Accomplishments in FY 2005-2006

- Increased donation income by $19,500 over prior 12 months
- Awarded 5 scholarships totaling $6,000, an increase of 2 recipients and $3,000 distributed over the prior 12 months
- Increased net assets by over $4,500 over the fiscal year
- Awarded first Jahns Lectureship grant
- Awarded first Martin L. Stout scholarship
- Sponsored second Roy J. Shlemon Specialty Conference grant
- Awarded a special grant of $45,000 from the Legget Fund to AEG to support electronic publishing of its scientific journal
- Spent 82.6% of expenses on program activities (Better Business Bureau recommends at least 65%)

FISCAL YEAR 2006 AT A GLANCE

<table>
<thead>
<tr>
<th></th>
<th>FY 2006</th>
<th>Prior 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td>229,621</td>
<td>225,059</td>
</tr>
<tr>
<td>Donation Income</td>
<td>57,500</td>
<td>37,526</td>
</tr>
<tr>
<td>Total Grants Awarded</td>
<td>52,000</td>
<td>18,500</td>
</tr>
<tr>
<td>Number of Scholarship Recipients</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>
The AEG Foundation is mature. We are settling into an overall operating plan that matches the scope and sophistication of much larger foundations. We accomplished much in the last year:

- Implemented transparent governance policies in
  - Donor Privacy
  - Regulatory and Tax Compliance
  - Conflict of Interest
  - Investment
  - Gift Acceptance

- Built our net assets to over a quarter of a million dollars

- Made initial grants from the Jahns Lectureship Fund

- Provided major support to electronic publishing of AEG’s scientific journal with a grant of $45,000 from the Legget Fund

- Increased scholarship awards in both number and size

- Retained a CPA firm for annual reviews and tax/information return preparation

None of this could happen without the support of two groups: the Foundation’s dedicated and motivated seven-person Board of Directors, and our increasing family of donors, almost all of them AEG members. In particular, the AEG Board of Directors and Executive Council have been generous both as individuals and as governing bodies. If you are a donor, THANK-YOU! I hope this report convinces you that your gift is well managed and doing what you want it to do. If you are thinking of becoming a donor, whether by direct donation, bequest, or naming the Foundation as a beneficiary in your trust, I hope this report earns your confidence.

Sincerely

Robert E. Tepel
President and Chairman of the Board,
AEG Foundation

PS: Projects in development include a fund to support Student Member participation in AEG annual meetings, and an Internet Library of classic works in engineering and environmental geology, plus biographies of leaders in our profession. Two more reasons to give to the AEG Foundation!
About the AEG Foundation

The AEG Foundation has been a part of the environmental and engineering geology community since 1992 when it was founded by three past-presidents of the Association of Engineering Geologists. Incorporated in California as the Engineering Geology Foundation, the name was changed to AEG Foundation effective October 19, 2004. The Foundation is an independent tax-exempt public charity governed by a seven-person Board of Directors. Our mission is to advance research, education, public awareness, and technology transfer in Engineering Geology and the related fields of Hydrogeology and Environmental Geology. Our vision is a world with reduced risk from geologic hazards.

The AEG Foundation is an Internal Revenue Code Section 501(c)(3) tax-exempt charitable organization. The Foundation’s federal tax ID Number is 94-3168991, its California Corporation Number is C1524975, and its California Registry of Charitable Trusts Number is CT87308.

The Foundation operates three scholarship programs with like-named funds: the Marliave, the Tilford, and the Stout. The Foundation supports a distinguished lectureship in engineering geology, the Richard H. Jahns Distinguished lecturer, and may support other speaker programs, through its Jahns Fund. The Foundation’s Shlemon Fund supports advanced practice specialty conferences called the Roy J. Shlemon Conferences. The Foundation’s Legget Fund supports scientific publications. Operations are supported through the Floyd T. Johnston Operations Fund and by small operational support charges. Contributions are accepted to any of these funds, or to the Greatest Need/Memorial Fund. Fund history and operating criteria are described in a Fund Charter for each fund.

The AEG Foundation Board has adopted governance policies to guide operations. Asset management is guided by an Investment Policy. Directors are bound by a Conflict of Interest Policy. The Foundation has a Compliance Policy that guides the preparation and filing of state and federal tax and information returns, and other regulatory filings.

