Audited Financial Statements

THE AMERICAN COLLEGE OF TRUST AND ESTATE COUNSEL FOUNDATION

April 30, 2016

The American College of Trust and Estate Counsel Foundation

Contents

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Independent Auditor's Report

To the Board of Directors
The American College of Trust and
Estate Counsel Foundation

We have audited the accompanying financial statements of The American College of Trust and Estate Counsel Foundation (the Foundation), which comprise the statements of financial position as of April 30, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American College of Trust and Estate Counsel Foundation as of April 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
August 15, 2016

The American College of Trust and Estate Counsel Foundation

Statements of Financial Position

April 30,		2016		2015
Assets				
Cash and cash equivalents - Note B	**$**	**118,586**	$	115,159
Investments - Notes B & C		**1,385,739**		1,345,913
Promises to give - Note D		**1,000**		28,900
Amount due from ACTEC - Note D		**6,411**		1,819
Software - Note E		**3,636**		-
Total assets	**$**	**1,515,372**	$	1,491,791
Liabilities and Net Assets				
Liabilities				
Accounts payable	**$**	**2,341**	$	3,499
Grants payable - Note F		**49,377**		47,096
Total liabilities		**51,718**		50,595
Net assets				
Unrestricted		**1,194,231**		1,165,222
Temporarily restricted - Note G		**-**		10,151
Permanently restricted - Note G		**269,423**		265,823
Total net assets		**1,463,654**		1,441,196
Total liabilities and net assets	**$**	**1,515,372**	$	1,491,791

Statements of Activities

Year Ended April 30,		2016		2015
Unrestricted activities				
Revenue and support				
Contributions	**$**	**105,004**	$	149,530
In-kind contributions - Note E		**139,756**		133,656
		244,760		283,186
Net assets released from restriction - Note G		**8,521**		10,371
Total revenue and support		**253,281**		293,557
Expense				
Program service				
Grants - Note F		**52,465**		73,703
Honorarium - Note G		**23,379**		10,371
Total program services		**75,844**		84,074
Supporting services				
General and administrative		**110,639**		106,685
Fund raising		**37,888**		42,360
Total supporting services		**148,527**		149,045
Total expense		**224,371**		233,119
Change in unrestricted net assets from operations		**28,910**		60,438
Investment income - Note C		**99**		57,783
Change in unrestricted net assets		**29,009**		118,221
Temporarily restricted activities				
Investment (loss) income - Notes C & G		**(1,630)**		20,522
Net assets released from restriction - Note G		**(8,521)**		(10,371)
Change in temporarily restricted net assets		**(10,151)**		10,151
Permanently restricted activities				
Contributions - Note G		**3,600**		1,525
Change in permanently restricted net assets		**3,600**		1,525
Change in net assets		**22,458**		129,897
Net assets, beginning of year		**1,441,196**		1,311,299
Net assets, end of year	**$**	**1,463,654**	$	1,441,196

See notes to the financial statements.

Statements of Cash Flows

Year Ended April 30,	2016	2015
Cash flows from operating activities		
Change in net assets	**$ 22,458**	$ 129,897
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Permanently restricted contributions	**(3,600)**	(1,525)
Net loss (gain) on investments	**13,401**	(69,648)
Changes in assets and liabilities:		
Promises to give	**27,900**	(28,000)
Amount due from ACTEC	**(4,592)**	(1,819)
Accounts payable	**(1,158)**	2,591
Grants payable	**2,281**	(57,731)
Amount due to ACTEC	**-**	(386)
Total adjustments	**34,232**	(156,518)
Net cash provided by (used in) operating activities	**56,690**	(26,621)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**98,600**	253,245
Purchases and donations of investments	**(151,827)**	(512,787)
Purchases of software	**(3,636)**	-
Net cash used in investing activities	**(56,863)**	(259,542)
Cash flows from financing activities		
Permanently restricted contributions	**3,600**	1,525
Net increase (decrease) in cash and cash equivalents	**3,427**	(284,638)
Cash and cash equivalents, beginning of year	**115,159**	399,797
Cash and cash equivalents, end of year	**$ 118,586**	$ 115,159

Schedule of Noncash Investing Activities		
Donated securities	**$ 1,171**	$ 885

See notes to the financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The American College of Trust and Estate Counsel Foundation (the Foundation) was originally formed in 1982 and is incorporated in the state of Delaware. The Foundation promotes (a) scholarship and education in trust, estate, tax and related areas of the law by supporting scholarship to improve the law and by encouraging teaching, careers and life-long learning in the area; and (b) civic engagement of individual Fellows of ACTEC through programs and activities that serve the general community, including those who are at risk and underserved.

Income taxes: The Foundation is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and was originally classified as other than a private foundation within the meaning of Section 509(a)(2) of the Internal Revenue Code.

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Foundation classifies a bank deposit account as cash and cash equivalents. Money market funds held within the investment portfolio are classified as investments.

