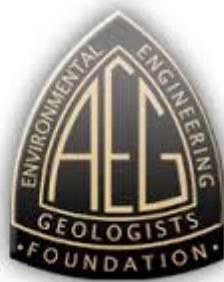


# **AEG Foundation**

## **Financial Statements**

Year Ended December 31, 2018



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants



## 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 December 31, 2018, and the related statements of activities, functional expenses 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; 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. 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEG Foundation as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP  
Denver, Colorado

September 30, 2019

**AEG Foundation**  
Statement of Financial Position  
December 31, 2018

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**ASSETS**

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**Assets:**

Cash and cash equivalents	\$	90,372
Prepaid expenses		909
Investments		862,974

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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>954,255</b>
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**LIABILITIES AND NET ASSETS**

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**Liabilities:**

Accounts payable and accrued expenses	\$	1,230
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Total Liabilities	1,230
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**Net Assets:**

Without donor restrictions	230,730
With donor restrictions	722,295

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Total Net Assets	953,025
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>954,255</b>
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See accompanying notes to financial statements.

**AEG Foundation**  
Statement of Activities  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Contributions	\$ 39,530	\$ 47,893	\$ 87,423
Net investment income (loss)	(2,769)	(18,350)	(21,119)
Net assets released from restrictions	32,881	(32,881)	-
<b>Total Support and Revenues</b>	<b>69,642</b>	<b>(3,338)</b>	<b>66,304</b>
<b>Expenses</b>			
Program Services:			
Research, education, and public awareness	78,466	-	78,466
Supporting Services:			
General and administrative	36,236	-	36,236
Fundraising	8,672	-	8,672
<b>Total Supporting Services</b>	<b>44,908</b>	<b>-</b>	<b>44,908</b>
<b>Total Expenses</b>	<b>123,374</b>	<b>-</b>	<b>123,374</b>
<b>Change in Net Assets</b>	<b>(53,732)</b>	<b>(3,338)</b>	<b>(57,070)</b>
NET ASSETS, Beginning of year	284,462	725,633	1,010,095
<b>NET ASSETS, End of year</b>	<b>\$ 230,730</b>	<b>\$ 722,295</b>	<b>\$ 953,025</b>

See accompanying notes to financial statements.

# AEG Foundation

## Statement of Functional Expenses

### Year Ended December 31, 2018

	Program Services	Management and General	Fund Raising	Total
Grants and scholarships	\$ 73,940	\$ -	\$ -	\$ 73,940
Contract services	-	20,327	5,634	25,961
Professional fees	-	6,703	-	6,703
Conferences and meetings	2,228	-	-	2,228
Information technology	855	1,000	193	2,048
Insurance	-	1,995	-	1,995
Office	246	561	1,116	1,923
Dues and subscriptions	-	1,282	512	1,794
Bank and credit card fees	-	1,520	-	1,520
Travel	-	1,425	-	1,425
Miscellaneous	-	1,423	-	1,423
Fundraising	-	-	1,217	1,217
Other program expenses	1,197	-	-	1,197
<b>Total Expenses</b>	<b>\$ 78,466</b>	<b>\$ 36,236</b>	<b>\$ 8,672</b>	<b>\$ 123,374</b>

See accompanying notes to financial statements.

# AEG Foundation

## Statement of Cash Flows

### Year Ended December 31, 2018

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**Cash Flows from Operating Activities:**

Change in net assets	\$ (57,070)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net investment loss	21,119
Increases and decreases in operating assets and liabilities	
Prepaid expenses	(6)
Accounts payable and accrued expenses	(626)

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Net cash flows from operating activities	(36,583)
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**Cash Flows from Investing Activities:**

Dividend and interest income reinvested	73,860
Proceeds from sale of investments	55,568
Purchases of investments	(97,479)

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Net cash flows from investing activities	31,949
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Net change in cash and cash equivalents	(4,634)
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CASH AND CASH EQUIVALENTS, Beginning of year	95,006
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<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b>\$ 90,372</b>
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See accompanying notes to financial statements.

# AEG Foundation

## Notes to Financial Statements

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### Note 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 Presentation

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

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions:* Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Use of Estimates

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

#### 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's management believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain tax positions, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

# AEG Foundation

## Notes to Financial Statements

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### **Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

#### **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, 2018, 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**

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### **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. Gift and grant support without donor restrictions are 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 support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support with donor restrictions in the year the contribution is made.

# AEG Foundation

## Notes to Financial Statements

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### **Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

#### **Change in Accounting Policy**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

#### **Functional Allocation of Expenses**

The statements of functional expenses report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses have been allocated between the program and supporting services benefited. Indirect costs such as office, information technology and contract service expense are allocated based upon time spent and utilization.

#### **Subsequent Events**

In accordance with the *Subsequent Events* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 September 30, 2019, and this is the date through which subsequent events were evaluated.

### **Note 2: Liquidity and Availability of Financial Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

*As of December 31, 2018*

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Cash and cash equivalents	\$	90,372
Investments		862,974
		953,346
Less: Net assets with donor restrictions		(722,295)
		<hr/>
Total Financial Assets Available for General Expenditure	\$	231,051

The Foundation does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately seven to ten months.

# AEG Foundation

## Notes to Financial Statements

### Note 3: Investments

Investments are stated at their fair value and consist of the following at December 31, 2018:

Equities	\$	527,603
Mutual funds		260,550
Corporate bonds		74,821
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Total Investments	\$	862,974

Investment income is comprised of the following for the year ended December 31, 2018:

Interest and dividend income	\$	73,860
Realized and unrealized gains (losses), net		(94,979)
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Total Investment Income (Loss)	\$	(21,119)

### Note 4: 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, 2018:

	<u>Fair Value Measurements Using</u>			Total
	Level 1	Level 2	Level 3	
<hr/>				
Investments:				
Equities (2)	\$ 527,603	\$ -	\$ -	\$ 527,603
Mutual Funds (2)	260,550	-	-	260,550
Corporate Bonds (1)	-	74,821	-	74,821
<hr/>				
Total Investments	\$ 788,153	\$ 74,821	\$ -	\$ 862,974

# AEG Foundation

## Notes to Financial Statements

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### Note 4: Fair Value Measurements (Continued)

(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, 2018.

### Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2018:

Scholarships:

Marliave Fund	\$ 50,402
Beardsley-Kuper	54,312
Mathewson Fund	45,301
Stout Fund	53,171
Lemke Fund	54,235
Tilford Fund	129,621
West-Gray	20,805
Carolinas	13,454
Cornerstone Fund	8,363
Susan Steel-Weir Fund	38,734
Robert J Watters Fund	4,672

Lecturers/speakers - Jahns Fund	28,262
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Education:

Shlemon Funds	117,994
K-12	7,831
Publications - Legget Fund	15,179
Research - Research Fund	79,959

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Total	\$ 722,295
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# AEG Foundation

## Notes to Financial Statements

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### Note 5: Net Assets with Donor Restrictions (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	\$ 1,820
Beardsley-Kuper	6,438
Mathewson Fund	913
Stout Fund	2,593
Tilford Fund	4,835
West-Gray	2,184
Carolinas	2,564
John Moylan Fund	640
Cornerstone Fund	430
Susan Steel-Weir Fund	4,610
Robert J Watters Fund	2,101
Education:	
Shlemon Funds	1,112
Publications - Legget Fund	2,641
<hr/>	
Total	\$ 32,881

### Note 6: Related Parties

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.