The Board of Directors reviews Fund Charters and all policies on a regular basis. Additional information about the AEG Foundation is available from the Foundation office or from the web site, www.aegfoundation.org.

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<td>Building on Past Success</td>
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<tr>
<td>Norman R. Tilford Field Studies Scholarship Fund</td>
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<td>Accountant’s Review/Financials</td>
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<tr>
<td>AEG Foundation Committees</td>
</tr>
</tbody>
</table>

AEG Foundation—Advancing the Science of Environmental and Engineering Geology

www.aegfoundation.org
Introduction

PURPOSE OF THIS REPORT

This report is prepared as a management and governance document for the use of the AEG Foundation (pka Engineering Geology Foundation) Board of Directors. In general, this report is intended to provide information required by applicable California law (Corporation Code, Section 6321 et seq., and to provide any additional information required by the Board of Directors. This report is a public document. This report was prepared by Foundation staff in 2006, as directed by the Board of Directors. It is based on staff review of the available records of the Foundation. The report of the independent accountant is reproduced on pages 15-19.

This report covers the fiscal year July 1, 2005 through June 30, 2006.

HISTORICAL BACKGROUND

Similar to many very small foundations, the AEG Foundation (known as the Engineering Geology Foundation until October 19, 2004) was administered by direct board participation in its early years. Books were kept by a volunteer Treasurer on a cash basis.

As the assets and programs of the Foundation grew, the Board recognized two factors: first, good governance required more association management expertise applied on a continuous basis, and second, the Foundation would eventually exceed reporting thresholds for federal information return (Form 990) preparation and filing.

Therefore, in 2004 the Board contracted with an association management firm to provide association management services, including bookkeeping. A bookkeeping system was adopted that was compatible with typical accounting software used by CPA firms.

In 2005, the Board of Directors contracted for an accountant’s review of the books and financial operations of the Foundation. That review recommended that the Foundation 1) adopt the accrual system of accounting, 2) adopt bookkeeping and reporting procedures consistent with Statement of Financial Accounting Standards No. 117 (SFAS 117), and 3) change its fiscal year for operational reasons from a calendar fiscal year to a fiscal year ending on June 30. The Board implemented these recommendations immediately. The Foundation shifted its fiscal year by establishing a short 2005 fiscal year from January 1 through June 30, 2005. The financial records were reviewed by a CPA firm, which prepared accountant’s reviews and financial statements based on the accrual method for accounting periods starting on and after January 1, 2003. The change of accounting method and change of fiscal year caused a change in income patterns and the recognition of a pledge, which in turn required the Foundation to file state and federal tax/information returns for the reporting periods of FY 2003 and short FY 2005.
The AEG Foundation’s success comes from the passion and commitment of its current and previous Directors. Each of the following people has had a tremendous impact on the Foundation and its programs.

### 2006 AEG Foundation Board of Directors

- Robert E. Tepel, President
- H. Tom Kuper, Treasurer
- Susan Steel Wier, Secretary
- Scott F. Burns
- David F. Fenster
- Gregory L. Hempen
- John H. Peck

### Previous Directors

- Thomas G. Bumala
- Gerald S. Grainger
- Aubrey D. Henley
- Finn B. Michelsen
- Gary L. Peterson
- Roy J. Shlemon
- George F. Sowers
- Deborah J. Green
- Robert M. Valentine
- Charles W. Welby

### Founding Directors

- Richard W. Galster
- John B. Ivey
- John W. Williams

---

**Fund Growth (Year-End Assets in Dollars)**

![Bar chart showing fund growth from 1997 to 2006]
Thanks to the generosity of our donors, more than $66,000 was raised for the AEG Foundation programs in Fiscal Year (FY) 2006. This represents an 80% increase over FY2004 (the last recent full fiscal year). This critical support allowed additional scholarship funding and program development.

The AEG Foundation is grateful to all its donors and is committed to continuing to serve the profession of environmental and engineering geology through scholarships, education and information dissemination.

The AEG Foundation Board continuously monitors the financial health of the organization to minimize administration expenses and maximize the various fund performances. Through careful planning and volunteer effort, the AEG Foundation dedicates the majority of time spent to fundraising and program specific issues.

