

**Audited Financial Statements**

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

*April 30, 2018*

# The American College of Trust and Estate Counsel Foundation

## Contents

---

<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to the financial statements	5 - 13



# 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, 2018 and 2017, 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, 2018 and 2017, 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.

Washington, DC  
September 4, 2018

2021 L STREET, NW

SUITE 400

WASHINGTON, DC

20036

TELEPHONE

202/293-2200

FACSIMILE

202/293-2208

# The American College of Trust and Estate Counsel Foundation

## Statements of Financial Position

<b>April 30,</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents - Note B	\$ 180,558	\$ 123,026
Investments - Notes B & C	1,726,008	1,586,769
Promises to give - Note D	-	17,150
Accounts receivable	7,931	-
Software - Note E	10,194	5,593
<b>Total assets</b>	<b>\$ 1,924,691</b>	<b>\$ 1,732,538</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 10	\$ 2,887
Amount due to ACTEC - Note D	3,657	23,338
Grants payable - Note F	188,222	131,223
Total liabilities	191,889	157,448
Net assets		
Unrestricted	1,424,359	1,279,800
Temporarily restricted - Note G	34,720	22,117
Permanently restricted - Note G	273,723	273,173
Total net assets	1,732,802	1,575,090
<b>Total liabilities and net assets</b>	<b>\$ 1,924,691</b>	<b>\$ 1,732,538</b>

See notes to the financial statements.

# The American College of Trust and Estate Counsel Foundation

## Statements of Activities

<i>Year Ended April 30,</i>	2018	2017
<b>Unrestricted activities</b>		
Revenue and support		
Contributions	\$ 203,722	\$ 125,638
Publications	1,688	-
In-kind contributions - Note D	210,859	131,705
	<b>416,269</b>	<b>257,343</b>
Net assets released from restriction - Note G	<b>10,000</b>	<b>14,858</b>
Total revenue and support	<b>426,269</b>	<b>272,201</b>
Expense		
Program service		
Grants - Note F	124,917	173,323
Honorarium - Note G	10,000	-
Total program services	<b>134,917</b>	<b>173,323</b>
Supporting services		
General and administrative	171,477	116,642
Fund raising	82,780	59,359
Total supporting services	<b>254,257</b>	<b>176,001</b>
Total expense	<b>389,174</b>	<b>349,324</b>
Change in unrestricted net assets from operations	<b>37,095</b>	<b>(77,123)</b>
Investment income - Note C	<b>107,464</b>	<b>162,692</b>
Change in unrestricted net assets	<b>144,559</b>	<b>85,569</b>
<b>Temporarily restricted activities</b>		
Investment income - Notes C & G	<b>22,603</b>	<b>36,975</b>
Net assets released from restriction - Note G	<b>(10,000)</b>	<b>(14,858)</b>
Change in temporarily restricted net assets	<b>12,603</b>	<b>22,117</b>
<b>Permanently restricted activities</b>		
Contributions - Note G	<b>550</b>	<b>3,750</b>
Change in net assets	<b>157,712</b>	<b>111,436</b>
Net assets, beginning of year	<b>1,575,090</b>	<b>1,463,654</b>
Net assets, end of year	<b>\$ 1,732,802</b>	<b>\$ 1,575,090</b>

See notes to the financial statements.

# The American College of Trust and Estate Counsel Foundation

## Statements of Cash Flows

<i>Year Ended April 30,</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 157,712	\$ 111,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(550)	(3,750)
Amortization of software	6,187	1,598
Net (gain) loss on investments	(111,196)	(184,473)
Changes in assets and liabilities:		
Promises to give	17,150	(16,150)
Accounts receivable	(7,931)	-
Amount due from ACTEC	-	6,411
Accounts payable	(2,877)	546
Grants payable	56,999	81,846
Amount due to ACTEC	(19,681)	23,338
Total adjustments	(61,899)	(90,634)
Net cash provided by operating activities	95,813	20,802
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	98,600	98,600
Purchases and donations of investments	(126,643)	(115,157)
Purchases of software	(10,788)	(3,555)
Net cash used in investing activities	(38,831)	(20,112)
<b>Cash flows from financing activities</b>		
Permanently restricted contributions	550	3,750
Net increase in cash and cash equivalents	57,532	4,440
Cash and cash equivalents, beginning of year	123,026	118,586
Cash and cash equivalents, end of year	\$ 180,558	\$ 123,026
<b>Schedule of Noncash Investing Activities</b>		
Donated securities	\$ 1,260	\$ 1,363

See notes to the financial statements.

# 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 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. There was no bad debt expense recorded during the years ended April 30, 2018 and 2017.

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, 2018 and 2017.

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.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

---

### 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 and related honoraria 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.

*Subsequent events:* Subsequent events have been evaluated through September 4, 2018, which is the date the financial statements were available to be issued.



# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

---

### 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.

### 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.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

### 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,:

<b>2018</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, at fair value				
Fixed income securities	\$ 523,902	\$ -	\$ 523,902	\$ -
Mutual funds - fixed income	106,719	106,719		
Equity securities	1,051,004	1,051,004		
	1,681,625	<b>\$ 1,157,723</b>	<b>\$ 523,902</b>	<b>\$ -</b>
Investments, at cost				
Money market fund	44,383			
	<b>\$ 1,726,008</b>			
<b>2017</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments, at fair value				
Fixed income securities	\$ 421,345	\$ -	\$ 421,345	\$ -
Mutual funds - equities	89,386	89,386		
Equity securities	1,009,951	1,009,951		
	1,520,682	<b>\$ 1,099,337</b>	<b>\$ 421,345</b>	<b>\$ -</b>
Investments, at cost				
Money market fund	66,087			
	<b>\$ 1,586,769</b>			

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.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

### C. INVESTMENTS - CONTINUED

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

	2018	2017
Unrestricted		
Interest and dividends	\$ 31,728	\$ 27,004
Net gain on investments	91,125	149,522
Investment fees	<u>(15,389)</u>	<u>(13,834)</u>
	107,464	162,692
Temporarily restricted		
Interest and dividends	5,965	5,071
Net gain on investments	20,071	34,951
Investment fees	<u>(3,433)</u>	<u>(3,047)</u>
	<u>22,603</u>	<u>36,975</u>
	<b><u>\$ 130,067</u></b>	<b><u>\$ 199,667</u></b>

### 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 2,500 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.

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 to ACTEC totaled \$3,657 and \$23,338 at April 30, 2018 and 2017, respectively.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

### D. RELATED PARTY TRANSACTIONS - CONTINUED

*In-kind contributions:* The fair value of services and facilities ACTEC provided to the Foundation totaled \$210,859 and \$131,705 for the years ended April 30, 2018 and 2017, respectively. However, net assets and the changes in net assets were not affected as of and for the years ended April 30, 2018 and 2017.

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

	2018	2017
General and administrative	\$ 97,609	\$ 85,504
Fund raising	80,614	32,308
Grants	32,636	13,893
	<u>\$ 210,859</u>	<u>\$ 131,705</u>

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

	2018	2017
Salaries and benefits	\$ 157,178	\$ 99,418
Facilities	35,911	22,877
Overhead costs	17,770	9,410
	<u>\$ 210,859</u>	<u>\$ 131,705</u>

### 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 \$10,788 and \$3,555 was acquired during the years ended April 30, 2018 and 2017, respectively. Accumulated amortization and amortization expense of the software totaled \$14,130 and \$7,942 as of and for the years ended April 30, 2018 and 2017, respectively.

### 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. The remaining balance of grants awarded in prior years were forfeited by the recipients during the years ended April 30, 2018 and April 30, 2017. The Foundation wrote off the related grants payable as a reduction of grant expense.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

### F. GRANTS - CONTINUED

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

	<b>2018</b>	<b>2017</b>
Dennis I. Belcher Young Leaders Program	\$ 46,415	\$ 54,301
Exploitation of the Elderly/ EIEE Study Grant	45,000	-
ACTEC Estate Planning Guide	43,307	48,203
University of Oregon - Wills for the Underserved	16,500	-
University of Florida - Empirical Study on Wills	15,000	-
Mary Moers Wenig	12,000	11,000
Hofstra University	10,000	10,000
University of Washington	-	4,719
Legal Scholarship Network (SSRN)	-	3,000
	<b>\$ 188,222</b>	<b>\$ 131,223</b>

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

	<b>2018</b>	<b>2017</b>
Payable in less than one year	\$ 129,222	\$ 41,217
Payable in one to five years	59,000	90,006
	<b>\$ 188,222</b>	<b>\$ 131,223</b>

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

	<b>2018</b>	<b>2017</b>
Exploitation of the Elderly/ EIEE Study Grant	\$ 45,000	\$ -
In-kind contributions	32,636	13,893
University of Oregon - Wills for the Underserved	16,500	-
University of Florida - Empirical Study on Wills	15,000	-
Mary Moers Wenig	10,500	9,000
Hofstra University	10,000	10,000
ACTEC Estate Planning Guide	-	68,100
Dennis I. Belcher Young Leaders Program	-	41,250
University of Iowa	-	20,000
University of Washington	-	15,000
Legal Scholarship Network (SSRN)	-	3,000
Forfeited grants	(4,719)	(6,920)
	<b>\$ 124,917</b>	<b>\$ 173,323</b>

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

---

### 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. However, there were no such deficiencies as of April 30, 2018 and 2017.

# The American College of Trust and Estate Counsel Foundation

## Notes to the Financial Statements

### G. ENDOWMENT - CONTINUED

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

<b>2018</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance at May 1, 2017	\$ -	\$ 22,117	\$ 273,173	\$ 295,290
Contributions			550	550
Investment return				
Interest and dividends		5,965		5,965
Net gain on investments		20,071		20,071
Investment fees		(3,433)		(3,433)
	-	22,603	550	23,153
Appropriations	-	(10,000)		(10,000)
Balance at April 30, 2018	<b>\$ -</b>	<b>\$ 34,720</b>	<b>\$ 273,723</b>	<b>\$ 308,443</b>

<b>2017</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance at May 1, 2016	\$ (14,858)	\$ -	\$ 269,423	\$ 254,565
Contributions			3,750	3,750
Investment return				
Interest and dividends		5,071		5,071
Net gain on investments		34,951		34,951
Investment fees		(3,047)		(3,047)
	-	36,975	3,750	40,725
Appropriations		-		-
Transfer to eliminate deficiency	14,858	(14,858)		-
Balance at April 30, 2017	<b>\$ -</b>	<b>\$ 22,117</b>	<b>\$ 273,173</b>	<b>\$ 295,290</b>