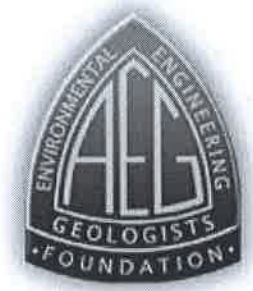


**AEG FOUNDATION**  
**Reviewed Financial Statements**  
**June 30, 2015**

(Together with Independent Accountants' Review Report)



**DRAFT**

**AEG FOUNDATION**  
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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
AEG Foundation

We have reviewed the accompanying financial statements of AEG Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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'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 include 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

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 accordance with accounting principles generally accepted in the United States of America.

Bauerle and Company, P.C.  
Denver, Colorado

February 25, 2016

**AEG FOUNDATION**

**Statement of Financial Position  
June 30, 2015**

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 31,850
Contribution receivable	10,000
Investments	<u>916,752</u>

**TOTAL ASSETS** \$ 958,602

**LIABILITIES AND NET ASSETS**

**Liabilities**

Total Liabilities	<u>\$ -</u>
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**Net Assets**

Unrestricted	335,777
Temporarily restricted	<u>622,825</u>
Total Net Assets	<u>958,602</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 958,602

**AEG FOUNDATION**

**Statement of Activities  
Year Ended June 30, 2015**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Support and Revenues</b>			
Contributions	\$ 20,007	\$ 56,103	\$ 76,110
Net investment income	(92,704)	42,566	(50,138)
Net assets released from restrictions	46,319	(46,319)	-
Total Support and Revenues	<u>(26,378)</u>	<u>52,350</u>	<u>25,972</u>
<b>Expenses</b>			
Program Services:			
Research, education, and public awareness	58,714	-	58,714
Total Program Services	<u>58,714</u>	<u>-</u>	<u>58,714</u>
Supporting Services:			
General and administrative	24,185	-	24,185
Fundraising	66	-	66
Total Supporting Services	<u>24,251</u>	<u>-</u>	<u>24,251</u>
Total Expenses	<u>82,965</u>	<u>-</u>	<u>82,965</u>
<b>Change in net assets</b>	(109,343)	52,350	(56,993)
NET ASSETS, Beginning of year	<u>445,120</u>	<u>570,475</u>	<u>1,015,595</u>
NET ASSETS, End of year	<u>\$ 335,777</u>	<u>\$ 622,825</u>	<u>\$ 958,602</u>

See accompanying notes and independent accountants' review report.

**AEG FOUNDATION**

**Statement of Cash Flows  
Year Ended June 30, 2015**

<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ (56,993)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Net investment loss	50,138
(Increase) decrease in:	
Contribution receivable	(10,000)
Prepaid expenses	1,120
Increase (decrease) in:	
Accounts payable	<u>(2,686)</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>(18,421)</u>
 <b>Cash Flows From Investing Activities</b>	
Dividend and interest income reinvested	69,896
Purchases of investments	(124,400)
Proceeds from sale of investments	<u>59,255</u>
 Net Cash Provided by (Used in) Investing Activities	 <u>4,751</u>
 Net Change in Cash and Cash Equivalents	 (13,670)
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>45,520</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 31,850</u>

See accompanying notes and independent accountants' review report.

## **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, 2015, 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, 2015, 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, 2012. 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, 2015, 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.

***Contributions Receivable***

Contributions 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 February 25, 2016, and this is the date through which subsequent events were evaluated.

## **2. Investments**

Investments are stated at their fair value and consist of the following at June 30, 2015:

Equities	\$ 870,763
Mutual Funds	24,141
Corporate Bonds	<u>21,848</u>
Total Investments	<u>\$ 916,752</u>

Investment income is comprised of the following for the year ended June 30, 2015:

Interest and Dividend Income	\$ 60,832
Realized losses, Net	( 24,856)
Unrealized losses, Net	<u>( 86,114)</u>
Total Investment Income (Loss)	<u>(\$ 50,138)</u>

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## **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, 2015:

**3. Fair Value Measurements (continued)**

	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Equities (2)	\$ 870,763	\$ -	\$ -	\$ 870,763
Mutual Funds (2)	24,141	-	-	24,141
Corporate Bonds (1)	<u>-</u>	<u>21,848</u>	<u>-</u>	<u>21,848</u>
 Total	 <u>\$ 894,904</u>	 <u>\$ 21,848</u>	 <u>\$ -</u>	 <u>\$ 916,752</u>

<sup>(1)</sup>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.

<sup>(2)</sup>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, 2015.

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**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015:

Scholarships:	
Marliave Fund	\$ 49,059
Beardsley-Kuper	62,555
Mathewson Fund	27,574
Stout Fund	60,350
Lemke Fund	54,689
Tilford Fund	122,083
West-Gray	2,773
Carolinas	9,523
 Lecturers/Speakers - Jahns Fund	 38,714
 Education – Shlemon Fund	 116,744
 Research – Research Fund	 <u>78,761</u>
 Total	 <u>\$ 622,825</u>

**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	\$ 4,068
Beardsley-Kuper	9,305
Mathewson Fund	1,542
Stout Fund	9,084
Lemke Fund	60
Tilford Fund	8,357
West-Gray	1,413
Carolinas	1,035
Lecturers/Speakers - Jahns Fund	383
Education – Shlemon Fund	33
Publications – Legget Fund	9,397
Research – Research Fund	1,369
Operations – Operational Fund	<u>274</u>
Total	<u>\$ 46,319</u>

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**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. The Association remits to the Foundation individual donations collected by the Association on behalf of the Foundation.