

AEG Foundation

Financial Statements

Year Ended December 31, 2020



WIPFLI

AEG FOUNDATION
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Independent Accountant's Review Report

To the Board of Directors
AEG Foundation
Oakland, California

We have reviewed the accompanying financial statements of AEG Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 company 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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services 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.

Accountant's 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

July 23, 2021
Denver, Colorado

AEG FOUNDATION
Statement of Financial Position
December 31, 2020

ASSETS

<u>Assets</u>	
Cash and cash equivalents	\$ 55,572
Prepaid expenses	1,009
Investments	<u>1,072,755</u>
TOTAL ASSETS	<u><u>\$ 1,129,336</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts payable and accrued expenses	<u>\$ -</u>
Total Liabilities	<u>-</u>

<u>Net Assets</u>	
Without donor restrictions:	
Undesignated	346,201
Board designated as an operating reserve	<u>25,000</u>
Total net assets without donor restrictions:	<u>371,201</u>
With donor restrictions	<u>758,135</u>
Total Net Assets	<u>1,129,336</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,129,336</u></u>

See independent accountant's review report.
See accompanying notes to the financial statements.

AEG FOUNDATION
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Contributions	\$ 5,890	\$ 97,042	\$ 102,932
Net investment income	3,192	-	3,192
Net assets released from restrictions	58,524	(58,524)	-
Total Support and Revenues	<u>67,606</u>	<u>38,518</u>	<u>106,124</u>
<u>Expenses</u>			
Program Services			
Research, education, and public awareness	<u>33,830</u>	<u>-</u>	<u>33,830</u>
Supporting Services			
General and administrative	46,132	-	46,132
Fundraising	<u>2,406</u>	<u>-</u>	<u>2,406</u>
Total Supporting Services	<u>48,538</u>	<u>-</u>	<u>48,538</u>
Total Expenses	<u>82,368</u>	<u>-</u>	<u>82,368</u>
Change in Net Assets	(14,762)	38,518	23,756
NET ASSETS, beginning of year	<u>385,963</u>	<u>719,617</u>	<u>1,105,580</u>
NET ASSETS, end of year	<u><u>\$ 371,201</u></u>	<u><u>\$ 758,135</u></u>	<u><u>\$ 1,129,336</u></u>

See independent accountant's review report.
See accompanying notes to the financial statements.

AEG FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- Raising</u>	<u>Total</u>
Grants and scholarships	\$ 32,700	\$ -	\$ -	\$ 32,700
Contract services	-	25,962	-	25,962
Professional fees	-	8,653	-	8,653
Information technology	-	6,763	-	6,763
Insurance	-	2,109	-	2,109
Dues and subscriptions	-	1,757	-	1,757
Fundraising	-	-	1,432	1,432
Office	-	665	667	1,332
Other program	1,130	-	-	1,130
Miscellaneous	-	220	307	527
Bank and credit card fees	-	3	-	3
Total Expenses	<u>\$ 33,830</u>	<u>\$ 46,132</u>	<u>\$ 2,406</u>	<u>\$ 82,368</u>

See independent accountant's review report.
See accompanying notes to the financial statements.

AEG FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2020

Cash Flows From Operating Activities:

Change in net assets	\$	23,756
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized losses on investments, net		69,179
Increases and decreases in operating assets and liabilities:		
Prepaid expenses		190
Accounts payable		(1,201)
		91,924
Net cash flows from operating activities		91,924

Cash Flows From Investing Activities:

Proceeds from sale of investments		97,688
Purchases of investments		(190,607)
		(92,919)
Net cash flows from investing activities		(92,919)

Net Change in Cash and Cash Equivalents (995)

CASH AND CASH EQUIVALENTS, beginning of year 56,567

CASH AND CASH EQUIVALENTS, end of year **\$ 55,572**

See independent accountant's review report.
See the accompanying notes to 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.

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. The governing board has designated, from net assets without donor restrictions, funds to be held for an operating reserve.

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.

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.

See independent accountant's review report.

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

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.

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, 2020, 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.

