted cash and a corresponding liability, agency fund, for amounts received from these participating organizations. The restricted cash and corresponding liability balance related to the program as of December 31, 2025 and 2024 totaled \$4,642,000 and \$4,646,000, respectively.

### **Concentrations of credit risk:**

Financial instruments, which potentially subject the Association to concentrations of credit risk, include cash and cash equivalents, administration fees receivable, other receivables, and investments (see Note 2). The Association maintains cash, cash equivalents, and restricted cash in bank deposit and other accounts, the balances of which exceeded federally insured limits by \$56,321,000 and \$44,734,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

as of December 31, 2025 and 2024, respectively. The Association places its cash, cash equivalents, and restricted cash with creditworthy, high-quality financial institutions. Credit risk with respect to administration fees receivable is also limited because the Association deals with a large number of customers in a wide geographic area. The Association closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, the Association evaluates its administration fees receivable and establishes an allowance for credit losses, based on a history of past write-offs and collections and current credit considerations.

### ***Investments:***

Investments are reported at fair value. Cash and cash equivalents included in investments are held for investment purposes. Changes in unrealized investment gains or losses, gains or losses realized on sale of investments, interest, dividends, and investment fees are reported as investment return, net in the consolidated statements of activities and changes in net assets.

### ***Furnishings, equipment, IT systems, and leasehold improvements:***

Furnishings, equipment, IT Systems and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the individual asset or the lease term, if shorter than the useful life. The cost of maintenance and repairs is charged to expense as incurred.

### ***Intangible assets:***

These assets are recorded at cost on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset.

### ***Capitalization of software developed for internal use:***

The Association capitalizes costs incurred for the development of software for internal use. The cost of development is amortized over the useful lives of the underlying applications, varying from three to thirteen years.

### ***Impairment of long-lived assets:***

The Association reviews its long-lived assets, including furnishings, equipment, IT systems, leasehold improvements and definite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Fair value may be determined using discounted cash flows or other methods. Other than the goodwill impairment described in Note 8, no impairment losses were recognized for the years ended December 31, 2025 and 2024.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### ***Use of estimates:***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### ***Income taxes:***

The Association is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is included in the Association's consolidated financial statements. The Association has no unrecognized tax benefits at December 31, 2025 and 2024. The Association's Federal and state income tax returns prior to fiscal year 2022 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Association will recognize interest and penalties associated with tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated balance sheets. There were no interest or penalties paid for the years ended December 31, 2025 and 2024. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2025, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

### ***Classification of net assets:***

Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

*Net assets without donor restrictions* - net assets that are not subject to donor imposed stipulations. The Association's Board of Directors ("Board") may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions* - net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Association did not have any net assets with donor restrictions as of December 31, 2025 and 2024.

An operating reserve fund designated by the Board totaled \$79,945,000 and \$143,247,000 as of December 31, 2025 and 2024, respectively. Board designated net assets are net assets without donor restriction which the Board has set aside to mitigate risks that may impact the Association's financial sustainability and to serve as a long-term capital fund. As of December 31, 2025 and 2024, the operating reserve represented approximately six months and twelve months of operating expenses, respectively. There were no expenditures from the operating reserve fund in both 2025 and 2024.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### **Reclassifications:**

Certain amounts previously reported have been reclassified to conform to the current year presentation. The reclassifications had no impact on previously reported net assets.

### **Subsequent events:**

The Association has evaluated subsequent events through April 23, 2026, which is the date the consolidated financial statements were available to be issued.

