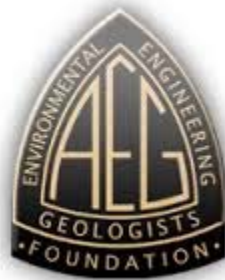


AEG FOUNDATION

Reviewed Financial Statements

December 31, 2017

(Together with Independent Accountants' Review Report)



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 December 31, 2017, 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; 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. 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.

Wipfli LLP

Wipfli LLP
Denver, Colorado

November 14, 2018

AEG FOUNDATION

**Statement of Financial Position
December 31, 2017**

ASSETS

Assets

Cash and cash equivalents	\$ 95,006
Prepaid expenses	903
Investments	<u>916,042</u>
TOTAL ASSETS	<u>\$ 1,011,951</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 1,856</u>
Total Liabilities	<u>1,856</u>

Net Assets

Unrestricted	284,462
Temporarily restricted	<u>725,633</u>
Total Net Assets	<u>1,010,095</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,011,951</u>
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See accompanying notes and independent accountants' review report.

AEG FOUNDATION

Statement of Activities Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 49,767	\$ 99,846	\$ 149,613
Net investment income	8,797	58,237	67,034
Net assets released from restrictions	66,019	(66,019)	-
Total Support and Revenues	<u>124,583</u>	<u>92,064</u>	<u>216,647</u>
Expenses			
Program Services:			
Research, education, and public awareness	50,513	-	50,513
Total Program Services	<u>50,513</u>	<u>-</u>	<u>50,513</u>
Supporting Services:			
General and administrative	56,183	-	56,183
Fundraising	7,556	-	7,556
Total Supporting Services	<u>63,739</u>	<u>-</u>	<u>63,739</u>
Total Expenses	<u>114,252</u>	<u>-</u>	<u>114,252</u>
Change in net assets	10,331	92,064	102,395
NET ASSETS, Beginning of year (as restated)	<u>274,131</u>	<u>633,569</u>	<u>907,700</u>
NET ASSETS, End of year	<u>\$ 284,462</u>	<u>\$ 725,633</u>	<u>\$ 1,010,095</u>

See accompanying notes and independent accountants' review report.

AEG FOUNDATION

Statement of Cash Flows Year Ended December 31, 2017

Cash Flows From Operating Activities

Change in net assets	\$ 102,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net investment income	(67,034)
(Increase) in:	
Prepaid expenses	(15)
Increase in:	
Accounts payable	142
	<hr/>
Net Cash Provided by Operating Activities	35,488

Cash Flows From Investing Activities

Dividend and interest income reinvested	59,396
Proceeds from sale of investments	75,770
Purchases of investments	(139,311)
	<hr/>
Net Cash (Used in) Investing Activities	(4,145)

Net Change in Cash and Cash Equivalents	31,343
CASH AND CASH EQUIVALENTS, Beginning of year	<hr/> 63,663
CASH AND CASH EQUIVALENTS, End of year	<hr/> <u>\$ 95,006</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. At December 31, 2017, 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 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 December 31, 2017, 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.

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 December 31, 2017, 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.

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 November 14, 2018, and this is the date through which subsequent events were evaluated.

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

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. This ASU is meant to eliminate diversity in practice and increase comparability among Not-for-Profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a Not-for-Profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASC on the Organization's financial statements.

2. Investments

Investments are stated at their fair value and consist of the following at December 31, 2017:

Equities	\$ 550,670
Mutual Funds	287,906
Corporate Bonds	<u>77,466</u>
Total Investments	<u>\$ 916,042</u>

Investment income is comprised of the following for the year ended December 31, 2017:

Interest and Dividend Income	\$ 58,825
Unrealized gains, Net	<u>8,209</u>
Total Investment Income	<u>\$ 67,034</u>

See independent accountants' review report.

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 at December 31, 2017:

	<u>Fair Value Measurements Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities ⁽²⁾	\$ 550,670	\$ -	\$ -	\$ 550,670
Mutual Funds ⁽²⁾	287,906	-	-	287,906
Corporate Bonds ⁽¹⁾	<u>-</u>	<u>77,466</u>	<u>-</u>	<u>77,466</u>
Total	<u>\$ 838,576</u>	<u>\$ 77,466</u>	<u>\$ -</u>	<u>\$ 916,042</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 December 31, 2017.

AEG FOUNDATION
Notes to Financial Statements
December 31, 2017

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2017:

Scholarships:	
Marliave Fund	\$ 53,930
Beardsley-Kuper	57,188
Mathewson Fund	36,989
Stout Fund	57,367
Lemke Fund	55,180
Tilford Fund	133,204
West-Gray	17,346
Carolinas	11,716
John Moylan Fund	630
Cornerstone Fund	4,848
Susan Steel-Weir Fund	42,288
Robert J Watters Fund	3,298
Lecturers/Speakers – Jahns Fund	27,161
Education:	
Shlemon Funds	118,603
K-12	7,831
Publications – Legget Fund	18,179
Research – Research Fund	<u>79,875</u>
Total	<u>\$ 725,633</u>

See independent accountants' review report.

AEG FOUNDATION
Notes to Financial Statements
December 31, 2017

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	\$ 4,207
Beardsley-Kuper	7,677
Mathewson Fund	2,265
Stout Fund	6,388
Lemke Fund	1,361
Tilford Fund	10,481
West-Gray	3,159
Carolinas	2,207
John Moylan Fund	1,042
Cornerstone Fund	89
Susan Steel-Weir Fund	12,930
Robert J Watters Fund	582
Lecturers/Speakers – Jahns Fund	3,239
Education:	
Shlemon Funds	5,039
K-12	531
Publications – Legget Fund	171
Research – Research Fund	<u>4,651</u>
Total	<u>\$ 66,019</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. The Association remits to the Foundation individual donations collected by the Association on behalf of the Foundation.

See independent accountants’ review report.

AEG FOUNDATION
Notes to Financial Statements
December 31, 2017

6. Beginning of the Year Net Asset Balances

The net asset balances as of January 1, 2017, have been restated to the following in order to properly reflect the balances in temporarily and unrestricted net assets. The restatement had no effect on the change in net assets as reported for prior periods.

	Unrestricted <u>Net Assets</u>	Temporarily Restricted <u>Net Assets</u>	Total <u>Net Assets</u>
As Originally Reported	\$ 299,069	\$ 608,631	\$ 907,700
Restated Fund Balances	<u>(24,938)</u>	<u>24,938</u>	<u>-</u>
Restated Balance	<u>\$ 274,131</u>	<u>\$ 633,569</u>	<u>\$ 907,700</u>

See independent accountants' review report.