FISCAL YEAR 2007 AT A GLANCE

♦ Increased donation income by $37,100 over the previous fiscal year
♦ Awarded 6 scholarship totaling $8,000, an increase of 1 recipient and $2,000 distributed over the previous fiscal year
♦ Increased net assets by over $77,000 over the fiscal year
♦ Increase Jahns Lectureship grant funding by 140% over the previous fiscal year
♦ Received over $23,000 in proceeds from 1st North American Landslide Conference
Your Board of Directors worked diligently in 2006 and 2007 to position the AEG Foundation as a well-governed public charity that complies with recommended governance standards, and thus earns the confidence of its donors. We succeeded. Donors are demonstrating their confidence in us by increasing in number and by increasing their average donation every year for the past three years. THANK YOU!

OUTCOMES

The AEG Foundation reached six new highs in Fiscal 2007:

- More donors than ever before: 223 total
- More donation income than ever before $94,600
- More earnings than ever before: $ 12,500
- More scholarships awarded than ever before: 6
- More scholarship funding than ever before: $ 8,000 awarded
- Highest average donation ever: $ 167

BALANCING SUSTAINABILITY, GROWTH, AND SAFETY

There are many guides that measure a foundation’s performance, and the AEG Foundation is always looking for ways to meet expectations. As a very small but rapidly growing foundation, we don’t have the economies of operational scale enjoyed by foundations with many times our assets. We must balance competing goals: 1) grow our assets to yield a secure income stream that will provide reliable support for programs and operations, 2) manage our resources and conduct our operations in a sound manner that does not jeopardize our assets, and 3) annually disburse a guideline percentage of income as program grants. At this stage of our growth, the board has placed priority on building program and operating funds to yield income for long-term sustainability.

Here is the good news: we are well on the way to meeting performance objectives generally held applicable to much larger foundations. This year we met 18 of the 20 measures recommended by the Better Business Bureau Wise Giving Alliance. More good news: next year we expect to meet all 20 criteria. (See page 5 for the details.)

This success happens only because of you, the donors who support our programs, you, the committee members who do the critical work of evaluating scholarship applications, and of course our seven dedicated and involved directors, all of whom make monetary gifts to the foundation as well as absorb their out-of-pocket expenses to attend board meetings. THANK YOU ALL!

Sincerely,

Robert E. Tepel
President and Chairman of the Board
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 four scholarship programs with like-named funds: the Lemke, 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.
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 2008, 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 16-20.

This report covers the fiscal year July 1, 2006 through June 30, 2007.

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 business 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 a management firm to provide business 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.

**2007 AEG Foundation Board of Directors**

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
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<tbody>
<tr>
<td>President</td>
<td>Robert E. Tepel</td>
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<tr>
<td>Treasurer</td>
<td>H. Tom Kuper</td>
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<tr>
<td>Secretary</td>
<td>David F. Fester</td>
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<td>Patricia M. Bryan</td>
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<td></td>
<td>Scott F. Burns</td>
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<td>Gregory L. Hempen</td>
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<td>John H. Peck</td>
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**Previous Directors**

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<tr>
<td>Thomas G. Bumala</td>
<td>Roy J. Shlemon</td>
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<tr>
<td>Gerald S. Grainger</td>
<td>George F. Sowers</td>
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<tr>
<td>Aubrey D. Henley</td>
<td>Deborah J. Green</td>
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<td>Finn B. Michelsen</td>
<td>Robert M. Valentine</td>
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<td>Gary L. Peterson</td>
<td>Charles W. Welby</td>
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<td>Susan Steele Wier</td>
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**Founding Directors**

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<th>Name</th>
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<tr>
<td>Richard W. Galster</td>
<td>John B. Ivey</td>
</tr>
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<td></td>
<td>John W. Williams</td>
</tr>
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Growth of the AEG Foundation’s net assets through the end of Fiscal Year 2007 is shown in the chart below.

