

Audited Financial Statements

**THE AMERICAN COLLEGE OF TRUST AND
ESTATE COUNSEL FOUNDATION**

April 30, 2019

The American College of Trust and Estate Counsel Foundation

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T A T E



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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, 2019 and 2018, and 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, 2019 and 2018, 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.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). As required by the FASB, the Foundation adopted the provisions of ASU 2016-14 during the year ended April 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, and new disclosures were added regarding the functional allocation of expenses and liquidity and the availability of resources. There was no change in the Foundation's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Washington, DC
September 13, 2019

The American College of Trust and Estate Counsel Foundation

Statements of Financial Position

<u>April 30,</u>	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents - Note B	\$ 140,264	\$ 180,558
Investments - Notes B & D	1,857,766	1,726,008
Accounts receivable	-	7,931
Prepaid expenses	3,780	-
Software - Note F	6,627	10,194
Total assets	\$ 2,008,437	\$ 1,924,691
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 4,090	\$ 10
Amount due to ACTEC - Note E	16,449	3,657
Grants payable - Note G	207,047	188,222
Total liabilities	227,586	191,889
Net assets		
Without donor restrictions	1,451,260	1,424,359
With donor restrictions - Note H	329,591	308,443
Total net assets	1,780,851	1,732,802
Total liabilities and net assets	\$ 2,008,437	\$ 1,924,691

The American College of Trust and Estate Counsel Foundation

Statements of Activities

<i>Year Ended April 30,</i>	2019	2018
Activities without donor restrictions		
Revenue and support		
Contributions	\$ 117,534	\$ 203,722
Publications	-	1,688
In-kind contributions - Note E	146,669	210,859
	264,203	416,269
Net assets released from donor restrictions - Note H	-	10,000
Total revenue and support	264,203	426,269
Expense		
Program service		
Grants and honorariums - Note G & H	177,208	134,917
Supporting services		
General and administrative	171,776	171,477
Fund raising	4,771	82,780
	176,547	254,257
Total expense	353,755	389,174
Change in net assets without donor restrictions from operations	(89,552)	37,095
Investment income, net	116,453	107,464
Change in net assets without donor restrictions	26,901	144,559
Activities with donor restrictions		
Investment income, net	20,648	22,603
Contributions - Note H	500	550
Net assets released from restriction - Note H	-	(10,000)
Change in net assets with donor restrictions	21,148	13,153
Change in net assets		
Net assets, beginning of year	48,049	157,712
Net assets, beginning of year	1,732,802	1,575,090
Net assets, end of year	\$ 1,780,851	\$ 1,732,802

The American College of Trust and Estate Counsel Foundation

Statements of Cash Flows

Year Ended April 30,	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 48,049	\$ 157,712
Adjustments to reconcile change in net assets		
to net cash (used in) provided by operating activities:		
Contributions restricted in perpetuity	(500)	(550)
Amortization of software	3,567	6,187
Net gain on investments	(106,856)	(111,196)
Changes in assets and liabilities:		
Promises to give	-	17,150
Accounts receivable	7,931	(7,931)
Prepaid expenses	(3,780)	-
Accounts payable	4,080	(2,877)
Grants payable	18,825	56,999
Amount due to ACTEC	12,792	(19,681)
Total adjustments	(63,941)	(61,899)
Net cash (used in) provided by operating activities	(15,892)	95,813
Cash flows from investing activities		
Proceeds from sales and maturities of investments	288,813	98,600
Purchases and donations of investments	(313,715)	(126,643)
Purchases of software	-	(10,788)
Net cash used in investing activities	(24,902)	(38,831)
Cash flows from financing activities		
Contributions restricted in perpetuity	500	550
Net (decrease) increase in cash and cash equivalents	(40,294)	57,532
Cash and cash equivalents, beginning of year	180,558	123,026
Cash and cash equivalents, end of year	\$ 140,264	\$ 180,558

Schedule of Noncash Investing Activities

Donated securities	\$ 1,190	\$ 1,260
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The American College of Trust and Estate Counsel Foundation

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 The American College of Trust and Estate Counsel Foundation (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 at April 30, 2018 and all at April 30, 2019 were 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. There was no bad debt expense recorded during the years ended April 30, 2019 and 2018.

