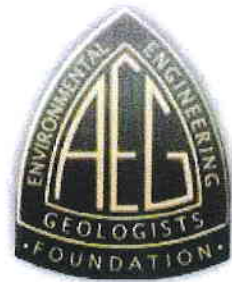


AEG FOUNDATION
Financial Statements

June 30, 2014

(Together with Independent Auditors' Report)





CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
AEG Foundation

We have audited the accompanying financial statements of AEG Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

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

Board of Directors
Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEG Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Bauerle and Company, P.C.

Bauerle and Company, P.C.
Denver, Colorado

June 29, 2015

AEG FOUNDATION
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AEG FOUNDATION

**Statement of Financial Position
June 30, 2014**

ASSETS

Assets

Cash and cash equivalents	\$ 45,520
Prepaid expenses	1,120
Investments	<u>971,641</u>
TOTAL ASSETS	<u>\$ 1,018,281</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 2,686
Total Liabilities	<u>2,686</u>

Net Assets

Unrestricted	445,120
Temporarily restricted	<u>570,475</u>
Total Net Assets	<u>1,015,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,018,281</u>

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

AEG FOUNDATION

**Statement of Activities
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 37,232	\$ 7,343	\$ 44,575
Net special event revenue	-	5,244	5,244
Net investment income	36,424	56,997	93,421
Net assets released from restrictions	44,779	(44,779)	-
Total Support and Revenues	<u>118,435</u>	<u>24,805</u>	<u>143,240</u>
Expenses			
Program Services:			
Research, education, and public awareness	40,637	-	40,637
Total Program Services	<u>40,637</u>	<u>-</u>	<u>40,637</u>
Supporting Services:			
General and administrative	11,557	-	11,557
Fundraising	792	-	792
Total Supporting Services	<u>12,349</u>	<u>-</u>	<u>12,349</u>
Total Expenses	<u>52,986</u>	<u>-</u>	<u>52,986</u>
Change in net assets	65,449	24,805	90,254
NET ASSETS, Beginning of year	<u>379,671</u>	<u>545,670</u>	<u>925,341</u>
NET ASSETS, End of year	<u>\$ 445,120</u>	<u>\$ 570,475</u>	<u>\$ 1,015,595</u>

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

AEG FOUNDATION

Statement of Cash Flows Year Ended June 30, 2014

Cash Flows From Operating Activities

Change in net assets	\$	90,254
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net investment income		(93,421)
(Increase) decrease in:		
Accounts receivable - related party		2,365
Prepaid expenses		934
Increase (decrease) in:		
Accounts payable		407
Accounts payable - related party		(15,396)
		<hr/>
Net Cash Provided by (Used in) Operating Activities		(14,857)

Cash Flows From Investing Activities

Dividend and interest income reinvested		63,619
Purchases of investments		(217,408)
Proceeds from sale of investments		202,292
		<hr/>

Net Cash Provided by (Used in) Investing Activities 48,503

Net Change in Cash and Cash Equivalents 33,646

CASH AND CASH EQUIVALENTS, Beginning of year 11,874

CASH AND CASH EQUIVALENTS, End of year \$ 45,520

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

1. Organization and Summary of Significant Accounting Policies

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 accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted Net Assets - Accounts for all unrestricted resources over which the Board of Directors has discretionary control to use in carrying on the operations of the Foundation in accordance with the limitations of its charter and bylaws. The principal sources of unrestricted resources are contributions and grants and investment income. Decreases in unrestricted resources generally result from expenses incurred for program and supporting services conducted by The Foundation.

Temporarily Restricted Net Assets - Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. Items which increase this net asset category are contributions and grants or other similar sources for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets - Accounts for those resources subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. As of June 30, 2014, the Foundation did not have any permanently restricted net assets.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to the Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation follows *Accounting for Uncertainty in Income Taxes*, which requires the Foundation to determine whether a tax position (and related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended June 30, 2014, the Foundation's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Foundation is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to June 30, 2011. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax law and regulations. Although the outcome of tax audits is uncertain, The Foundation believes no issues would arise.

Concentration of Credit Risk

The Foundation maintains a bank account at one institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2014, the Foundation's cash deposits did not exceed the FDIC insurance limit.

The Foundation receives substantially all of its revenues from public support. A significant reduction in the level of such support, if it were to occur, may have an adverse effect on the Foundation's programs and activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be 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 prior years' experience and management's analysis of specific accounts.

1. Organization and 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.

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.

Recognition of Revenues and Support

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Revenues and support that are restricted by the donor, grantor, or other outside party for particular operating purposes are reported as temporarily restricted support. 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. Contributions for support of future operations and fundraising activities are recorded as temporarily restricted support in the year the contribution is made.

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.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Foundation's financial statements were available to be issued on June 29, 2015, and this is the date through which subsequent events were evaluated.

AEG FOUNDATION
Notes to Financial Statements
June 30, 2014

2. Investments

Investments are stated at their fair value and consist of the following at June 30, 2014:

Common Equities	\$ 739,380
Fixed Income Equities	99,640
Royalty Trust	79,152
Fixed Income Funds	31,355
Corporate Bonds	<u>22,114</u>
Total Investments	<u>\$ 971,641</u>

Investment income is comprised of the following for the year ended June 30, 2014:

Interest and Dividend Income	\$ 64,030
Realized and Unrealized Gains, Net	29,505
Investment Fees	<u>(114)</u>
Total Investment Income	<u>\$ 93,421</u>

3. Fair Value Measurements

The Foundation adopted FASB ASC 820-10, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy defined in ASC 820-10 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position at fair value on a recurring basis and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall June 30, 2014:

AEG FOUNDATION
Notes to Financial Statements
June 30, 2014

3. Fair Value Measurements (continued)

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Common Equities (2)	\$ 739,380	\$ -	\$ -	\$ 739,380
Fixed Income Equities (2)	99,640	-	-	99,640
Royalty Trust (2)	79,152	-	-	79,152
Fixed Income Funds (2)	31,355	-	-	31,355
Corporate Bonds (1)	-	22,114	-	22,114
	<u>-</u>	<u>22,114</u>	<u>-</u>	<u>22,114</u>
Total	<u>\$ 949,527</u>	<u>\$ 22,114</u>	<u>\$ -</u>	<u>\$ 971,641</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, 2014.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2014:

Scholarships:	
Marliave Fund	\$ 47,614
Beardsley-Kuper	51,197
Mathewson Fund	16,174
Stout Fund	63,234
Lemke Fund	50,873
Tilford Fund	119,582
Lecturers/Speakers - Jahns Fund	31,243
Education – Shlemon Fund	109,383
Publications – Legget Fund	4,819
Research – Research Fund	<u>76,356</u>
Total	<u>\$ 570,475</u>

AEG FOUNDATION
Notes to Financial Statements
June 30, 2014

4. Temporarily Restricted Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Scholarships:	
Marliave Fund	\$ 746
Beardsley-Kuper	7,599
Mathewson Fund	11,547
Stout Fund	987
Lemke Fund	3,445
Tilford Fund	3,024
Lecturers/Speakers - Jahns Fund	520
Education – Shlemon Fund	929
Publications – Legget Fund	14,873
Research – Research Fund	491
Operations – Operational Fund	<u>618</u>
Total	<u>\$ 44,779</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, 2014, the Foundation paid \$24,996 to the Association for a member research study and other administrative expenses. The Association remits to the Foundation individual donations collected by the Association on behalf of the Foundation.