Fiscal Year 2005-2006 ended with a successful completion of a donor’s promise that included a single disbursement of $45,000 from the Legget Fund to AEG for online publication of Environmental and Engineering Geology.
Building on Past Success

The AEG Foundation has experienced tremendous growth in the number of donors and size of donations in recent years. Much of the effort is due to the tireless efforts of volunteers. In addition to seeking donations through AEG membership renewals, the AEG Foundation Directors host Board Challenges throughout the year and generously match funds donated at particular events, such as AEG Board Meetings, Section Meetings and Section Student Nights.

The following AEG Sections accepted the challenge of the AEG Foundation Directors and together raised over $13,000 for the Foundation in Fiscal Year 2006:

- Oregon
- Rocky Mountain
- Sacramento
- San Francisco
- Southwestern
- St. Louis
- Washington

The average individual donation increased over the previous twelve months with the majority of donors giving $100 or more.
The Greatest Need Fund is one of the first six funds created by the Foundation. It was established in 1993 and called the “General [non-designated] Fund.” The general purpose was to support foundation administrative needs and provide the Board with a non-designated asset it could use to support current expenditures and grants, or supplement the corpus of other funds. Unrestricted contributions in memory of a person were placed in the Greatest Need Fund, and for ease of administration, the Foundation often listed a “Memorial Fund” in its giving literature. Tribute donations, made to honor a person on a special occasion, are placed in the Greatest Need Fund. Our Honor Roll recognizes those in whose name contributions totaling $1,000 or more have been received.

PURPOSE AND SCOPE

The Greatest Need and Memorial Funds provide a way for donors to make unrestricted donations that will generally be used to support the grants awarded by the Foundation or to build balances in program funds, but can be used for any purpose determined by the Board. By virtue of the published description of these funds, donor intent is deemed to make an unrestricted donation.

In the terminology of Statement of Financial Accounting Standards No. 117, the Greatest Need and Memorial Funds are Unrestricted Net Assets and the earnings of these funds are Unrestricted Support.

HONOR ROLL

George H. Davis  
Edwin B. Eckel  
William I. Gardner  
Stephen L. Garrison  
Richard C. Harding  
Taylor Dwight Hunt  

John B. Ivey  
Floyd T. Johnston  
Robert A. Matthews  
Noel M. Ravneberg  
C. Michael Scullin  
Richard C. Thompson
Richard H. Jahns Fund

The Richard H. Jahns Fund of the AEG Foundation (the “Jahns Fund”) was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support speakers in engineering geology. The fund name honors the work and contributions of Dr. Richard H. Jahns (1915-1983), a professor who taught many engineering geologists and who played an important role in the establishment of solid and thorough practice in the public interest through the development of guidelines for regulatory reviewers of geologic reports.

PURPOSE AND SCOPE

The Richard H. Jahns Fund of the AEG Foundation supports the travel expenses or honoraria, or both, of selected speakers who present information about engineering geology and environmental geology to a diverse practitioner, student, faculty, and public audience. The first priority of the Jahns Fund is support of the Richard H. Jahns Distinguished Lecturer, who is selected annually and supported by the Association of Environmental and Engineering Geologists and the Engineering Geology Division of the Geological Society of America. The AEG Foundation will also consider other requests to support speakers on the topics of engineering geology and environmental geology as available resources permit.

PAST RICHARD H. JAHNS LECTURERS

1989—James E. Slosson
1990—Robert L. Schuster
1991—Ellis L. Krinitzsky
1992—Barry Voight
1993—Roy J. Shlemon
1994—James F. Quinlan
1995—Robert S. Yeats
1996—J. David Rogers
1997—Don U. Deere
1998—Thomas L. Holzer
1999—Mavis Kent
2000—Allen W. Hatheway
2001—Robert J. Watters
2002—Perry H. Rahn
2003—Chester “Skip” Watts
2004—Jeffrey R. Keaton
2005—Richard Iverson
2006—Jerry Higgins

2006 Richard H. Jahns Lecturer, Jerry Higgins

RICHARD H. JAHNS FUND BALANCE AS OF JUNE 30, 2006 $28,343.56
Johnston Operations Fund

A Floyd T. Johnston Fund was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support foundation administrative needs. The fund name and function honor the work and contributions of Floyd T. Johnston, who demonstrated exemplary service to the profession in serving as the first Executive Director of the Association of Engineering Geologists from 1974 to 1982.

