

# **The American College of Trust and Estate Counsel Foundation**

## **Audited Financial Statements**

*Years ended April 30, 2023 and 2022  
with Report of Independent Auditors*

The American College of Trust and Estate Counsel Foundation

Audited Financial Statements

Years ended April 30, 2023 and 2022

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## Report of Independent Auditors

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

### **Opinion**

We have audited the 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, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of April 30, 2023 and 2022, 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.

### **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 Financial Statements section of our report. We are required to be independent of the Foundation 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
October 6, 2023

The American College of Trust and Estate Counsel Foundation

Statements of Financial Position

As of April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 400,570	\$ 286,237
Investments	2,172,697	2,209,609
Accounts receivables	5,250	4,050
Amount due from ACTEC	600	-
Prepaid expenses	<u>4,297</u>	<u>3,780</u>
Total assets	<u>\$ 2,583,414</u>	<u>\$ 2,503,676</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 9,100	\$ 1,297
Grants payable	172,091	199,555
Amount due to ACTEC	<u>14,488</u>	<u>4,733</u>
Total liabilities	195,679	205,585
<b>Net Assets</b>		
Without donor restrictions	1,903,927	1,895,980
With donor restrictions	<u>483,808</u>	<u>402,111</u>
Total net assets	<u>2,387,735</u>	<u>2,298,091</u>
Total liabilities and net assets	<u>\$ 2,583,414</u>	<u>\$ 2,503,676</u>

See accompanying notes to financial statements.

The American College of Trust and Estate Counsel Foundation

Statements of Activities

Years ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Activities without donor restrictions</b>		
Support:		
Contributions	\$ 134,789	\$ 151,005
In-kind contributions	<u>232,868</u>	<u>245,199</u>
Total support	367,657	396,204
Expenses:		
Program service:		
Grants and honorariums	163,124	123,350
Supporting services:		
General and administrative	250,143	249,884
Fundraising	<u>6,278</u>	<u>6,102</u>
Total supporting services	<u>256,421</u>	<u>255,986</u>
Total expenses	<u>419,545</u>	<u>379,336</u>
Change in net assets without donor restrictions from operations	(51,888)	16,868
Investment return (loss)	<u>59,835</u>	<u>(165,814)</u>
Change in net assets without donor restrictions	<u>7,947</u>	<u>(148,946)</u>
<b>Activities with donor restrictions:</b>		
Contributions	70,445	-
Investment return (loss)	<u>11,252</u>	<u>(34,546)</u>
Change in net assets with donor restrictions	<u>81,697</u>	<u>(34,546)</u>
Change in net assets	89,644	(183,492)
<b>Net assets:</b>		
Beginning	<u>2,298,091</u>	<u>2,481,583</u>
Ending	<u>\$ 2,387,735</u>	<u>\$ 2,298,091</u>

See accompanying notes to financial statements.

The American College of Trust and Estate Counsel Foundation

Statements of Cash Flows

As of April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flow from operating activities</b>		
Net change in net assets	\$ 89,644	\$ (183,492)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gain) loss on investments	(47,099)	349,918
Changes in operating assets and liabilities:		
Accounts receivables	(1,200)	(2,600)
Amount due from ACTEC	(600)	2,093
Accounts payable and accrued expenses	7,803	(8,151)
Amount due to ACTEC	9,754	1,643
Prepaid expenses	(517)	-
Grants payable	<u>(27,464)</u>	<u>35,523</u>
Net cash flows from operating activities	30,321	194,934
<b>Cash flow from investing activities</b>		
Proceeds from sales or maturities of investments	513,734	592,270
Purchases and donations of investments	<u>(429,722)</u>	<u>(746,863)</u>
Net cash flows from investing activities	<u>84,012</u>	<u>(154,593)</u>
Net change in cash and cash equivalents	114,333	40,341
Cash and cash equivalents, beginning of year	<u>286,237</u>	<u>245,896</u>
Cash and cash equivalents, end of year	<u>\$ 400,570</u>	<u>\$ 286,237</u>
<b>Schedule of noncash investing activities:</b>		
Donated securities	<u>\$ 2,639</u>	<u>\$ 1,199</u>

See accompanying notes to financial statements.

# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements

Years ended April 30, 2023 and 2022

### **Note 1 - Nature of Activities and 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 the American College of Trust and Estate Counsel (ACTEC) through programs and activities that serve the general community, including those who are at risk and underserved.

Program services include the following activities:

#### *Grants and honorariums*

The Foundation promotes scholarship and education in trust, estate and tax related areas by supporting and encouraging teaching careers and life-long learning.