Promises to give: Promises to give consists of unconditional contributions receivable from donors, a significant portion of which are expected to be collected within one year. Therefore, promises to give have been recorded at net realizable value. Management periodically reviews the status of all promises to give for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the balance due. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for uncollectible promises to give had been recorded. Bad debt expense was $0 for both years ended April 30 2016 and 2015.

Net assets: The Foundation’s net assets include the following categories:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors. From time to time, the Foundation’s Board of Directors approves conditional grants which would be included within unrestricted but designated net assets. When the conditions are satisfied, the Foundation either pays the grants or records a liability for the grants. However, the Foundation’s has no conditional grants at April 30, 2016 and 2015.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Foundation has been donor restricted by specific time or purpose limitations. The Foundation’s temporarily restricted net assets consisted entirely of the earnings generated from the Lloyd Leva Plaine Memorial Fund, the endowment fund described in Note G. Net assets are released from restrictions either as a result of the expiration of a time restriction or due to the satisfaction of a purpose restriction such as appropriation from the endowment fund.

A. Organization and Summary of Significant Accounting Policies - Continued

Permanently restricted: Permanently restricted net assets consist of contributions which were donor-restricted for the Lloyd Leva Plaine Memorial Fund, the endowment fund described in Note G. Endowment principal is required by donors to be maintained by the Foundation in perpetuity and the investment income earned on the principal is to be used to provide funding for a memorial lecture.

Contributions: Contributions are recognized when unconditionally promised to or received by the Foundation. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when the restriction expires.

In-kind contributions: In-kind contributions of services (donated services) are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Program service: The Foundation's only program service area relates to providing the grants which are described in Note F.

Supporting services: The Foundation's supporting services are as follows:

General and administrative: The general and administrative function includes activities related to general administrative areas which are necessary to support the Foundation's operations.

Fund raising: The fund raising function includes the costs related to obtaining and securing contributions in addition to the costs of hosting a silent auction.

Functional allocation of expense: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Measure of operations: The Foundation does not include investment income in the change in unrestricted net assets from operations.

Reclassifications: Certain accounts relating to the prior years have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets. In particular, in-kind contributions totaling $133,656 for the year ended April 30, 2015, have been recorded in both in-kind contribution revenue and have been allocated among the appropriate functional expense lines in the 2015 statement of activities.

Subsequent events: Subsequent events have been evaluated through August 15, 2016, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: The Foundation maintains a demand deposit with a large commercial bank and a money market fund with a reputable financial institution. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Foundation.

Market risk: The Foundation also invests funds in a professionally managed portfolio of fixed income and equity securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Foundation uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other publicly available market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds and equity securities (domestic and international stocks), the values for which were based on quoted prices for identical assets in active markets.

Investments valued using Level 2 inputs include fixed income securities (municipal government and corporate bond obligations), the values for which were provided by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security.

Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

Investments recorded at cost include a money market fund. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

C. INVESTMENTS - CONTINUED

The following is a summary of the input levels used to determine the fair value of investments, which are measured on a recurring basis, at April 30,:

2016	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	$ 306,465	$ -	$ 306,465	$ -
Mutual funds - fixed income	142,662	142,662		
Equity securities	779,621	779,621		
	1,228,748	**$ 922,283**	**$ 306,465**	**$ -**
Investments, at cost				
Money market fund	156,991			
	$ 1,385,739			

2015	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	$ 195,942	$ -	$ 195,942	$ -
Mutual funds - equities	157,556	157,556		
Equity securities	719,151	719,151		
	1,072,649	**$ 876,707**	**$ 195,942**	**$ -**
Investments, at cost				
Money market fund	273,264			
	$ 1,345,913			

The Foundation's operating cash and investments include amounts related to the Lloyd Leva Plaine Memorial Fund, which is the endowment fund described in Note G.

C. Investments - Continued

Investment income consisted of the following for the years ended April 30,:

	2016	2015
Unrestricted		
Interest and dividends	$ 22,370	$ 16,031
Net (loss) gain on investments	(10,055)	51,296
Investment fees	(12,216)	(9,544)
	99	57,783
Temporarily restricted		
Interest and dividends	5,009	5,170
Net (loss) gain on investments	(3,346)	18,352
Investment fees	(3,293)	(3,000)
	(1,630)	20,522
	$ (1,531)	**$ 78,305**

D. Related Party Transactions

The American College of Trust and Estate Counsel was originally formed in 1949 and is incorporated in the state of Delaware. ACTEC has approximately 2,600 Fellows who are elected to membership by demonstrating the highest level of integrity, commitment to the profession, competence and experience as trust and estate counselors.

Accounting principles generally accepted in the United States of America require that non-profit organizations present consolidated financial statements when both control and economic interest are present. With respect to ACTEC and the Foundation, ACTEC controls the Foundation through the ability to appoint a majority voting interest of the Foundation's Board of Directors. However, ACTEC does not have an economic interest in the Foundation. Therefore, consolidated financial statements are not required under current accounting standards.

Transactions between ACTEC and the Foundation are described below.