### NOTE 2 - INVESTMENTS:

Investments carried at fair value at December 31, 2025 and 2024 consist of the following:

	2025	2024
Cash/Money Market funds	\$ 3,569,000	\$ 6,105,000
Short Term Bond funds	129,450,000	132,086,000
Intermediate Term Bond funds	116,989,000	97,746,000
U.S. Equities funds	81,934,000	74,422,000
High Yield Bond funds	55,953,000	21,746,000
U.S. Balanced funds	41,942,000	-
Emerging Markets Bond funds	28,173,000	10,656,000
Real Estate Investment Trust funds	13,201,000	9,963,000
Emerging Markets Equities funds	10,744,000	6,928,000
International Equities funds	454,000	21,901,000
Totals	<u>\$ 482,409,000</u>	<u>\$ 381,553,000</u>

The Association values its financial assets and liabilities 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 into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. There have been no changes in the methodologies used at December 31, 2025 and 2024.

In 2019, the Association's Board of Directors implemented a 457(f) deferred compensation plan covering certain key employees. Payments from this plan are subject to vesting periods of three to four years. The Association has established investment accounts to manage funds credited to this plan on an annual basis. The investments remain assets of the Association until vesting periods for each participant have elapsed. The assets and liabilities related to the 457(f) Plan are included in the investments and in the accounts payable and accrued expenses in the accompanying consolidated balance sheets and represent the cumulative amount of contributions to the 457(f) Plan, as well as the accumulated earnings and losses since the 457(f) Plan's inception. The participants of the 457(f) deferred compensation plan were fully vested during 2023, and disbursements have been made to all plan participants. Beginning in 2024, a new 457(f) Plan administered by Vanguard was established. The plan asset balance and associated liability as of December 31, 2025 and 2024 was \$3,006,000 and \$1,338,000, respectively.

Financial assets and the 457(f) liability carried at fair value at December 31, 2025 and 2024 are classified as Level 1.

Investments in mutual funds and exchange traded funds, which account for all of the Association's investment holdings at December 31, 2025 and 2024, are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### NOTE 3 - FURNISHINGS, EQUIPMENT, IT SYSTEMS, AND LEASEHOLD IMPROVEMENTS:

Furnishings, equipment, IT systems, and leasehold improvements consist of the following:

	Estimated Life	2025	2024
Furnishings and equipment	7 to 10 Years	\$ 10,777,000	\$ 11,399,000
Software developed for internal use	3 to 13 Years	35,205,000	20,047,000
Leasehold improvements	Term of Lease	10,934,000	11,680,000
		56,916,000	43,126,000
Less accumulated depreciation and amortization		(34,354,000)	(32,023,000)
Totals		\$ 22,562,000	\$ 11,103,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Depreciation and amortization expense related to furnishings, equipment, IT systems and leasehold improvements totaled \$4,308,000 and \$3,917,000 for the years ended December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, amortization expense related to intangible assets from the acquisition of ODR.com amounted to \$778,000 and \$455,000, respectively (see Note 8).

The Association recognized a net loss of \$126,000 and \$188,000 in 2025 and 2024, respectively, relating to the disposal of certain assets with original costs totaling \$495,000 and \$591,000, respectively.

Included in fixed assets are capitalized costs associated with the development of software for internal use of \$35,205,000 and \$20,047,000 as of December 31, 2025 and 2024, respectively. Related accumulated amortization as of December 31, 2025 and 2024 amounted to \$17,585,000 and \$15,783,000, respectively.

As of December 31, 2025, the Association had internal-use-software development costs in progress, inclusive of related software licenses, totaling \$1,267,000. When placed in service these costs will be included in capital assets and amortized over an estimated life of three to ten years. Internal-use-software development costs in progress for various case management applications, websites, and web applications, totaling \$1,500,000, were placed into service in 2025 and are being amortized over a period of three to ten years. During 2025, \$19,000 of internal-use-software development costs in progress related to prior year projects were disposed of.

Additionally, as of December 31, 2025, the Association had construction-in-progress totaling approximately \$69,000 as of December 31, 2025. These costs are primarily associated with software project enhancements and other hardware costs. When placed in service, these costs will be included in capital assets and amortized over the lives of the assets. Construction-in-progress costs totaling \$1,249,000 were placed in service in 2025 and \$14,000 of costs related to prior year projects were disposed of during 2025.