PURPOSE AND SCOPE

The Floyd T. Johnston Operations Fund is an unrestricted fund that is used principally to support the Foundation’s general administrative and fundraising expenses. Gifts to the Floyd T. Johnston Operations Fund reduce the administrative support burden that must be borne by program funds.

An unrestricted fund for this purpose is essential because the Foundation cannot function without paying general administrative and fundraising costs. The Foundation has no fund balance the earnings of which are dedicated to paying general administrative and fundraising costs. Therefore, these costs may be serviced by an operational support fee charged to donations or earnings, by reclassification of excess earnings in program funds, or by donations made specifically to an operations support fund.

ADMINISTRATIVE EXPENSES COVERED BY JOHNSTON FUND

- Accounting Services and CPA Reviews
- Administrative Contract Fees
- Legal Fees
- Liability Insurance
- Office Supplies
- Promotional Materials
- Compliance and Filing Fees
- Website Expenses

Note: AEG Foundation Directors are not paid, and they are not reimbursed for travel expenses for Board of Directors Meetings.

JOHNSTON OPERATIONS FUND BALANCE AS OF JUNE 30, 2006 $10,033.03
The Robert F. Legget Fund was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support publications in engineering geology. The fund name honors the work and contributions of Dr. Robert F. Legget (1904-1994), who promoted the application of geology to the design and construction of the built environment through his teaching and books.

PURPOSE AND SCOPE

The Robert F. Legget Fund of the AEG Foundation supports publications and public outreach in engineering geology and environmental geology that serve as information resources for the professional practitioner, students, faculty, and (or) the public. The fund also supports public education about the interactions between the works of mankind and the geologic environment.

The subject matter scope of publications supported by the Legget Fund may include original works, reviews, compilations, symposium proceedings, benchmark papers, bibliographies, databases, memorials, biographies and oral history interviews of those who made valuable contributions to the progress of the science and profession of engineering geology, and studies of the demographics of the profession, inter-professional relations, and the role of the profession in society. The publication venue of supported publications may include print media, electronic media, and audio-visual media. The Legget Fund may support reprints of publications within its scope and the conversion of publications in one medium to another. In making grants for these purposes, the Foundation will require an appropriate level of peer review and editorial quality.

Public education activities that the fund can support include K-12 teacher resources, publications to inform the public about the interactions between the works of mankind and the geologic environment, and signage or explanatory materials at public locations of interest for their engineering geology or environmental geology significance.

Funds from the AEG Foundation supported the conversion of Environmental & Engineering Geology to an online version available for viewing through GeoScience World.

ROBERT F. LEGGET FUND BALANCE AS OF JUNE 30, 2006 $56,172.39*

* A grant of $45,000 for online publication of Environmental & Engineering Geology was paid to AEG in July 2006
The Marliave Fund of the AEG Foundation was established by the foundation (then the Engineering Geology Foundation) in 1993 to accept administration of the Marliave Award the given up to that time by the Association of Environmental & Engineering Geologists, which established its Marliave Fund in 1968. The Foundation also accepted AEG’s Marliave Fund and the management responsibilities for that fund. The fund name honors the work and contributions of Elmer C. Marliave (1910-1967) a founding member of the Association of Engineering Geologists and a pioneering engineering geology consultant in water resources infrastructure design and construction.

PURPOSE AND SCOPE

Marliave Scholarships are intended to support academic activity and reward outstanding scholarship in Engineering Geology and Geological Engineering. Recipients of grants are designated as “Marliave Scholars.” Awards will be made by the AEG Foundation to outstanding students based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies.

