

AEG Foundation Fund Management Policy

This statement of the Fund Management Policy was adopted by the Board of Directors of the AEG Foundation (the Foundation) to guide management of named program Funds administered by the Foundation

Purpose: The purpose of this Fund Management Policy is to provide the Board of Directors (Board) with protocols for managing existing and new Funds and to provide clarity to the determination and management of unsustainable Funds.

History and Statement of Need: The AEG Foundation was started in 1992 by three past presidents of the Association of Engineering Geologists (now Association of Environmental & Engineering Geologists). By the year 2000 the Foundation had grown to two scholarship Funds - the Marliave Fund and the Tilford Fund. Charters for supporting the Jahns Lectureship Fund, the Legget Fund and the Greatest Need/ Memorial Fund were also in place.

From 2000 to the present time (2019) the Foundation has grown to manage twenty-one (21) programs. Currently, the following types of Funds are administered by the Foundation – Student Programs, Outreach Programs, Professional Programs, and General Support Programs. The programs include twelve scholarship and grant programs for students (Beardsley-Kuper, Carolinas, Lemke, Marliave, Mathewson, Watters, Shlemon Quaternary Engineering Geology, Stout, Susan Steele Weir, John Moylan, Tilford, and West-Gray);

three outreach programs (Jahns, K-14, Cornerstone); four professional programs (Shlemon Continuing Education, Legget, Research, Shlemon Specialty Conference), and two general support Funds (Greatest Need and Johnston Operations).

As the number of Funds has grown, and with the potential for new Funds, along with issues related to Funds which have lost their momentum, the Board is challenged with establishing criteria for the management of existing Funds, the potential sunseting of existing Funds, criteria for new and proposed Funds, and the distribution of operating costs equitably across the Funds.

The Foundation Board currently consists of eleven Directors. Each Director serves as a volunteer. While they are encouraged to submit their expenses as donations-in-kind, they do not receive compensation or reimbursement for travel expenses incurred. In addition, they are expected to contribute to the Foundation by way of in-kind and cash donations of its members, to the operating costs of the Foundation. Nonetheless, major operating costs remain and must be paid.

Operating Costs: The Foundation incurs administrative costs associated with compliance with federal and state laws and general operational needs. Some of these expenses are for bookkeeping, auditing, information technology, legal, permits and fees, and general services to the Board. The Board operates on a nominal budget which is applicable to the overall management of all of the Funds. These administrative costs must be borne by all of the Funds to the extent that operating costs exceed the amount of monies available in the General Support Funds.

General criteria for all Funds:

It is the position of the Board that all Funds should have the following:

1. A FUND CHARTER defining the intended purpose of the Fund. The Fund Charter should identify short and long term goals, and whether the Fund can be spent down. The Fund charter must allow for assessment of operational fees to the Johnston Fund. The Johnston Fund fees are composed of two components: one applied to donations for the year, and a second fee based upon the residual operating costs, the number of Funds, and the asset value of each Fund. The Johnston Fund fees are determined by the Board. It is the Board's goal that Johnston Fund fees will be kept to a minimum level sufficient to sustain the Foundation's operational support activities. A plan with a timeline for reaching Fund balance goals in increments should be defined in the charter.
2. A FUND CHAMPION - The purpose of a Fund Champion is to promote the awareness and financial well-being of the Fund. The Fund Champion shall receive Fund notices and updates from the AEG Foundation regarding the status of the Fund. The sponsor or champion of the Fund is expected to realize that change is inevitable over time. It is possible that a Fund may receive donations that are insufficient to cover costs envisioned in the charter, or that insufficient funds for grants is available, or that a Fund's objective, stated in a charter, may become outdated. The Board reserves the right to modify the Fund Charter. If modifications to the Fund Charter are considered to be unachievable, the Fund may be re-purposed to the Greatest Need Fund or to a Fund which, in the Board's discretion, is compatible with the initial charter's purpose.

3. A GRANT AWARD SELECTION COMMITTEE AND/OR FUND AWARD SELECTION COMMITTEE is responsible for reviewing charter/grant requests and providing written recommendations to the Board. The Board may elect to rely upon the Programs Committee for Grant application reviews.
4. The AEG Foundation expects that proposed or new Funds and/or charters will have a minimum initial donation of 5 times the proposed annual award or achieve that financial goal prior to the initial award. The Board will review deviations and may waive this expectation with a majority vote.