Supporting services include the following activities:

#### *General and administrative*

The general and administrative function includes activities necessary for the administrative processes of the Foundation, such as managing its operating, governance and financial responsibilities.

#### *Fundraising*

The fundraising function includes activities that encourage and secure financial support for the Foundation.

A summary of the Foundation's significant accounting policies follows:

#### *Basis of accounting*

The financial statements of the Foundation are presented on the accrual basis of accounting. Accordingly, unconditional support is recorded when received and expenses are recognized when incurred.

#### *Basis of presentation*

The Foundation follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Foundation is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions, and 2) net assets with donor restrictions.



# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements (Continued)

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

#### *Without donor restrictions*

Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. However, the Foundation has no board-designated net assets.

#### *With donor restrictions*

Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### *Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### *Income taxes*

The Foundation is exempt from the payment of income taxes on its exempt activities under 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.

#### *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.

#### *Investments*

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to net investment return. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and taxes, less external and direct internal investment expenses.

# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements (Continued)

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

#### *Risks and uncertainties*

The Foundation maintains a demand deposit with a large commercial bank and a money market fund with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. The Foundation may hold funds with financial institutions in excess of the FDIC insured amounts; however, the Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Foundation also invests in a professionally managed portfolio of marketable fixed income and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

#### *Grants payable*

Unconditional grants are recognized as expenses in the year they are approved by the Board of Directors. Unconditional grants which have not been disbursed during the year of approval are included in grants payable. Grants awarded in prior years are periodically forfeited by the recipients. In such cases, grants payable and grant expenses are reduced.

#### *Contributions*

Contributions are recognized when unconditionally promised to, or received by, the Foundation. Contributions are classified as support with donor restrictions or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor, or that have an implied time restriction, are reported as increases in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions upon satisfaction of the donor's purpose restriction or when time restrictions expire.

#### *In-kind contributions*

Contributed (donated) services are recognized in the statements of activities as contributions at estimated fair value and at cost for contributed personnel and expenses in equal amounts in accordance with U.S generally accepted accounting principles (GAAP) when 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.

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

*Functional allocation of expenses*

The costs of providing the various program and supporting services activities have been summarized on a functional basis in the accompanying financial statements. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, personnel along with other shared costs, such as facilities and other costs, are allocated based on the proportional share of the personnel costs of each program or supporting function which benefited from the shared costs.

*Measure of operations*

The Foundation does not include investment return in the change in net assets without donor restrictions from operations.

*Recent Accounting Pronouncements*

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the ASU, not-for-profit entities are required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Foundation adopted the provisions of this ASU during the year ending April 30, 2023. There was no impact on previously reported amounts.

*Reclassifications*

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements. The reclassifications had no impact on previously reported total net assets.

*Subsequent events*

Subsequent events have been evaluated through October 6, 2023, the date on which these financial statements were available to be issued.

# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements (Continued)

### **Note 2 - Investments and Fair Value Measurements**

The Foundation follows the accounting standards topic regarding fair value measurements, which established a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Foundation has the ability to access.

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

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

Investments presented at fair value using Level 1 inputs include equity securities, which were valued based on quoted prices for identical assets in active markets.

Investments presented at fair value using Level 2 inputs include fixed income securities, the values for which are 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 fair values of investments to be a reasonable approximation of their exit price. Investments presented at cost, which approximates fair value, include money market funds.

The Foundation's investments include the Lloyd Leva Plaine Memorial Fund and the Rudy Ogburn Memorial Fund as described in Note 6.

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 2 - Investments and Fair Value Measurements (Continued)**

Investments consisted of the following at April 30, 2023:

<u>Investments, at fair value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Fixed income securities:				
U.S. Government agencies	\$ -	\$ 17,509	\$ -	\$ 17,509
Corporate securities	-	374,763	-	374,763
Municipal securities	-	86,792	-	86,792
International securities	-	48,750	-	48,750
Equity securities:				
Consumer discretionary	156,242	-	-	156,242
Consumer staples	157,486	-	-	157,486
Energy	122,520	-	-	122,520
Financials	232,582	-	-	232,582
Health care	198,264	-	-	198,264
Industrials	151,445	-	-	151,445
Information technology	267,742	-	-	267,742
Materials	50,998	-	-	50,998
Real estate	45,379	-	-	45,379
Communication services	124,453	-	-	124,453
Utilities	24,292	-	-	24,292
Mutual funds - equity	113,480	-	-	113,480
	<u>\$ 1,644,883</u>	<u>\$ 527,814</u>	<u>\$ -</u>	<u>\$ 2,172,697</u>