### NOTE 4 - POSTRETIREMENT BENEFIT PLAN:

The Association provides certain healthcare benefits for substantially all of its retirees. The Association is required to accrue the estimated cost of these retiree benefit payments during the employees' active service period. The Association pays the cost of the postretirement benefits as incurred.

Employees hired on or after July 1, 2003 are not eligible for retiree healthcare coverage. Prior to a plan amendment in December 2008, active employees hired on or before June 30, 2003 were eligible for retiree healthcare coverage upon retirement with at least 10 years of service after age 45. Effective December 31, 2008, eligibility for retiree medical was changed to require 15 years of service after the age of 45. However, exceptions were made for employees who would be eligible for retiree healthcare coverage as of December 31, 2008 under the previous eligibility rules of having at least 10 years of service after age 45, for employees who have at least 15 years of service as of December 31, 2008 and who were within 2 years of eligibility under the previous rules, and for a small group of senior executives. Employees who qualify under those exceptions will maintain the previous eligibility provision. The change in this benefit also limits the Association's annual net subsidy for retiree healthcare coverage to twice the 2008 net subsidy provided for all participants.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Estimated future benefit payments in each of the five years subsequent to December 31, 2025 and in the aggregate for the five years beginning in 2031 are as follows:

January 1,	Healthcare Benefits
2026	\$ 350,000
2027	368,000
2028	387,000
2029	401,000
2030	420,000
Years 2031 to 2035	2,308,000

For the healthcare benefit plan, the following tables set forth the plan's funded status and amounts recognized in the Association's consolidated financial statements at December 31, 2025 and 2024:

	Healthcare Benefits	
	2025	2024
Benefit obligation at December 31	\$ 7,657,000	\$ 7,643,000
Net unfunded status of the plan	\$ (7,657,000)	\$ (7,643,000)
Amounts recognized in the consolidated balance sheets consists of the following:		
Current liabilities	\$ 350,000	\$ 370,000
Noncurrent liabilities	7,307,000	7,273,000
Totals	\$ 7,657,000	\$ 7,643,000
Components of net periodic benefit cost and other amounts recognized in other changes in net assets		
Net periodic benefit cost:		
Service cost	\$ 5,000	\$ 7,000
Interest cost	381,000	370,000
Amortization of net actuarial gain	(105,000)	(177,000)
Net periodic benefit cost at December 31	\$ 281,000	\$ 200,000
Unrecognized net gain included in net assets	\$ (1,450,000)	\$ (1,553,000)
Employer's contribution	370,000	318,000
Plan participants' contributions	100,000	93,000
Net periodic benefit costs	281,000	200,000
Benefit payments	(470,000)	(411,000)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

	Healthcare Benefits	
	2025	2024
Amounts recognized in other changes in net assets in the consolidated statements of activities and changes in net assets consist of:		
Net actuarial loss (gain)	\$ 103,000	\$ 603,000
Weighted-average assumptions to determine the benefit obligation as of December 31:		
Discount rate	5.31%	5.11%
Rate of compensation increase	N/A	N/A
Pre-and post-mortality	RP-2014 Employee and Healthy Annuitant Tables adjusted back to 2006 and projected forward with Scale MP- 2021 for all years	RP-2014 Employee and Healthy Annuitant Tables adjusted back to 2006 and projected forward with Scale MP- 2021 for all years
Weighted-average assumptions to determine the net benefit cost for the years ended December 31:		
Discount rate	5.11%	5.29%
Unrecognized actuarial gain:		
Beginning of year	\$ (1,553,000)	\$ (2,156,000)
Actuarial loss (gain)	(2,000)	426,000
Amortization of net gain	105,000	177,000
End of year	\$ (1,450,000)	\$ (1,553,000)

The estimated net gain for the postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost for the next fiscal year is \$97,000.