MARLIAVE SCHOLARS

1986—Kerry Cato, Texas A&M University  
1987—Brian G. Hansen, Colorado School of Mines  
1988—Greg Naugle, Colorado School of Mines  
1989—Anne E. Clift, Colorado School of Mines  
1990—Katherine T. Clements, Colorado School of Mines  
1991—Andrea Volkman, Virginia Polytechnic Institute & State University  
1992—Ed Medley, University of California—Berkeley  
1993—Francis X. Ashland, Colorado School of Mines  
1994—Tariq Cheema, South Dakota School of Mines & Technology  
1995—Paul M. Santi, Colorado School of Mines  
1997—Brendan R. Fisher, Radford University  
2000—Martin Woodard, Kent State University  
2001—Wei Zhou, University of Missouri-Rolla  
2002—Ala Hajdarwich, Kent State University  
2003—Jessica Pence Humble, Colorado School of Mines  
2004—Dawn Schippe, Colorado School of Mines  
2005—Hiram Henry, Portland State University

This and similar acknowledgements encourage students to focus on academic and professional achievements that help everyone from students to AEG to the general public. It encourages student involvement in AEG and fosters professional growth as future engineering geologists.

Hiram Henry—2005 Marliave Scholar

MARLIAVE SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2006 $49,162.47
The Roy J. Shlemon Specialty Conference Fund was established by the Foundation (then the Engineering Geology Foundation) in 1998 to support specialty conferences in engineering geology that would be modeled on the Penrose Conferences of the Geological Society of America. The fund name recognizes the initiative and generosity of Roy J. Shlemon, who donated the initial principal of the fund.

PURPOSE AND SCOPE

The Roy J. Shlemon Specialty Conference Fund supports specialty and advanced practice conferences of interest to the members of the Association of Engineering and Environmental Geologists. The goal of a Shlemon Conference is to bring together specialists from academia and the consulting world for several days of intensive state-of-the-science sessions, workshops, and field trips devoted to discussion of current knowledge of emerging scientific, technical, regulatory, and practice issues and challenges. Emerging issues may involve novel investigative and analytical techniques, some of which may be controversial or unproven. Presentations and discussions of new approaches to site characterization and regulatory trends are appropriate. A primary characteristic of Shlemon Conferences is that they are held in locations where field observations can be combined with the subject matter of the conference. The spirit of the conferences is to develop agreement on applicable knowledge, and to advance the practice techniques applied to evolving challenges, with the goal of better and more reliable results. To make the conference expertise available to a wider practitioner and public audience, the conference proceedings are published on CD.

SHLEMON SPECIALTY CONFERENCES

2004—Earth Fissures, El Paso, Texas
2006—Mass Wasting in Disturbed Watersheds, Durango, Colorado

These two conferences were a great educational experience for me and I recommend them to our membership and others interested in the themes for the meetings.

Dr. Terry West
2006-7 AEG President and
2004 & 2006 Shlemon Conference Participant

Earth Fissure—2004 Shlemon Conference Field Trip

SHLEMON SPECIALTY CONFERENCE FUND BALANCE AS OF JUNE 30, 2006 $39,602.95
The Martin L. Stout Scholarship Fund was established by the Southern California Section of the Association of Engineering Geologists in 1994, with the help and guidance of Dr. Stout. In 2004, the Southern California Section transferred its funds and the administrative responsibilities for the scholarship program to the Foundation.

The fund name honors the memory, the teachings, and the writings of Martin L. Stout, a Professor of Geology at California State University, Los Angeles, from 1960 to 1990, and active in retirement to 1994.

PURPOSE AND SCOPE

The Martin L. Stout Scholarship Fund supports geologic studies by students at the undergraduate or graduate levels. Recipients of grants will be designated as “Martin L. Stout Scholars.” Awards will be made by the AEG Foundation to outstanding and deserving students based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies.

MARTIN L. STOUT SCHOLARS

1995—Vassilia Angelaki
1996—Jacob Holt
1999—Desiree Dier
2000—Jennifer Knapp
2006—Marina Drazba

STOUT SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2006  $27,554.68

Learn to learn.
Martin L. Stout
Norman R. Tilford Field Studies Scholarship Fund

The Tilford Fund of the AEG Foundation was established by the Foundation (then the Engineering Geology Foundation) in 1998 to create a scholarship fund that emphasized and supported field studies. The fund name honors the work and contributions of Norman R. Tilford, (1934-1997), a consultant, professor, past president of the Association of Engineering Geologists, and the Executive Director of the Association at the time of his death.