Sunset Provisions.

Should the Board, in its sole discretion, determine that a Fund is not achieving its stated goals, either from funding inactivity or from program inactivity, a motion to sunset the Fund may be considered.

Actionable Funds

A Fund will be considered actionable under the following conditions:

1. Not achieving, or not making significant progress toward, the stated financial goals.
The Board's expectations are that the first financial goal should be met within 10 years.
2. Fund balance has dropped to 5 times the award average over the previous 5 years.
3. Funds with Restricted Balance – The difference between Fund balance and restricted asset limit has reached within five times the award average over the previous five-year period.

4. No charter/grant requests in the last 5 years or no charter requests granted within last 7 years.

Board's responsibility for Actionable Funds

1. Advise Fund Champion and Selection Committee that the Fund has become actionable and the reasons that it has become actionable, and request an action plan for resolving the actionable issue.
2. If an action plan is not provided by the Fund Champion within 6 months, the Board will evaluate any actions that it should do including sunsetting a Fund. The Fund may be closed by a majority vote of the Board. Assets of the actionable Fund may be transferred to a Fund that the Board deems as a compatible interest or the assets may be transferred to Greatest Need Fund. If Funds don't exist within the Foundation that fulfill the donor's intent, the Board may consider transfer to a non-profit that has a compatible function that does meet donor intent.

Fund Accounting Protocol

The accounting terms in this policy are intended to conform to Accounting Codification Standards (ACS) of the Financial Accounting Standards Board (FASB). The purpose of this protocol is to define a standard way for valuing and reporting assets to Fund Champions, the Board, and the public.

All Fund balance calculations for the year will be formally calculated annually and estimated periodically during the year. Balances at the end of the year will include assets at the beginning of the year plus contribution and income (or loss) less direct expenses and indirect

pro rata allocations of operating costs. Direct expenses to a Fund will be applied to restricted asset balances.

Investment returns (gains or losses) will be allocated based upon the beginning of the year (BOY) balance and will, in general, be applied to unrestricted assets. Periodic updates will not include accounting adjustments for Johnston Fund Fees or investment related adjustments.

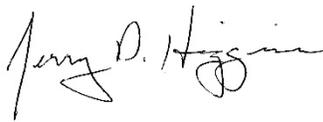
Pro rata allocation of Operating Costs:

It is the goal of the Board to keep operating expense to a minimum. Nevertheless, the cost of operating the Foundation must be accounted for so as to not overstate Fund balances. To eliminate confusion of allocation of operating costs the following protocol will be used by the Board.

1. Annually transfer Greatest Need Fund monies to the Johnston Fund at the end of the fiscal year. It is the Boards desire to retain a remaining balance of not less than \$15,000 in the Greatest Need Fund after an annual fund transfer to the Johnston Fund, unless a lesser amount is approved by a majority vote of the Board.
2. Assess the donation fee (part of the Johnston Fee) as a percentage of contributions to a Fund for the year and transfer that to the Johnston Fund.
3. Apply the resulting Johnston Fund balance to Operating Costs to the extent needed to cover operating costs.
4. The Board may choose to use earnings and income from investment activity.
5. If any excess operating costs remain the following protocol will be used to allocate costs (the remainder of the Johnston Fee).

- a. The remaining operating costs will be split in half; each half of the cost will be allocated to the deficit operating cost with half based upon the number of Funds and the second half being allocated based upon asset balance.
- b. Since general support Funds (i.e. Greatest Need and Johnston Funds) already contribute to the operating costs, they are exempt from this calculation.
- c. Certain goodwill Funds, as determined by the Board, will not be assessed the fee. The Funds currently considered as goodwill Funds are the Jahns, K-14, and the John Moylan Student Chapter Grant Funds.
- d. New Funds will be exempt from the percentage allocation for the first 5 years. If the assets of that Fund are greater than \$15,000 in the first 5 years, the exemption will be then removed.
- e. Sister Funds such as the Shlemon Funds (Shlemon Mentor, Shlemon Continuing Education, Shlemon Specialty Conference, and Shlemon Quaternary Engineering Geology) will be treated as one Fund in the allocation based upon number of Fund

Approved by the Board of Directors of the AEG Foundation on 12/9/2019.



Jerry D. Higgins, AEG Foundation Secretary