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 2 - Investments and Fair Value Measurements (Continued)**

Investments consisted of the following at April 30, 2022:

<u>Investments, at fair value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Fixed income securities:				
U.S. Government agencies	\$ -	\$ 17,593	\$ -	\$ 17,593
Corporate securities	-	405,150	-	405,150
Municipal securities	-	97,631	-	97,631
International securities	-	49,560	-	49,560
Equity securities:				
Consumer discretionary	168,090	-	-	168,090
Consumer staples	119,512	-	-	119,512
Energy	145,452	-	-	145,452
Financials	183,925	-	-	183,925
Health care	209,030	-	-	209,030
Industrials	119,657	-	-	119,657
Information technology	270,622	-	-	270,622
Materials	83,062	-	-	83,062
Real estate	54,150	-	-	54,150
Communication services	123,047	-	-	123,047
Utilities	49,669	-	-	49,669
Mutual funds - fixed income	113,459	-	-	113,459
	<u>\$ 1,639,675</u>	<u>\$ 569,934</u>	<u>\$ -</u>	<u>\$ 2,209,609</u>

Investment return consisted of the following for the years ended April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 46,560	\$ 36,237
Net gain on investments	47,476	(210,708)
Investment fees	<u>(22,949)</u>	<u>(25,889)</u>
	<u>\$ 71,087</u>	<u>\$ (200,360)</u>

**Note 3 - Liquidity and Availability of Resources**

The Foundation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations become due. The Foundation reviews its cash flow needs throughout the year by comparing bank balances to forecasted cash disbursements. The Board of Directors reviews and approves all grants. The Foundation has no restricted cash balances.

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 3 - Liquidity and Availability of Resources (Continued)**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 400,570	\$ 286,237
Investments	2,172,697	2,209,609
Amount due from ACTEC	600	-
Accounts receivable	<u>5,250</u>	<u>4,050</u>
	2,579,117	2,499,896
Less: amounts not available for general expenditures within one year:		
Net assets with donor restrictions	<u>(483,808)</u>	<u>(402,111)</u>
	<u>\$ 2,095,309</u>	<u>\$ 2,097,785</u>

**Note 4 - Related Party Transactions**

ACTEC is a nonprofit association of lawyers and law professors skilled and experienced in the preparation of wills and trusts; estate planning, and probate procedure and administration of trusts and estates.

Transactions between ACTEC and the Foundation are described below:

Amount due from ACTEC: ACTEC periodically receives funds on behalf of the Foundation. As a result of the transactions, the amount due from ACTEC totaled \$600 and \$0 at April 30, 2023 and 2022, respectively.

Amount due to ACTEC: ACTEC periodically pays certain invoices on behalf of the Foundation. As a result of these transactions, the amount due to ACTEC totaled \$14,488 and \$4,733 as of April 30, 2023 and 2022, respectively.

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 4 - Related Party Transactions (Continued)**

In-kind contributions: Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased. The majority of in-kind contributions relate to professional services and use of facilities. They are estimated using the fair market rate of the professional providing the service. The fair value of service and facilities ACTEC provided the Foundation totaled \$232,868 and \$245,199 for the years ended April 30, 2023 and 2022, respectively. However, since equal amounts of in-kind contributions and related expenses are recorded, net assets and the changes in net assets were not affected as of and for the years ended April 30, 2023 and 2022. There are no donor restrictions associated with these contributions.

In-kind contributions were allocated among the following functional expense categories for the year ended April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
General and administration	\$ 191,008	\$ 204,524
Grants	35,581	34,574
Fundraising	<u>6,279</u>	<u>6,101</u>
	<u>\$ 232,868</u>	<u>\$ 245,199</u>

In addition, in-kind contributions included the following natural expense categories for the years ended April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 132,419	\$ 182,226
Other	83,816	34,106
Facilities	<u>16,633</u>	<u>28,867</u>
	<u>\$ 232,868</u>	<u>\$ 245,199</u>



The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 5 - Grants**

Grants payable are unconditional and are expected to be paid within three years. Grants payable consisted of the following at April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dennis I. Belcher Young Leaders Program	\$ 83,566	\$ 78,843
University of New Mexico	-	40,000
Hofstra University	-	10,000
ACTEC Estate Planning Guide	34,796	24,458
Mary Moers Wenig	12,500	12,500
Commentaries	9,650	9,650
Legal Scholarship Network	10,644	-
Duquense University	20,156	-
Tulane University School of Law	-	20,000
Diversity and Inequity Grant	779	4,104
	<u>\$ 172,091</u>	<u>\$ 199,555</u>