PURPOSE AND SCOPE

The Tilford Field Studies Scholarship Fund supports geologic field studies by students at the undergraduate and graduate levels. Recipients of grants will be designated as “Tilford Scholars.” Awards will be made by the AEG Foundation to outstanding students based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies.

TILFORD SCHOLARS

2001—Cal A. Ruleman, Graduate, Montana State
  Bonnie E. Phillips, Undergraduate, Texas A&M University

2002—Paula Jo Lemonds, Graduate, Colorado School of Mines
  Paul J. Moore, Undergraduate, Mississippi State University

2003—Heidi Sieverding, Graduate, South Dakota School of Mines and Technology

2004—Kathy Goetz Troost, Graduate, University of Washington
  Shelley Zaragoza, Undergraduate, University of Nevada—Las Vegas

2005—Conor Watkins, Graduate, University of Missouri-Rolla
  Stephanie Mrozek, Undergraduate, University of Nevada—Las Vegas

Receiving the Tilford Scholarship not only gave me the opportunity to live many a geologist’s dream of witnessing a volcanic eruption, it allowed me to gain practical experience in volcanology, the field that I plan to continue my education in.

Stephanie Mrozek, 2005 Undergraduate Tilford Scholar

TILFORD SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2006 $53,584.96

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of the AEG Foundation:

We have reviewed the accompanying statements of financial position of the AEG Foundation (the “Foundation”) as of June 30, 2006 and 2005, and related statements of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Foundation.

A review consists principally of inquiries of Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with generally accepted accounting principles.

JDS Professional Group

July 31, 2006
## Statement of Financial Position

### AEG FOUNDATION

Statements Of Financial Position  
As Of June 30, 2006 And 2005  

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<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$71,311</td>
<td>$2,144</td>
</tr>
<tr>
<td>Accounts receivable - AEG</td>
<td>7,811</td>
<td>1,003</td>
</tr>
<tr>
<td>Investments</td>
<td>196,960</td>
<td>222,897</td>
</tr>
<tr>
<td>Prepayments</td>
<td>783</td>
<td>250</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$276,865</td>
<td>$226,294</td>
</tr>
</tbody>
</table>

|                  |       |       |
| **LIABILITIES AND NET ASSETS** |       |       |
| Liabilities:      |       |       |
| Accounts payable  | $2,094 | $1,237 |
| Grants payable - AEG | 45,000 |       |
| Total Liabilities | 47,094 | 1,237 |
| Net Assets:       |       |       |
| Unrestricted      | 51,569 | 24,885 |
| Unrestricted - Board designated | 20,000 | 20,000 |
| Total Unrestricted | 71,569 | 44,885 |
| Temporarily restricted | 138,916 | 160,886 |
| Permanently restricted | 19,286 | 19,286 |
| Total Net Assets  | 229,771 | 225,057 |
| **TOTAL LIABILITIES AND NET ASSETS** | $276,865 | $226,294 |

See accompanying notes and accountants’ report.
## Statement of Activities

### AEG FOUNDATION

**Statement Of Activities**  
For The Year Ended June 30, 2006  
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<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support And Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$35,429</td>
<td>$30,816</td>
<td>$</td>
<td>$66,245</td>
</tr>
<tr>
<td>Interest income</td>
<td>10,318</td>
<td>2,260</td>
<td></td>
<td>12,578</td>
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<tr>
<td>Unrealized (loss) on investments</td>
<td>(6,446)</td>
<td></td>
<td>(6,446)</td>
<td></td>
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<tr>
<td>Net assets released from restriction:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restriction</td>
<td>55,046</td>
<td>(55,046)</td>
<td></td>
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<tr>
<td><strong>Total Support And Revenue</strong></td>
<td>94,347</td>
<td>(21,970)</td>
<td><strong>72,377</strong></td>
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**Expenses:**

<table>
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<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Program Services - Research, education and public awareness</td>
<td>58,026</td>
<td></td>
<td></td>
<td>58,026</td>
</tr>
<tr>
<td>Supporting Services - General administrative</td>
<td>8,133</td>
<td></td>
<td></td>
<td>8,133</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,504</td>
<td></td>
<td></td>
<td>1,504</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>9,637</td>
<td></td>
<td></td>
<td>9,637</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>67,663</td>
<td></td>
<td></td>
<td>67,663</td>
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</table>

