

AEG FOUNDATION
REVIEWED FINANCIAL STATEMENTS
JUNE 30, 2013
(With Comparative Totals for June 30, 2012)
(See Independent Accountants' Review Report)

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
AEG Foundation

We have reviewed the accompanying statement of financial position of AEG Foundation (the "Foundation"), as of June 30, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from AEG Foundation's June 30, 2012 financial statements, and our review report dated August 23, 2012, stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Bauerle and Company, P.C.

Bauerle and Company, P.C.
Denver, CO

November 25, 2013

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AEG FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

(See Independent Accountants' Review Report)

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 11,874	\$ 17,886
Accounts Receivable	-	100
Accounts Receivable - Related Party	1,743	919
Prepaid Expenses	2,054	1,096
Investments	<u>926,723</u>	<u>844,085</u>
TOTAL ASSETS	<u>\$ 942,394</u>	<u>\$ 864,086</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 5,269	\$ 1,263
Accounts Payable - Related Party	17,086	-
Deferrred Income	-	<u>2,574</u>
Total Liabilities	<u>22,355</u>	<u>3,837</u>

NET ASSETS

Unrestricted	382,093	353,528
Temporarily Restricted	<u>537,946</u>	<u>506,721</u>
Total Net Assets	<u>920,039</u>	<u>860,249</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 942,394</u>	<u>\$ 864,086</u>
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The accompanying notes are an integral part of the financial statements.

AEG FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)
(See Independent Accountants' Review Report)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2013</u>	<u>TOTAL 2012</u>
Support and Revenue:				
Contributions	\$ 23,063	\$ 41,531	\$ 64,594	\$ 65,425
Net Special Event Income	1,000	6,232	7,232	5,114
Net Investment Income	22,928	43,346	66,274	83,675
Other	-	-	-	1,270
Net Assets Released from Restrictions	59,884	(59,884)	-	-
Total Support and Revenue	<u>106,875</u>	<u>31,225</u>	<u>138,100</u>	<u>155,484</u>
Expenses:				
Research, Education, and Public Awareness	55,461	-	55,461	28,233
General Administrative	21,180	-	21,180	15,792
Fundraising	1,669	-	1,669	2,244
Total Expenses	<u>78,310</u>	<u>-</u>	<u>78,310</u>	<u>46,269</u>
INCREASE IN NET ASSETS	28,565	31,225	59,790	109,215
NET ASSETS - BEGINNING OF YEAR	<u>353,528</u>	<u>506,721</u>	<u>860,249</u>	<u>751,034</u>
NET ASSETS - END OF YEAR	<u>\$ 382,093</u>	<u>\$ 537,946</u>	<u>\$ 920,039</u>	<u>\$ 860,249</u>

The accompanying notes are an integral part of the financial statements.

AEG FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)
(See Independent Accountants' Review Report)**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 59,790	\$ 109,215
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Investment Income	(66,274)	(83,675)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(724)	(354)
Prepaid Expenses	(958)	578
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	21,092	(1,783)
Deferred Income	(2,574)	1,674
Net Cash Provided By Operating Activities	<u>10,352</u>	<u>25,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividend and Interest Income Reinvested	(5,323)	(4,309)
(Purchases of) Investments	(308,684)	(89,408)
Proceeds from Sale of Investments	297,643	61,582
Net Cash (Used In) Investing Activities	<u>(16,364)</u>	<u>(32,135)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,012)	(6,480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,886</u>	<u>24,366</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,874</u>	<u>\$ 17,886</u>

The accompanying notes are an integral part of the financial statements.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

(See Independent Accountants' Review Report)

1 Summary of Significant Accounting Policies.

Nature of Organization. AEG Foundation (the "Foundation") was organized in 1992 as a not-for-profit organization dedicated to advancing research, education, public awareness, and technology transfer in the field of environmental and engineering geology through support of publications, speakers, programs, research grants, scholarships, and maintenance of archival data. The programs of the Foundation are supported by contributions.

Basis of Accounting. The financial statements of the Foundation are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. The Foundation matches revenues from conferences, meetings, and grants against the expenses incurred from these sources.

Comparative Financial Information. The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the reviewed financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Financial Statement Presentation. Financial statement presentation follows the requirements under Generally Accepted Accounting Principles for *Not-for-Profit Organizations*. Under this presentation the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Unrestricted net assets come primarily from donations and contributions and are used by the Foundation for program or supporting services. Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods of time, after specified dates or to specified purposes. Permanently restricted net assets must be maintained in perpetuity.

Unrestricted Net Assets: Unrestricted net assets are not subject to donor imposed stipulations and are available for use in general operations. This category also includes separately maintained funds established by the Board of Directors.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

1 Summary of Significant Accounting Policies. (Continued)

Classification of Net Assets. (Continued)

Temporarily Restricted Net Assets: Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets include gifts required by donors to be permanently retained. There are no permanently restricted net assets as of June 30, 2013.

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

Expense Allocation. The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents. The Foundation considers all cash and highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable. Accounts receivable are recorded when invoices are issued. Receivables are written-off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Foundation's prior payment history, the existing economic conditions, and upon individual contractual terms. The accounts are continually reviewed by management. Management believes no allowance for doubtful accounts is necessary at June 30, 2013.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

1 Summary of Significant Accounting Policies. (Continued)

Investments. Investment purchases are initially recorded at cost, or when contributed to the Foundation, at the fair values of the investment assets received at the date of contribution. Investments are reported at their fair values in the Statement of Financial Position and unrealized gains and losses are included in the Statement of Activities.

Net investment return consists of the Foundation's interest and dividend income, realized and unrealized capital gains and losses generated from the Foundation's investments, less investment management and custodial fees.