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

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors. From time to time, the Foundation's Board of Directors approves conditional grants from net assets without donor restrictions, classified as 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 outstanding at April 30, 2019 and 2018.

With donor restrictions: Net assets with donor restrictions include those net assets whose use by the Foundation has been restricted by donors for specific time or purpose limitations. The Foundation's net assets with donor restrictions consisted entirely of the earnings generated from the Lloyd Leva Plaine Memorial Fund, the endowment fund described in Note H. 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.

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: Contributions are recognized when unconditionally promised to, or received by, the Foundation. Contributions are recorded as with or without donor restrictions depending upon the existence and/or nature of such restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when the restriction expires.

In-kind contributions: In-kind contributions of services (donated services) are recognized as contributions and are expensed in accordance with generally accepted accounting principles, if the donated 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 and related honoraria which are described in Note G.

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.

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

Measure of operations: The Foundation does not include investment income in the change in net assets without donor restrictions from operations.

Subsequent events: Subsequent events have been evaluated through September 13, 2019, 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 major financial institution. The Foundation's demand deposit account balance has not exceeded FDIC insurance limits at any point in the last three years. Management's view is that there is no material risk of loss in the unlikely event of the failure of the Foundation's business bank.

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.

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

C. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following as of April 30:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 140,264	\$ 180,558
Long-term investments	<u>1,857,766</u>	<u>1,726,008</u>
Total financial assets at year-end	1,998,030	1,906,566
Less:		
Net assets with donor restrictions	(329,591)	(308,443)
Grants payable in one to five years	<u>-</u>	<u>(59,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,668,439</u>	<u>\$ 1,539,123</u>

D. 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.

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

D. INVESTMENTS - CONTINUED

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.

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 H.

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:

2019	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 557,464	\$ -	\$ 557,464	\$ -
Mutual funds - fixed income	125,132	125,132		
Equity securities	1,053,322	1,053,322		
	<u>1,735,918</u>	<u>\$ 1,178,454</u>	<u>\$ 557,464</u>	<u>\$ -</u>

Investments, at cost
Money market fund
<u>\$ 1,857,766</u>

2018	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Fixed income securities	\$ 523,902	\$ -	\$ 523,902	\$ -
Mutual funds - equities	106,719	106,719		
Equity securities	1,051,004	1,051,004		
	<u>1,681,625</u>	<u>\$ 1,157,723</u>	<u>\$ 523,902</u>	<u>\$ -</u>
Investments, at cost				
Money market fund	<u>44,383</u>			
	<u>\$ 1,726,008</u>			

E. 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 2,500 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.

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

E. RELATED PARTY TRANSACTIONS - CONTINUED

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, during the year ended April 30, 2018, ACTEC controlled the Foundation through the ability to appoint a majority voting interest of the Foundation's Board of Directors. During the year ended April 30, 2019, ACTEC rescinded this requirement and no longer has the ability to appoint directors to the Foundation Board. 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 ACTEC: ACTEC periodically pays certain invoices on behalf of the Foundation. As a result of these transactions, the amount due to ACTEC totaled \$16,449 and \$3,657 at April 30, 2019 and 2018, respectively.

In-kind contributions: The fair value of services and facilities ACTEC provided to the Foundation totaled \$146,669 and \$210,859 for the years ended April 30, 2019 and 2018, respectively. However, net assets and the changes in net assets were not affected as of and for the years ended April 30, 2019 and 2018.

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

	2019	2018
General and administrative	\$ 121,636	\$ 97,609
Grants	20,262	32,636
Fundraising	<u>4,771</u>	<u>80,614</u>
	<u>\$ 146,669</u>	<u>\$ 210,859</u>

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

	2019	2018
Salaries and benefits	\$ 100,685	\$ 157,178
Facilities	27,845	35,911
Overhead costs	<u>18,139</u>	<u>17,770</u>
	<u>\$ 146,669</u>	<u>\$ 210,859</u>

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

F. 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 \$0 and \$10,788 was acquired during the years ended April 30, 2019 and 2018, respectively. Accumulated amortization and amortization expense of the software totaled \$17,697 and \$14,130 as of and for the years ended April 30, 2019 and 2018, respectively.