For measurement purposes, a 7.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2026. The rate was assumed to decrease gradually to 4.50% until 2036 and remain at that level thereafter.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 5 - COMMITMENTS AND CONTINGENCIES:

#### ***Lease commitments:***

The Association leases building space and office equipment. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Association recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Association has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Association remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Association determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, as a practical expedient, the Association elected to use the risk-free rate for leases related to building space and office equipment.

For accounting purposes, the Association's leases commence on the earlier of (i) the date upon which the Association obtains control of the underlying asset or (ii) the contractual effective date of a lease. Lease commencement for most of the Association's leases coincides with the contractual effective date. The Association's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal options are exercisable at the option of the Association and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless the Association determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

Leases of office locations have lease terms that generally range from 5 to 12 years. Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Variable lease payments are expensed as incurred.

Equipment leases have lease terms that generally range from less than one year to five years. Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are included in the measurement of lease liabilities.

For the years ended December 31, 2025 and 2024, rent expense totaled \$5,794,000 and \$7,177,000, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

The rental costs of operating leases are included in operating expenses in the Association's consolidated statements of activities and changes in net assets.

Supplemental cash flow information related to the Association's operating leases for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 6,645,000	\$ 7,933,000
Addition to right-of-use assets	\$ 356,000	\$ 1,111,000

Weighted average remaining lease term and weighted average discount rate for the Association's operating leases as of December 31:

	2025	2024
Weighted average remaining term (in years)	4.17	4.64
Weighted average discount rate	1.32%	1.19%

Annual maturity analysis of the Association's operating lease liabilities as of December 31, 2025:

2026	\$ 5,209,000
2027	4,787,000
2028	3,494,000
2029	1,159,000
2030	631,000
Thereafter	1,797,000
Total minimum lease payments	17,077,000
Less: present value discount	561,000
Total operating lease liabilities	<u>\$ 16,516,000</u>

### **Contingencies:**

The Association is a defendant in certain lawsuits arising in the ordinary course of business. While the outcome of lawsuits or other proceedings against the Association cannot be predicted with certainty, the Association does not expect that those matters will have a material adverse effect on its consolidated financial position.

The Association bills and collects amounts in advance for unearned arbitrators' compensation. At December 31, 2025 and 2024, advance deposits collected totaled \$226,829,000 and \$184,712,000, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The Association disbursed \$251,777,000 and \$218,304,000 in arbitrator compensation payments in 2025 and 2024, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Pursuant to various office space leases, the Association is required under certain operating lease agreements to maintain letters of credit totaling \$1,918,000 as of December 31, 2025 and 2024. These letter of credit agreements guarantee operating lease rental obligations and are secured by cash and a portion of the investment portfolio. There were no payments drawn against these letters of credit by any of the beneficiaries during 2025 and 2024.

### NOTE 6 - AVAILABLE RESOURCES AND LIQUIDITY:

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. Because the Association operates with a balanced budget that anticipates collecting sufficient revenue to cover general expenditures for the coming year, and because the Association's revenue sources are not generally cyclical in nature, liquidity needs have been determined to be approximately 60 days of cash operating expenses. Using the respective operating budget, desired liquidity for 2026 and 2025 was determined to be approximately \$26,283,000 and \$23,547,000, respectively. Amounts in excess of these needs are invested in a highly liquid diversified portfolio of mutual funds and exchange traded funds following an asset allocation strategy included in the Association's investment policy statements.