Contributions. Contributions are recognized when cash, other assets, or an unconditional promise to give is received. The Foundation accounts for contributions as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence or nature of any donor imposed restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as Net Assets Released from Restrictions.

Deferred Income. Revenue collected in advance is reported as deferred income and is recognized in subsequent periods when earned.

Financial Instruments and Credit Risk. The Foundation maintains cash balances in highly respected banks and financial institutions. Accounts at each bank are guaranteed by the FDIC up to \$250,000 per bank. At June 30, 2013, the Foundation had no deposits with banks that were uninsured. However, at June 30, 2013, the Foundation had \$11,794 in a dollar-denominated money market mutual fund, which is not insured. The Foundation has never experienced any losses related to these accounts.

The Foundation's investments are made primarily by investment managers engaged by the Foundation, and are monitored by the management of the Foundation in accordance with a board approved Investment Policy. Though the fair values of investments are subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk associated with accounts receivable is limited because the Foundation has had a history of high collectability.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

1 Summary of Significant Accounting Policies. (Continued)

Fair Value Measurements. The Foundation follows the methods of fair value measurement described in ASC 820 "Fair Value Measurements and Disclosures" to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e., the "exit price," in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 – Unobservable inputs are used when little or no market data is available.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Income Tax Status. The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A)(vi), and has been classified as an organization other than a private foundation under Section 509(a)(1).

In accordance with Generally Accepted Accounting Principles, the Foundation is required to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than-not" standard of being sustained under an income tax audit and to record a liability for any such taxes including penalty and interest. Management of the Foundation has not identified any uncertain tax positions that would require the recording of a liability mentioned above, or further disclosure at June 30, 2013. The years still open for income tax examinations are June 30, 2010 through 2013 for Federal purposes.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

1 Summary of Significant Accounting Policies. (Continued)

Variable Interest Entities. The "Consolidation" topic of the Accounting Standards Codification requires variable interest entities to be consolidated for financial statement presentation. In addition, there are several disclosure requirements in the notes to the financial statements. The objective is to improve the financial reporting by companies involved in variable interest entities. Management of the Foundation has not identified any variable interest entities that require consolidation.

Subsequent Events. In preparing its financial statements, the Foundation has evaluated subsequent events through November 25, 2013, which is the date the financial statements were available to be issued. Management of the Foundation has not identified any material subsequent events that require reporting or disclosure.

2 Fair Value Measurements.

Assets at Fair Value as of June 30, 2013

	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Corporate Bonds (1)	\$ -	\$ 48,251	\$ -	\$ 48,251
Fixed Income Funds (2)	36,163	-	-	36,163
Equity Mutual Funds (2)	39,244	-	-	39,244
Common Equities (2)	639,810	-	-	639,810
Fixed Income Equities (2)	50,497	-	-	50,497
Royalty Trust (2)	45,728	-	-	45,728
Real Estate				
Investment Trust (2)	<u>67,030</u>	<u>-</u>	<u>-</u>	<u>67,030</u>
Total	<u>\$ 878,472</u>	<u>\$ 48,251</u>	<u>\$ -</u>	<u>\$ 926,723</u>

(1) The fair values of investments in debt securities (corporate bonds) are based on current interest rates for debt instruments with similar characteristics, as estimated by the custodians of the securities. Management believes that the pricing models utilized by the custodians provide reasonable estimations of the fair values of the securities.

(2) The fair values of direct investments in equity securities, exchange-traded investment funds, or investments in fixed income and equity mutual funds are based upon quoted market prices for identical securities in active markets, and published redemption values at the close of business at June 30, 2013.

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

3 Net Investment Income.

Net investment income consisted of the following for the year ended June 30, 2013:

Dividend and Interest Income	\$ 40,944
Net Realized and Unrealized Gains	<u>25,330</u>
	<u>\$ 66,274</u>

4 Temporarily Restricted Net Assets.

Temporarily restricted net assets consist of contributions restricted by donors for particular purposes as described below at June 30, 2013:

Scholarships:	
Marliave Fund	\$ 36,348
Beardsley-Kuper	53,140
Mathewson Fund	17,669
Stout Fund	56,008
Lemke Fund	49,642
Tilford Fund	110,834
Lecturers/Speakers:	
Jahns Fund	24,605
Education:	
Shlemon Fund	100,209
Publications:	
Legget Fund	17,557
Research:	
Research Fund	<u>71,934</u>
Total	<u>\$ 537,946</u>

AEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(See Independent Accountants' Review Report)

4 Temporarily Restricted Net Assets. (Continued)

Temporarily restricted net assets were released from restrictions as follows during the year ended June 30, 2013:

Scholarships:	
Marliva Fund	\$ 4,000
Beardsley-Kuper	7,114
Mathewson Fund	6,171
Stout Fund	5,227
Lemke Fund	2,100
Tilford Fund	5,000
Lecturers/Speakers:	
Jahns Fund	2,487
Publications:	
Legget Fund	10,098
Research:	
Research Fund	4,865
Operations:	
Operational Fund	12,822
Total	<u>\$ 59,884</u>

5 Related Party Transactions.

The Foundation is affiliated with the Association of Environmental & Engineering Geologists (the "Association"), the primary purpose of which is to promote the value and importance of geologic practice in detecting, containing, and remediating contaminated soil and ground water; recognize and mitigate hazardous geologic processes to promote public safety and welfare; and siting, planning, designing, constructing, and maintaining engineered works.

During the year ended June 30, 2013, the Foundation paid \$5,750 to the Association for speaker, online publishing, and administrative expenses. The Association remitted to the Foundation \$29,457 for individual donations collected by the Association on behalf of the Foundation for the year ended June 30, 2013. At June 30, 2013, \$1,743 was due from the Association to the Foundation and \$17,086 was due to the Association from the Foundation.