![FUND GROWTH IN $](chart.png)
Thanks to the generosity of our donors, more than $117,600 was raised for the AEG Foundation programs in Fiscal Year (FY) 2007. This represents an 78% increase over FY2006. 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.

PROGRESS IN GOVERNANCE


- Met 5 of 5 Governance and Oversight Standards
- Met 2 of 2 Measuring Effectiveness Standards
- Met 6 of 7 Finance Standards
- Met 5 of 6 Fund Raising and Informational Materials Standards

The AEG Foundation will meet the remaining two standards in Fiscal Year 2007-2008.
Building on Past Success

The AEG Foundation has experienced excellent 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 $7,000 for the Foundation in Fiscal Year 2007:

Baltimore-Washington Harrisburg  
Great Basin  
Intermountain  
North Central  
Oregon  
Rocky Mountain  
Richmond Chapter  
Sacramento  
Southeast  
Southern California  
Southwestern  
St. Louis  
Texas  
Washington

The average individual donation increased over the previous twelve months with the majority of donors giving $167 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.

MEMORIAL FUND HONOR ROLL

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

John B. Ivey
Robert A. Matthews
Noel M. Ravneberg
Sigmund Schwarz
C. Michael Scullin
Richard C. Thompson

GREATEST NEED/MEMORIAL FUND BALANCE AS OF JUNE 30, 2007 $8,226.50
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
2007—John Moylan

RICHTHARD H. JAHNS FUND BALANCE AS OF JUNE 30, 2007 $39,925.03
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 and Communication 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, 2007 $10,933.82

Floyd T. Johnston
1906-1991
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.

ROBERT F. LEGGET FUND BALANCE AS OF JUNE 30, 2007

$12,808.55

Funds from the AEG Foundation supported the conversion of Environmental & Engineering Geology to an online version available for viewing through GeoScience World.
The Lemke Fund was created by a bequest received in 2007 from the estate of Richard W. and June T. Lemke. The fund name honors the memory of Richard W. Lemke (1913-2003) and June T. Lemke (1919-2005). This career summary is drawn from the citation for his election to Honorary Member of AEG and the GSA Memorial article by Hansen and Colton (2004).

Richard (Dick) Lemke enjoyed a long and active career with the U. S. Geological Survey from 1938 to 1976. His early experience was with the USGS mineralogy and petrology laboratory, followed by a supervisory position in the Missouri River Basin Geologic Mapping program. He worked in the Engineering Geology Branch of the U. S. Geological Survey from 1950 until his retirement. His assignments included a vehicular crossing of the Greenland ice cap in World War II, studying earthquake effects and participating in post-earthquake recovery operations in Chile and Alaska, and seminal studies of the geology of underground nuclear testing sites in Nevada. Dick married Ellenor June Thomas in August of 1940, while he was employed by the U.S. Geological Survey in Washington DC. June was his companion on many geological assignments and trips. During World War II, she worked for defense agencies in Washington, and was a secretary to Edward Teller.

Dick was president of the Association of Engineering Geologists in 1970, and was elected an Honorary Member in 1980. He was supportive of students, his fellow geologists, and the profession of engineering geology.

PURPOSE AND SCOPE

The Lemke Fund supports the scholarly and professional development of student members of the Association of Environmental and Engineering Geologists by awarding grants intended to offset part of the cost of attending and participating in scientific and technical conferences and association meetings. These grants are named “Lemke Scholarships” and may be awarded to students at the undergraduate or graduate levels. Awards will be made by the AEG Foundation to deserving student members who are sole author or first author of a paper or poster that they personally present at the meeting or conference. The number of awards and value of the awards will be determined annually by the Foundation Board.