**CHANGE IN NET ASSETS**

<table>
<thead>
<tr>
<th></th>
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<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
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<tbody>
<tr>
<td>Net Assets, Beginning Of Year</td>
<td>44,885</td>
<td>160,886</td>
<td>19,286</td>
<td>225,057</td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td><strong>$71,569</strong></td>
<td>$138,916</td>
<td>$19,286</td>
<td><strong>$229,771</strong></td>
</tr>
</tbody>
</table>

See accompanying notes and accountants' report.
# AEG FOUNDATION

**Statement Of Activities**

For The Year Ended June 30, 2005

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support And Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$21,878</td>
<td>$28,991</td>
<td>$</td>
<td>$50,869</td>
</tr>
<tr>
<td>Interest income</td>
<td>5,522</td>
<td></td>
<td>5,522</td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>3,363</td>
<td></td>
<td>3,363</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>367</td>
<td></td>
<td>367</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets released from restriction:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restriction</td>
<td>3,537</td>
<td>(3,537)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Support And Revenue</strong></td>
<td>34,667</td>
<td>25,454</td>
<td></td>
<td>60,121</td>
</tr>
</tbody>
</table>

**Expenses:**

|                      |              |                        |                        |        |
| Program Services -   |              |                        |                        |        |
| Research, education and public awareness | 6,528        |                        |                        | 6,528  |
| Supporting Services -|              |                        |                        |        |
| General administrative| 5,136        |                        | 5,136                  |        |
| Fundraising          | 904          |                        | 904                    |        |
| **Total Supporting Services** | 6,040        |                        |                        | 6,040  |
| **Total Expenses**   | 12,568       |                        |                        | 12,568 |

**CHANGE IN NET ASSETS**

22,099  25,454  47,553

|                                 |              |                        |                        |        |
| Net Assets, Beginning Of Year   | 22,786       | 135,432                | 19,286                 | 177,504|
| **NET ASSETS, END OF YEAR**     | $44,885      | $160,886               | $19,286                | $225,057|

See accompanying notes and accountants’ report.
## Statement of Cash Flows

### AEG FOUNDATION

<table>
<thead>
<tr>
<th>Statements Of Cash Flows</th>
<th>For The Years Ended June 30, 2006 And 2005</th>
<th>Page -6-</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$4,714</td>
<td>$47,553</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized loss (gain) on investments</td>
<td>6,446</td>
<td>(3,363)</td>
</tr>
<tr>
<td>(Increase) in receivables</td>
<td>(6,808)</td>
<td>(1,003)</td>
</tr>
<tr>
<td>Decrease in promises to give</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>(Increase) in prepayments</td>
<td>(533)</td>
<td>(250)</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>857</td>
<td>1,237</td>
</tr>
<tr>
<td>Increase in grants payable</td>
<td>45,000</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>49,676</td>
<td>59,174</td>
</tr>
</tbody>
</table>

| Cash flows from financing activities: |        |        |
| Purchases of investments | (320,736) | (411,034) |
| Proceeds from sales of investments | 340,227 | 191,500 |
| Net cash provided by (used in) investing activities | 19,491 | (219,534) |

### NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

|                                | 69,167 | (160,360) |

| Cash And Cash Equivalents, Beginning Of Year | 2,144 | 162,504 |

### CASH AND CASH EQUIVALENTS, END OF YEAR

|                                | $71,311 | $2,144 |

See accompanying notes and accountants’ report.

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AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org

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What I Like Best About the AEG Foundation

“The AEG Foundation allows AEG to do special things that it normally cannot do. First, the Foundation funds students through scholarships and awards. Second, the Foundation sponsors conferences like the Shelmon Specialty Conferences. The AEG Foundation provides opportunities that enhance the careers of environmental and engineering geologists and advances the profession as a whole.”

Scott F. Burns, Director

“Many of us have benefited from the guidance provide by others, whether dedicated professors in college or mentors who believed in on-the-job training. I have enjoyed my varied career in engineering geology and being on the AEG Foundation Board of Directors enables me to give something back to the profession by way of raising funds for student scholarships or for making our publications more accessible. The AEG Foundation fosters the continued growth and well-being of our profession.”