G. GRANTS

Unconditional grants approved by the Board of Directors are recognized as expenses in the year they are approved. Unconditional grants which have not been disbursed during the year of approval are included in grants payable. The remaining balance of several grants awarded in prior years were forfeited by the recipients during the years ended April 30, 2019 and 2018. The Foundation wrote off the related grants payable associated with these forfeited grants as a reduction of grant expense.

Grants payable consisted of the following unconditional awards at April 30:

	2019	2018
ACTEC Estate Planning Guide	\$ 56,220	\$ 43,307
University of New Mexico	40,000	-
Dennis I. Belcher Young Leaders Program	34,827	46,415
University of Wyoming Foundation	20,000	-
University California - Davis	20,000	-
University of Florida - Empirical Study on Wills	15,000	15,000
University of Oregon - Wills for the Underserved	11,000	16,500
Hofstra University	10,000	10,000
Exploitation of the Elderly/ EIEE Study Grant	-	45,000
Mary Moers Wenig	-	12,000
	<hr/> \$ 207,047	<hr/> \$ 188,222

Grants payable are expected to be paid in future periods according to the following at April 30:

	2019	2018
Payable in less than one year	\$ 207,047	\$ 129,222
Payable in one to five years	<hr/> -	<hr/> 59,000
	<hr/> \$ 207,047	<hr/> \$ 188,222

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

G. GRANTS - CONTINUED

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

	2019	2018
ACTEC Estate Planning Guide	\$ 60,000	\$ -
University of Wyoming Foundation	60,000	-
University of New Mexico	40,000	-
Dennis I. Belcher Young Leaders Program	27,500	-
In-kind contributions	20,262	32,636
University California - Davis	20,000	-
Hofstra University	10,000	10,000
Legal Scholarship Network	6,273	-
Exploitation of the Elderly/ EIEE Study Grant	-	45,000
University of Oregon - Wills for the Underserved	-	16,500
University of Florida - Empirical Study on Wills	-	15,000
Mary Moers Wenig	-	10,500
Honorarium - Endowment	-	10,000
Forfeited grants	<u>(66,827)</u>	<u>(4,719)</u>
	\$ 177,208	\$ 134,917

H. 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 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.

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.

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

H. ENDOWMENT - CONTINUED

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. There were no such deficiencies as of April 30, 2019 and 2018.

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

2019	Purpose Restricted	Maintained in Perpetuity	Total
Balance at May 1, 2018	\$ 34,720	\$ 273,723	\$ 308,443
Contributions	-	500	500
Investment income, net	20,648		20,648
Balance at April 30, 2019	<u>\$ 55,368</u>	<u>\$ 274,223</u>	<u>\$ 329,591</u>

2018	Purpose Restricted	Maintained in Perpetuity	Total
Balance at May 1, 2017	\$ 22,117	\$ 273,173	\$ 295,290
Contributions	-	550	550
Investment income, net	22,603		22,603
Appropriations	(10,000)		(10,000)
Balance at April 30, 2018	<u>\$ 34,720</u>	<u>\$ 273,723</u>	<u>\$ 308,443</u>

The American College of Trust and Estate Counsel Foundation

Notes to the Financial Statements

I. FUNCTIONAL EXPENSES

The costs of the various activities of the Foundation have been summarized on a functional basis in the statements of activities. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the program and supporting services that benefited. The expenses that are allocated include personnel, facilities and overhead costs which are allocated on the basis of estimates of time and effort.

Expenses by functional and natural classification were as follows for the year ended April 30:

2019	General and			Total
	Grants	administrative	Fundraising	
Grant and honorarium payments	\$ 156,946	\$ -	\$ -	\$ 156,946
Personnel	13,946	83,537	3,289	100,772
Facilities	3,473	20,734	796	25,003
Overhead	2,843	67,505	686	71,034
	\$ 177,208	\$ 171,776	\$ 4,771	\$ 353,755