LEMKE SCHOLARSHIPS (to be effective in fiscal year 2008)

2007—Six scholarships of $200 each awarded at the 2007 AEG Annual Meeting in Los Angeles, CA

LEMKE FUND BALANCE AS OF JUNE 30, 2007

$23,060.80
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 then given up to that time by the Association of Engineering Geologists, which established its Marliave Fund in 1968. The Foundation also accepted AEG’s Marliave Fund assets and the management responsibilities for that fund. AEG created its Marliave Fund to honor the memory, work, and contributions of Elmer C. Marliave (1910-1967) a founding member of the (California) Association of Engineering Geologists and a pioneering engineering geology consultant in water resources infrastructure design and construction. In early 2007, at the welcomed request of members of the Marliave family, the heritage scope of the Marliave Fund of the AEG Foundation was expanded to include honoring the memory, work, and professional contributions of Chester E. Marliave and Burton H. Marliave in addition to those of Elmer C. Marliave.

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
1987—Brian G. Hansen
1988—Greg Naugle
1989—Anne E. Clift
1990—Katherine T. Clements
1991—Andrea Volkman
1992—Ed Medley
1993—Francis X. Ashland
1994—Tariq Cheema
1995—Paul M. Santi
1997—Brendan R. Fisher
2000—Martin Woodard
2001—Wei Zhou
2002—Ala Hajdarwich
2003—Jessica Pence Humble
2004—Dawn Schippe
2005—Hiram Henry
2007—Adam Prochaska

MARLIAVE SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2007  $52,502.54
Roy J. Shlemon Specialty Conference Fund

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
2008—Naturally Occurring Hazardous Substances, Folsom, California

SHLEMON SPECIALTY CONFERENCE FUND BALANCE AS OF JUNE 30, 2007 $52,000.00

AEG Foundation—Advancing the Science of Environmental and Engineering Geology www.aegfoundation.org
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
2007—Sherry McGee, Undergraduate
       Adam Campbell, Graduate

STOUT SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2007 $47,176.35
How AEG Foundation Scholarships Help

I would like to thank the AEG Foundation and the Stout Fund in particular to have chosen me for its scholar in 2006. I have received job offers from the honors alone. Besides the honor of having received the award, the funds contributed to a successful summer of thesis and course work. I used the money to work on my thesis over the summer as well as take a fluvial geomorphology course. The fluvial geomorphology class was a special topic course that is not offered often. I was able to broaden my knowledge base with this class.

The money also gave me an opportunity to set up the groundwork for my thesis. I spent the summer working outdoors learning and mapping streams and rivers and relating them to landslides and erosion. I wouldn’t have been able to spend my summer working on my thesis if it hadn’t been for these funds. Thank you.

— Marina Drazba, 2006 Stout Scholar

Last year during the spring semester I was getting ready for field camp. The University of Nevada Reno had made extra room for me and some other students at their field camp located throughout Utah, Nevada, and California. I decided that I couldn’t possibly wear my glasses all summer with all that sun so I went into the eye doctor to get some contacts. After my examination she expressed to me her concerns and told me that it was likely I had a brain tumor or something else very serious going on that was affecting my vision and frequent migraines. After many doctors visits to every kind of doctor on the planet it was determined that it was necessary for me to have an MRI immediately. Even though my school very generously provide me with funds to help out with field camp I was still $1000 short. That wasn’t such a big deal until I realized all of the medical bills I was racking up. To make a long story short, I emailed Dr. Schweickert at UNR and told him I would not be able to attend field camp. He told me to think about it and email him back in a week. At some point during this time I received an email from Robert Larson congratulating me on being the Stout Scholarship Recipient for 2007 with the amount of $1000. With all that was going on I had forgotten that I’d even applied. This seemed like a certain sign that I had to go to field camp. Luckily my MRI showed that, of course, I did not have a tumor and it was off to field camp for me. He told me to think about it and email him back in a week. At some point during this time I received an email from Robert Larson congratulating me on being the Stout Scholarship Recipient for 2007 with the amount of $1000. With all that was going on I had forgotten that I’d even applied. This seemed like a certain sign that I had to go to field camp. Luckily my MRI showed that, of course, I did not have a tumor and it was off to field camp for me. It wasn’t for the generosity of the AEG I would not have been able to attend field camp and this would have certainly set me back. I would have spent my summer sitting at home, working and brain tumor-less, instead of enjoying geology for half the summer. So if anyone was wondering what the AEG Scholarships do for students, this is it. They provide us with opportunities to continue our studies even when we’ve hit bumps along the way. Thank you to everyone who has participated in any activities involving the AEG student members, it is very much appreciated.