David F. Fenster, Director

“The profession and AEG have given me a career, mentors, noted experts to contact, and training in a variety of skills beyond applied geophysics. I hope to repay that debt in a small way by service to the Foundation. The Foundation’s Directors are dedicated and energetic. It is enjoyable to pursue implementation of the Foundation’s goals with such enthusiastic women and men.”

- Gregory L. Hempen, Director

“In college and early on in my professional career, I felt very fortunate to have professors and practicing engineering geologists that advised and mentored me in the engineering geology profession. Participation on the AEG Foundation Board gives me more opportunity and access to continue that tradition, as well as raise, manage, and distribute funds for student scholarships.”

- H. Tom Kuper, Treasurer

“To function effectively the Foundation needs to bring in contributions and manage them in the most efficient way to maximize the benefits to our next generation of professionals and our present practitioners. I am happy to lend my expertise as an investor to grow the Foundations assets.”

- John H. Peck, Director

“The AEG Foundation provides focus on the engineering geology profession. The distribution of scholarship funds to young students encourages mentoring and the continued development of their careers. In addition, the rewarding benefits to experienced practitioners through contributions ensure forwarding public awareness and expansion of the engineering geology profession as a benefit to all. I am privileged to be cog in the leadership of this guiding light to the future.”

- Susan Steele Weir, Secretary

“To thrive, every profession needs two things: an influx of bright, dedicated, and well-educated young people, and a path to advanced practice for its experienced members. AEG Foundation programs meet both of these needs. It is very satisfying to work with the leaders on the Foundation Board to manage and grow our programs. We are making the AEG Foundation a vital and substantial part of the future of our science.”

Robert E. Tepel, President
**AEG Foundation—The Short Story**

- Founded in 1992 by three past presidents of AEG. Incorporated in California, headquartered in Colorado.
- We are an IRS 501 c 3 public charity. Our Federal Tax Identification Number is 94-3168991. Our California Registry of Charitable Trusts number is CT87308. Our California Corporation number is C1524975.
- Net assets of about $267,000 at close of Fiscal 2006

<table>
<thead>
<tr>
<th>WHAT WE DO</th>
<th>OUTCOMES IN FISCAL YEAR 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage three scholarship funds that support students at both the undergraduate and graduate levels.</td>
<td>Awarded 5 scholarships with a total value of $6,000.</td>
</tr>
<tr>
<td>Manage three program funds that support advanced practice specialty conferences, distinguished speakers for university tours, and scientific publications</td>
<td>Sponsored a Shlemon Specialty Conference; provided $500 increment to Jahns Lecturer grant; granted $45,000 to AEG for electronic publishing of Environmental and Engineering Geology.</td>
</tr>
<tr>
<td>Seek donations from engineering geologists and the public to support our programs and operations.</td>
<td>Donation income of $57,500, an increase of $19,500 over the previous 12 months.</td>
</tr>
<tr>
<td>Honor donor intent and keep operating costs low</td>
<td>Spent 82.6% of expenses on program activities (Better Business Bureau recommends at least 65%).</td>
</tr>
</tbody>
</table>

**WE ARE SERIOUS ABOUT BEING IN BUSINESS**

- Seven-member Board of Directors meets at the table twice a year and by telephone conference several times a year. Directors donate their time and expenses to attend board meetings.
- Board governance includes: formal agendas and minutes, annual budget process, annual accounting reviews by a CPA who also prepares tax/information returns, contract part-time Executive Director, Director’s Handbook, and Fund Charters that set fund operating criteria and goals for every fund. Books are kept on the accrual basis and in accordance with nonprofit accounting standards (Statement of Financial Accounting Standards No. 117).
- We maintain Directors and Officers insurance, and liability insurance.
- We have Board Policies on Investment, Conflict of Interest, Compliance, Expense Reimbursement, Board Member Expectations, Foundation Gift Acceptance, and Donor Privacy.
- Member: Colorado Nonprofit Association, Member # 37495
- Member: California Association of Nonprofits, Member # 7329
- We file these tax and information returns:
  - Federal form 990
  - California form 199
  - California form RRF-1, Attorney General’s Registry of Charitable Trusts
  - California Secretary of State form 100
- Listed in GuideStar (May be listed under the original name: Engineering Geology Foundation.)