Amount due to / from ACTEC: ACTEC periodically deposits cash on behalf of the Foundation or pays certain invoices on behalf of the Foundation. As a result of these transactions, the net amount due from ACTEC totaled $6,411 and $1,819 at April 30, 2016 and 2015, respectively.

Promises to give: The Foundation recorded a promise to give from the Southeast Region of $10,000 at April 30, 2015. The promise to give from the Southeast Region was recorded by ACTEC in accounts payable and accrued expenses as a liability to the Foundation. The Foundation received the payment for this promise to give from ACTEC during the year ended April 30, 2016.

D. Related Party Transactions - Continued

In-kind contributions: The Foundation changed accounting policies related to in-kind contributions by adopting FASB Accounting Standards Update (ASU) No. 2013-06, *Services Received from Personnel of an Affiliate* during the year ended April 30, 2016. Accordingly, the accounting change has been retrospectively applied to all prior periods presented as if the policy had always been in effect. The fair value of services and facilities ACTEC provided to the Foundation totaled $139,756 and $133,656 for the years ended April 30, 2016 and 2015, respectively. However, net assets and the changes in net assets were not affected as of and for the years ended April 30, 2016 and 2015.

In-kind contributions were allocated among the following functional expense categories for the years ended April 30,:

	2016	2015
General and administrative	$ 89,077	$ 85,162
Fund raising	35,463	33,873
Grants	15,215	14,621
	$ 139,755	**$ 133,656**

In addition, in-kind contributions included the following natural expense categories for the years ended April 30,:

	2016	2015
Salaries and benefits	$ 102,040	$ 98,403
Faciltiies	24,295	22,742
Overhead costs	13,421	12,511
	$ 139,756	**$ 133,656**

E. Software

Acquisitions of software greater than $1,000 are recorded at cost and amortized using the straight-line method over a useful life of five years.

Software totaling $3,636 was acquired during the year ended April 30, 2016. Amortization will begin when the software is placed in service during the year ending April 30, 2017.

F. GRANTS

Unconditional grants approved by the Board of Directors are recognized as expense in the year they are approved. Unconditional grants, which have not been disbursed during the year of approval, are included in grants payable.

Grants payable are expected to be distributed within one year and consisted of the following unconditional awards at April 30,:

	2016	2015
ACTEC Young Leaders	$ 33,920	$ -
Mary Moers Wenig	12,000	12,000
University of Washington	3,457	16,728
Hofstra University	-	10,000
University of Michigan Symposium	-	5,368
Legal Scholarship Network (SSRN)	-	3,000
	$ 49,377	**$ 47,096**

Grant expense consisted of the following for the years ended April 30,:

	2016	2015
ACTEC Young Leaders	$ 35,100	$ -
Mary Moers Wenig	9,500	8,082
Boston College Symposium	-	20,000
National Judicial College	-	18,000
University of Washington	-	13,000
In-kind contributions	15,215	14,621
Forfeited grants *	(7,350)	-
	$ 52,465	**$ 73,703**

* The remaining balance of two grants awarded in prior years were forfeited by the recipients during the year ended April 30, 2016. The Foundation wrote off the related grants payable as a reduction of grant expense.

G. ENDOWMENT

The Foundation's endowment consists entirely of the Lloyd Leva Plaine Memorial Fund, which is a donor-restricted endowment fund.

Interpretation of Relevant Law

The Foundation follows the State of Delaware's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Therefore, the Foundation classifies as permanently restricted net assets (a) gifts donated to the permanent endowment, (b) subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets, if any, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by relevant law.

Return Objectives and Risk Parameters

The Foundation's Board of Directors has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to the program supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under the policy, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation may appropriate for distribution certain amounts to support a memorial lecture series when approved by the Board of Directors. Before approving appropriations, the Foundation will consider the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and future investment returns.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors originally contributed as an endowment fund to the Foundation due to a) fluctuations in market value and b) appropriations from the endowment fund. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported within unrestricted net assets. As a result of market fluctuations and appropriations from the endowment fund, a deficiency of $14,858 existed at April 30, 2016. However, there were no deficiencies of this nature April 30, 2015.

G. Endowment - Continued

Changes in endowment net assets consisted of the following as of and for the years ended April 30,:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at May 1, 2015	$ -	$ 10,151	$ 265,823	$ 275,974
Contributions			3,600	3,600
Investment return				
Interest and dividends		5,009		5,009
Net loss on investments		(3,346)		(3,346)
Investment fees		(3,293)		(3,293)
	-	(1,630)	3,600	1,970
Appropriations	(14,858)	(8,521)		(23,379)
Balance at April 30, 2016	**$ (14,858)**	**$ -**	**$ 269,423**	**$ 254,565**

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at May 1, 2014	$ -	$ -	$ 264,298	$ 264,298
Contributions			1,525	1,525
Investment return				
Net gain on investments		18,352		18,352
Interest and dividends		5,170		5,170
Investment fees		(3,000)		(3,000)
		20,522	1,525	22,047
Appropriations		(10,371)		(10,371)
Balance at April 30, 2015	**$ -**	**$ 10,151**	**$ 265,823**	**$ 275,974**