— Sherry McGee, 2007 Stout Scholar
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
2006—Joseph Kula, Graduate—Ph.D.
    Nichole Wendlandt, Graduate—Masters
    Jennifer Wright, Undergraduate
2007—Christopher Hein, Graduate—Ph.D., Boston University
    Scott Braunstein, Graduate—Masters, Portland State University
    Shaina M. Forsyth, Undergraduate, UCLA

TILFORD SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2007 $66,792.08

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
April 3, 2005 was just another busy day of classes for me at the University of Nevada, Las Vegas, and I arrived home late that evening feeling tired and anticipating sleep. However, my exhaustion was quickly replaced with overwhelming excitement when I opened my mail and found out that I had been awarded the 2005 Norman R. Tilford Undergraduate Field Studies Scholarship. This scholarship would allow me to participate in the field camp of my choice. I had chosen the Center for the Study of Active Volcanoes (CSAV)’s summer field camp at the University of Hawaii, Hilo. I had been accepted into the CSAV course only two weeks earlier, but until the evening of April 3, I was not sure if I could afford to attend the class. The news of the Tilford Scholarship was going to make it all possible—now I couldn’t sleep, knowing that in July I would be studying active volcanoes in Hawaii!

Three months after receiving the Tilford Scholarship I landed on the big island of Hawaii. One of my instructors picked me up at the Hilo airport and drove me to the Kilauea Military Camp dormitory inside of Hawaii Volcanoes National Park, which would be my home for the next month. It was there that I met my 19 other classmates who had traveled from Australia, Canada, England, and the mainland USA to learn first-hand about Hawaii’s active volcanoes. Over the course of the next four weeks we learned about physical volcanology, gas geochemistry, volcano seismology, and ground deformation monitoring techniques from four different instructors who are experts in their fields. Each instructor concentrated on their topic of expertise for four days, emphasizing field methods supplemented by classroom lectures. The remainder of the course was devoted to “case studies” in which the class broke up into small groups, each to analyze a different catastrophic eruption from recent history. The goal of this project was to apply what we had learned in the course to propose better societal preparedness, eruption forecasting, and disaster relief, had we been there in the past and known what we know now. Upon completion of the course, I had sampled molten lava, collected and analyzed volcanic gases from fumaroles inside of Kilauea caldera, helped deploy an array of seismic sensors on the flanks of Mauna Loa and Kilauea, learned how to monitor ground deformation by three different methods, interacted with scientists at the Hawaiian Volcano Observatory, and made many new friends. My experience in the CSAV field camp was memorable, and it was made possible by support from the Norman R. Tilford Field Studies Scholarship.

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. For every undergraduate geology student who plans to go to graduate school, field experience (especially in your area of interest) is invaluable, but can be costly. It is important to know that financial support, such as the Norman R. Tilford Field Studies Scholarship, may be awarded to one who applies. Currently, one undergraduate-division Tilford Scholarship is awarded each year—but don’t let this discourage you from applying—try your best and you may be as fortunate as I was. For potential donors to the Tilford Fund—know that your contributions support the advancement of the next generation of scientists by offsetting the cost of their education today and providing them with opportunities that might not have otherwise been possible. A student’s potential for success should not be limited by a financial burden.

In years to come, it would be nice to see more students receive awards and the chance to attend the field camp of their choice. As a donor, you can make this possible. In a few years I will be able to look back on the time I spent as a starving student from the perspective of a professional geologist. I will remember the impact that scholarships had on my educational and career development, and I will give back to those who have supported me along the way. I am very thankful to the donors who made my field camp experience possible. I would also like to take this opportunity to thank any future donors in advance for their generosity and their support of promising young scientists.