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

Recognition of Revenues and Support

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Functional Allocation of Expenses

The statement of functional expenses reports 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.

See independent accountant's review report.

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

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 July 23, 2021, and this is the date through which subsequent events were evaluated.

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, 2020

Cash and cash equivalents	\$ 55,572
Investments	<u>1,072,755</u>
	<u>1,128,327</u>
Less:	
Net assets with donor restrictions	(758,135)
Board designation – operating reserve	<u>(25,000)</u>
	<u>(783,135)</u>
Total Financial Assets Available for General Expenditure	<u>\$ 345,192</u>

The Board of Directors has established an operating reserve policy to help ensure the long-term ability of the Foundation to meet its mission goals. The operating reserve is intended to help manage cash flow and maintain financial flexibility, to meet unanticipated expenses, and to disburse funds to pay for grants, awards, honoraria, and operating expenses.

The current Board policy is that the minimum amount to be designated for the operating reserve will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time. The total operating reserve for a fiscal year is established by the budget for that year. Although the Foundation does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

3. Investments

Investments are stated at their fair value and consist of the following at December 31, 2020:

Equities	\$ 722,273
Mutual funds	330,722
Corporate bonds	<u>19,760</u>
Total Investments	<u>\$ 1,072,755</u>

Investment income is comprised of the following for the year ended December 31, 2020:

Interest and dividend income	\$ 72,371
Realized and unrealized gains (losses), net	<u>(69,179)</u>
Total Investment Income (Loss)	<u>\$ 3,192</u>

4. Fair Value Measurements

The Foundation utilizes three levels of inputs to measure fair value (the fair value hierarchy) in accordance with financial accounting standards. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 inputs utilizing quoted market prices in active markets.

Level 2 inputs utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves.

Level 3 is valued using unobservable inputs in which there is little or no market data, which requires the entity to develop its own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Foundation believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of the Foundation's investments by the preceding fair value hierarchy as of December 31, 2020:

See independent accountant's review report.

AEG FOUNDATION
Notes to Financial Statements
December 31, 2020

4. Fair Value Measurements (continued)

	<u>Fair Value Measurements Using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities ⁽²⁾	\$ 722,273	\$ -	\$ -	\$ 722,273
Mutual Funds ⁽²⁾	330,722	-	-	330,722
Corporate Bonds ⁽¹⁾	<u>-</u>	<u>19,760</u>	<u>-</u>	<u>19,760</u>
Total	<u>\$ 1,052,995</u>	<u>\$ 19,760</u>	<u>\$ -</u>	<u>\$ 1,072,755</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, 2020.

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2020:

Scholarships:	
Marliave Fund	\$ 44,188
Beardsley-Kuper	49,935
Mathewson Fund	52,092
Stout Fund	45,747
Lemke Fund	57,147
Tilford Fund	124,630
West-Gray	34,321
Carolinas	22,592
Cornerstone Fund	8,564
Susan Steel-Weir Fund	30,781
Robert J Watters Fund	13,214
Lecturers/Speakers – Jahns Fund	51,892
Education:	
Shlemon Funds	118,815
K-12	8,694
Publications – Legget Fund	15,434
Research – Research Fund	<u>80,089</u>
Total	<u>\$ 758,135</u>

See independent accountant's review report.

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	\$ 5,232
Beardsley-Kuper	293
Mathewson Fund	5,126
Stout Fund	4,899
Lemke Fund	813
Tilford Fund	6,574
West-Gray	2,442
Carolinas	3,187
Cornerstone Fund	11
Susan Steel-Weir Fund	5,140
Robert J Watters Fund	1,919
John Moylan Student Chapter Grant Fund	100
Lecturers/Speakers – Jahns Fund	1,221
Education:	
Shlemon Funds	2,739
K-12	12
Publications – Legget Fund	-
Research – Research Fund	5
Johnston Operating Fund	<u>18,811</u>
Total	<u>\$ 58,524</u>

6. 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.

7. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 will impact various segments of the Foundation's 2021 operations and financial results. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact. However, the full effects of the COVID-19 pandemic are unknown and cannot be reasonably estimated as these events are still developing.