The Association has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and accounts receivable. In addition, the Association's governing board has designated a portion of its unrestricted resources as an operating reserve fund to mitigate risks that may impact the Association's financial sustainability and to serve as a long-term capital fund. The Board-designated fund was targeted at \$79,945,000 and \$143,247,000, at December 31, 2025 and 2024, respectively. On May 8, 2025, a policy enabling the President of the Association the ability to access up to an amount equal to 1% of the annual operating budget, or \$1,469,000 based on 2025 annual operating budget, for short term needs was determined to be no longer necessary. Although not expected to be needed, the balance of the operating reserve fund is invested for long-term appreciation and current income but remains available to be spent in accordance with the Association's policies or with approval from the Board or its Executive Committee.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of providing alternative dispute resolution services, elections, and education to be general expenditures. A portion of the investments balance, equal to the amount collected in advance for unearned arbitrator and mediator compensation as reflected in Note 5 and the table below, is not included in the analysis. Those funds are expected to be available for payment to arbitrators and mediators as case hearings are completed, or refunded to parties to cases if unused, and are not available to meet current operating needs. Also excluded from the analysis are assets held by the AAA-ICDR Foundation, a separately incorporated 501(c)(3) entity whose financial results are included in the Association's consolidated financial statements. Though without donor restrictions, the assets of the AAA-ICDR Foundation are intended for use in sustaining its operations and awarding grants in support of its mission, and are therefore, not available to meet general expenditures of the Association.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

As of December 31, 2025 and 2024, the following table shows the total financial assets held by the Association and the amounts of those financial assets that could readily be made available within one year of the consolidated balance sheets date to meet general expenditures:

	2025	2024
Financial assets at year-end		
Cash and cash equivalents - unrestricted	\$ 29,451,000	\$ 18,974,000
Restricted cash	7,126,000	4,646,000
Investments	482,409,000	381,553,000
Administration fees receivable, net	41,649,000	37,054,000
Other receivables, net	1,666,000	1,621,000
Total financial assets at year-end	562,301,000	443,848,000
Less amounts not available to meet general expenditures		
Restricted cash	(7,126,000)	(4,646,000)
Cash held by AAA-ICDR Foundation	(1,027,000)	(123,000)
Investments related to deposits collected for panelist compensation	(226,829,000)	(184,712,000)
Investment assets securing letters of credit	(186,000)	(2,740,000)
AAA-ICDR Foundation investments	(4,557,000)	(5,956,000)
Board Designated Operating Reserve Fund	(79,945,000)	(141,778,000)
Total financial assets available to meet general expenditures	\$ 242,631,000	\$ 103,893,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 7 - FUNCTIONAL EXPENSES:

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

For the years ended December 31, 2025 and 2024, the following tables show the total expenses of the Association by programs and management general and administrative expense:

	2025		
	Total	Programs	Management general and administrative
Salaries / benefits	\$ 116,479,000	\$ 109,116,000	\$ 7,363,000
Occupancy	7,433,000	7,277,000	156,000
Office expenses	2,757,000	2,603,000	154,000
Travel, conferences, and meetings	3,109,000	2,865,000	244,000
Professional fees	19,602,000	17,733,000	1,869,000
Information technology costs	7,964,000	7,543,000	421,000
Bad debt expense	800,000	800,000	-
Depreciation/amortization	5,086,000	4,862,000	224,000
Direct program costs	7,703,000	7,703,000	-
Other operating expenses	3,160,000	2,843,000	317,000
<b>Total operating expenses</b>	<b>\$ 174,093,000</b>	<b>\$ 163,345,000</b>	<b>\$ 10,748,000</b>

	2024		
	Total	Programs	Management general and administrative
Salaries/benefits	\$ 99,935,000	\$ 94,037,000	\$ 5,898,000
Occupancy	9,215,000	9,053,000	162,000
Office expenses	3,347,000	3,134,000	213,000
Travel, conferences, and meetings	3,095,000	2,730,000	365,000
Professional fees	16,134,000	14,867,000	1,267,000
Information technology costs	6,290,000	5,991,000	299,000
Bad debt expense	1,144,000	1,144,000	-
Depreciation/amortization	4,372,000	4,221,000	151,000
Direct program costs	5,860,000	5,860,000	-
Other operating expenses	2,371,000	2,177,000	194,000
<b>Total operating expenses</b>	<b>\$ 151,763,000</b>	<b>\$ 143,214,000</b>	<b>\$ 8,549,000</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 8 - ACQUISITION OF RIS AND ODR.COM:

On May 28, 2024, the Association acquired 100% of the outstanding shares of RIS and its sole subsidiary, ODR.com. The total consideration for the acquisition was \$6,267,000, consisting of \$4,500,000 in cash paid at closing and \$1,767,000 in contingent consideration, which is payable based on defined financial performance milestones and include only periods for which measurable fair value could be determined under a market-participant framework at the acquisition date. The fair value of the contingent consideration was determined using a probability-weighted discounted cash flow model, applying a 13% discount rate.

The purchase price allocation for the acquisition is as follows:

Assets acquired/liabilities assumed	Fair value at acquisition date
Cash and cash equivalents	\$ 21,000
Accounts receivable	142,000
Developed technology	3,374,000
Trademarks	301,000
Other identifiable assets	4,000
Liabilities assumed	(167,000)
Goodwill	2,592,000
Total Consideration	<u>\$ 6,267,000</u>

The goodwill recorded as part of the transaction represents intangible assets that do not qualify for separate recognition, including an assembled workforce, expected synergies, and expanded service capabilities. The acquisition bolsters the Association's mission to expand innovative alternative dispute resolution options to benefit businesses, communities and practitioners worldwide. As a result of the acquisition, the Association will expand its mediation services by developing a suite of online dispute resolution products. These factors contributed to the purchase price resulting in the recognition of goodwill. The Association has elected the private company accounting alternative under FASB Accounting Standard Update 2019-16, which allows goodwill to be amortized over ten years on a straight-line basis.

During the year ended December 31, 2025, the Association identified indicators of impairment related to goodwill arising from the acquisition, including operating results and updated projections that differed from initial expectations. The Association assessed the impairment of goodwill using a discounted cash flow model incorporating revised assumptions regarding future cash flows, discount rates, and other relevant assumptions. Based on the assessment, the Association recognized a goodwill impairment loss of \$2,181,000 and reduced the carrying amount of goodwill to \$0. The impairment loss was recognized as a non-operating loss in the consolidated statements of activities and changes in net assets.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Additionally, for the year ended December 31, 2025, the Association reassessed the expected achievement of the performance milestones associated with the contingent consideration. Based on updated operating performance and revised forecasts to date, the performance milestones will not be met related to the contingent consideration. Accordingly, the fair value of the contingent consideration liability was reduced, and a gain of \$1,767,000 was recognized in non-operating activities in the consolidated statement of activities and changes in net assets.

As of December 31, 2025 and 2024, intangible assets, net consist of the following:

	Estimated Life	2025	2024
Developed technology	7 Years	\$ 3,374,000	\$ 3,374,000
Goodwill	10 Years	-	2,592,000
Trademarks	8 Years	301,000	301,000
		3,675,000	6,267,000
Less accumulated amortization		(822,000)	(455,000)
Totals		\$ 2,853,000	\$ 5,812,000

The estimated fair values of the identifiable intangible assets acquired were determined using various valuation techniques that provide an estimate of the fair value of an asset based on market participant's expectations of the cash flows an asset would generate over its remaining useful life.

The estimated fair value of the developed technology was determined using the relief from royalty method and the cost to recreate method. The relief from royalty method takes into consideration future revenue and annual obsolescence. Significant assumptions utilized included a royalty rate of 20.0% and a discount rate of 31.9%. The cost to recreate method takes into consideration the cost to recreate, developer's profit and opportunity cost. Significant assumptions utilized included the cost to recreate the technology, developer's profit margin, expected return on investment and an assumed time to replicate the technology.

The estimated fair value of the trademarks was determined using the relief from royalty rate method, which takes into consideration estimates of future revenue and applies an appropriate royalty rate to this future revenue stream. Significant assumptions utilized included a royalty rate of 2.0% and a discount rate of 41.9%.