- Stephanie Mrozek, 2005 Tilford Scholar
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, 2007 and 2006, 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 the 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

March 10, 2008
### AEG FOUNDATION

**Statements Of Financial Position**
**As Of June 30, 2007 And 2006**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$17,947</td>
<td>$71,311</td>
</tr>
<tr>
<td>Accounts receivable - AEG</td>
<td>$23,387</td>
<td>$7,811</td>
</tr>
<tr>
<td>Investments</td>
<td>$301,934</td>
<td>$196,960</td>
</tr>
<tr>
<td>Prepayments</td>
<td>$932</td>
<td>$783</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$344,200</strong></td>
<td><strong>$276,865</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$1,520</td>
<td>$2,094</td>
</tr>
<tr>
<td>Grants payable - AEG</td>
<td></td>
<td>$45,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$1,520</td>
<td>$47,094</td>
</tr>
<tr>
<td>Net Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$90,725</td>
<td>$51,569</td>
</tr>
<tr>
<td>Unrestricted - Board designated</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted</strong></td>
<td>$110,725</td>
<td>$71,569</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>$212,669</td>
<td>$138,916</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>$19,286</td>
<td>$19,286</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$342,680</td>
<td>$229,771</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$344,200</strong></td>
<td><strong>$276,865</strong></td>
</tr>
</tbody>
</table>

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

## AEG FOUNDATION

### Statement Of Activities

For The Year Ended June 30, 2007

<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>$ 36,460</td>
<td>$ 84,709</td>
<td>$</td>
<td>$ 121,169</td>
</tr>
<tr>
<td>Investment income</td>
<td>8,476</td>
<td>7,222</td>
<td></td>
<td>15,698</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>3,205</td>
<td></td>
<td></td>
<td>3,205</td>
</tr>
<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>18,178</td>
<td>(18,178)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Support And Revenue</td>
<td>66,319</td>
<td>73,753</td>
<td></td>
<td>140,072</td>
</tr>
</tbody>
</table>

### Expenses:

- Program Services - Research, education and public awareness: $12,109
- Supporting Services - General administrative: $10,509
- Fundraising: $4,545
- Total Supporting Services: $15,054
- Total Expenses: $27,163

### CHANGE IN NET ASSETS

$39,156

Net Assets, Beginning Of Year: $71,569

### NET ASSETS, END OF YEAR

- $110,725
- $212,669
- $19,286
- $342,680

See accompanying notes and accountants’ report.
AEG FOUNDATION

Statement Of Activities
For The Year Ended June 30, 2006

<table>
<thead>
<tr>
<th>Support And Revenues:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 35,429</td>
<td>$ 30,816</td>
<td>$</td>
<td>$ 66,245</td>
</tr>
<tr>
<td>Investment income</td>
<td>10,318</td>
<td>2,260</td>
<td></td>
<td>12,578</td>
</tr>
<tr>
<td>Unrealized (loss) on investments</td>
<td>(6,446)</td>
<td></td>
<td>(6,446)</td>
<td></td>
</tr>
<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>
<td></td>
</tr>
<tr>
<td>Total Support And Revenue</td>
<td>94,347</td>
<td>(21,970)</td>
<td></td>
<td>72,377</td>
</tr>
</tbody>
</table>

Expenses:
Program Services -
  Research, education and
  public awareness | 58,026 |  | | 6,528 |
Supporting Services -
  General administrative | 8,133 | 8,133 | |
  Fundraising | 1,504 | 1,504 | |
  Total Supporting Services | 9,637 | 9,637 | |
  Total Expenses | 67,663 | | 16,165 |