Grant expenses consisted of the following for the years ended April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dennis I. Belcher Young Leaders Program	\$ 27,500	\$ 27,500
Commons Law Center	40,000	-
Diversity, Equity, & Inclusivity	-	7,000
Mary Moers Wenig	12,500	12,500
ACTEC Estate Planning Guide	35,000	35,000
Tulane University School of Law	-	20,000
Duquense University	20,156	-
Legal Scholarship Network	14,087	3,580
Forfeited grants	(21,701)	(16,804)
	<u>\$ 127,542</u>	<u>\$ 88,776</u>

**Note 6 - Net Assets**

The Foundation's net assets with donor restrictions are comprised of the Rudy Ogburn Memorial Fund for the Southeast Fellows Institute and the Lloyd Leva Plaine Memorial Fund, which is a donor-restricted endowment.

# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements (Continued)

### Note 6 - Net Assets (Continued)

#### *Rudy Ogburn Memorial Fund for the Southeast Fellows Institute*

The Rudy Ogburn fund was established October 20, 2022 to receive and administer gifts in memory of longtime fellow Rudy Ogburn. Any and all gifts received by the foundation in memory of Rudy Ogburn shall be designated by the Foundation as the Rudy Ogburn Memorial fund for the Southeast Fellows Institute.

	<u>2023</u>
Balance at May 1, 2022	\$ -
Contributions	70,445
Expenditures	<u>-</u>
Balance at April 30, 2023	<u><u>\$ 70,445</u></u>

The fund will be used to make charitable distributions to the Southeast Fellows Institute, a program of The American College of Trust and Estate Counsel, to be used solely to provide tuition assistance to financially needy students at the institute. Until the value of the fund reaches \$100,000 the Foundation shall distribute as much of the income and principal of the fund as it deems prudent to Southeast Fellows Institute. Once the value of the fund reaches \$100,000 and at all times thereafter, the Foundation shall distribute in annual or other installments an appropriate percentage of the fair market value of the fund to the Southeast Fellows Institute for tuition assistance. The percentage shall be determined by the Foundation Board of Directors from time to time.

#### *Lloyd Leva Plaine Memorial Fund*

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 net assets with donor restrictions to be maintained in perpetuity: (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 to be maintained in perpetuity, if any, is classified as purpose-restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by relevant law.

# The American College of Trust and Estate Counsel Foundation

## Notes to Financial Statements (Continued)

### Note 6 - Net Assets (Continued)

#### *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 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 fluctuations in market value and appropriations from the endowment fund. There were no such deficiencies as of April 30, 2023 and 2022.

Changes in endowment net assets consisted of the following as of and for the year ended April 30, 2023:

	<u>Appreciation</u>	<u>Corpus</u>	<u>Total</u>
Balance at May 1, 2022	\$ 127,888	\$ 274,223	402,111
Net investment return	11,252	-	11,252
Less: appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Balance at April 30, 2023	<u>\$ 139,140</u>	<u>\$ 274,223</u>	<u>\$ 413,363</u>

The American College of Trust and Estate Counsel Foundation

Notes to Financial Statements (Continued)

**Note 6 - Net Assets (Continued)**

Changes in endowment net assets consisted of the following as of and for the year ended April 30, 2022:

	<u>Appreciation</u>	<u>Corpus</u>	<u>Total</u>
Balance at May 1, 2021	\$ 162,434	\$ 274,223	436,657
Net investment loss	(34,546)	-	(34,546)
Less: appropriations	-	-	-
Balance at April 30, 2022	<u>\$ 127,888</u>	<u>\$ 274,223</u>	<u>\$ 402,111</u>

**Note 7 - Functional Expenses**

Functional expenses, including natural classifications, consisted of the following for the year ended April 30, 2023:

	<u>Grants Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 20,465	\$ 108,343	\$ 3,611	\$ 132,419
Other	12,546	128,191	2,214	142,951
Grant and honorarium payments	127,542	-	-	127,542
Facilities	2,571	13,609	453	16,633
	<u>\$ 163,124</u>	<u>\$ 250,143</u>	<u>\$ 6,278</u>	<u>\$ 419,545</u>

Functional expenses, including natural classifications, consisted of the following for the year ended April 30, 2022:

	<u>Grants Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 25,815	\$ 151,803	\$ 4,556	\$ 182,174
Other	4,670	74,025	824	79,519
Grant and honorarium payments	88,775	-	-	88,775
Facilities	4,090	24,056	722	28,868
	<u>\$ 123,350</u>	<u>\$ 249,884</u>	<u>\$ 6,102</u>	<u>\$ 379,336</u>