CHANGE IN NET ASSETS
26,684 | (21,970) | 4,714 |

Net Assets, Beginning Of Year | 44,885 | 160,886 | 19,286 | 225,057 |

NET ASSETS, END OF YEAR
$ 71,569 | $ 138,916 | $ 19,286 | $ 229,771 |

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

AEG FOUNDATION

Statements Of Cash Flows
For The Years Ended June 30, 2007 And 2006

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</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>$ 112,909</td>
<td>$ 4,714</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 (gain) loss on investments</td>
<td>(3,205)</td>
<td>6,446</td>
</tr>
<tr>
<td>(Increase) in receivables</td>
<td>(15,576)</td>
<td>(6,808)</td>
</tr>
<tr>
<td>(Increase) in prepayments</td>
<td>(149)</td>
<td>(533)</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable</td>
<td>(574)</td>
<td>857</td>
</tr>
<tr>
<td>(Decrease) increase in grants payable</td>
<td>(45,000)</td>
<td>45,000</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>48,405</td>
<td>49,676</td>
</tr>
</tbody>
</table>

Cash flows from financing activities:

| Purchases of investments    | (131,769) | (320,736) |
| Proceeds from sales of investments | 30,000    | 340,227   |
| Net cash provided by (used in) investing activities | (101,769) | 19,491    |

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

| (53,364) | 69,167 |

Cash And Cash Equivalents, Beginning Of Year

| 71,311   | 2,144   |

CASH AND CASH EQUIVALENTS, END OF YEAR

| $ 17,947 | $ 71,311 |

See accompanying notes and accountants’ report.
What I Like Best About the AEG Foundation

“The AEG Foundation has afforded me the opportunity and privilege to give something back to the profession of geology, a profession that has been immensely rewarding, challenging, and fun. I could not have fulfilled my career goals without help, and I welcome the opportunity to further the profession of environmental and engineering geology by helping others achieve their goals. The important work of the AEG Foundation supports and research, thus providing the means to advance the profession of environmental and engineering geology. This is truly rewarding! “

- Patricia M. Bryan, Director

“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

“I enjoy being a member of the AEG Foundation Board of Directors because it provides an opportunity to give something of value back to my profession – opportunities for geology students. The Board has increased its ability to instill confidence in donors that their money is well-invested and well-spent. While I believe that all of our funds and programs are worth supporting, I particularly enjoyed personally participating in awarding several of the first Lemke Scholarships to help support student participation at our 50th Annual Meeting in Universal City, CA. I’m an enthusiastic supporter of our scholarship funds and of the Jahns fund which supports speakers making presentations to AEG Sections and to groups at college campuses.”

- David F. Fenster, Secretary
What I Like Best About the AEG Foundation

"‘Advancing the Science of Environmental and Engineering Geology’ and collaborating with industrious and far-sighted Directors is professionally and personally invigorating. My involvement is a small return for the benefits of my career."
- 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

“The Foundation has significant assets under management. For me, part of giving back to the profession is helping to invest the assets prudently to maximize the benefits for our next generation of professionals and our present practitioners. The Foundation has also given me the opportunity to support research in engineering and environmental geology. The work on the Foundation Board energizes me."
- John H. Peck, Director

“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 $344,000 at close of Fiscal 2007

<table>
<thead>
<tr>
<th>WHAT WE DO</th>
<th>OUTCOMES IN FISCAL YEAR 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage four scholarship funds that support students at both the undergraduate and graduate levels.</td>
<td>Awarded 6 scholarships with a total value of $8,000.</td>
</tr>
<tr>
<td>Manage three program funds that support advanced practice specialty conferences, distinguished speakers for university tours, and scientific publications</td>
<td>Provided $1,200 increment to Jahns Lecturer grant.</td>
</tr>
<tr>
<td>Seek donations from engineering geologists and the public to support our programs and operations.</td>
<td>Donation income of over $94,600, an increase of $37,100 over Fiscal Year 2005-2006.</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, Anti-harassment, Whistleblower, Document Retention, 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.)
AEG Foundation
PO Box 460518
Denver, CO 80246
(303) 757-2926
www.aegfoundation.org