

AEG FOUNDATION
FINANCIAL STATEMENTS
Year Ended December 31, 2021

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Noe and Company

Independent Auditor's Report

To the Board of Directors of
AEG Foundation
Oakland, California

I have audited the accompanying financial statements of AEG Foundation, a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEG Foundation as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Noe and Company

Oakland, California
August 23, 2022

AEG FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2021

Assets

Current Assets:

Cash and Cash Equivalents	\$ 43,873
Prepaid Expenses	1,034
Investments	<u>1,341,362</u>

Total Current Assets 1,386,269

Total Assets \$ 1,386,269

Liabilities and Net Assets

Net Assets:

Without Donor Restrictions:

Undesignated	\$ 450,104
Board Designated	<u>25,000</u>
Total Without Donor Restrictions	475,104

With Donor Restrictions:

Purpose Restricted	861,165
Endowment Fund	<u>50,000</u>
Total Donor Restrictions	<u>911,165</u>

Total Net Assets 1,386,269

Total Liabilities and Net Assets \$ 1,386,269

See accompanying notes to financial statements.

AEG FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 1,585	\$ 164,066	\$ 165,651
Investment Income	157,048	29,392	186,440
Net Assets Released from Restrictions	<u>40,428</u>	<u>(40,428)</u>	<u>-</u>
Total Revenue and Support	<u>199,061</u>	<u>153,030</u>	<u>352,091</u>
Expenses			
Program Services	34,975	-	34,975
General and Administrative	59,207	-	59,207
Fundraising	<u>976</u>	<u>-</u>	<u>976</u>
Total Expenses	<u>95,158</u>	<u>-</u>	<u>95,158</u>
Change in Net Assets	103,903	153,030	256,933
Net Assets, Beginning of the Year	<u>371,201</u>	<u>758,135</u>	<u>1,129,336</u>
Net Assets, End of the Year	\$ <u>475,104</u>	\$ <u>911,165</u>	\$ <u>1,386,269</u>

See accompanying notes to financial statements.

AEG FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants and Scholarships	\$ 33,000	\$ -	\$ -	\$ 33,000
Bank and Credit Card Fees	-	1,660	-	1,660
Contract Services	-	39,869	-	39,869
Dues and Subscriptions	-	1,942	-	1,942
Information Technology	-	4,504	-	4,504
Insurance	-	2,196	-	2,196
Licenses and Permits	-	7,693	-	7,693
Office Expenses	<u>1,975</u>	<u>1,343</u>	<u>976</u>	<u>4,294</u>
Total	\$ <u>34,975</u>	\$ <u>59,207</u>	\$ <u>976</u>	\$ <u>95,158</u>

See accompanying notes to financial statements.

AEG FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash Flows From Operating Activities:

Change in Net Assets	\$ 256,933
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Unrealized Gain on Investments	(101,652)
Changes in Operating Assets and Liabilities:	
Increase in prepaid Expenses	<u>(25)</u>
Net Cash Provided by Operating Activities	155,256

Cash Flows From Investing Activities:

Purchase of Investments	(249,630)
Proceeds from Sale of Investments	<u>82,675</u>
Net Cash Used in Investing Activities	<u>(166,955)</u>
Net Change in Cash and Cash Equivalents	(11,699)
Cash and Cash Equivalents, Beginning of Year	<u>55,572</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>43,873</u></u>

See accompanying notes to financial statements.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

1. ORGANIZATION

AEG Foundation (the “Foundation”) was incorporated in 1992 as a not-for-profit organization dedicated to advancing research, education, public awareness, and technology transfer in the field of environmental and engineering geology through support of publications, speakers, programs, research grants, scholarships, and maintenance of archival data. The programs of the Foundation are supported by contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses as incurred.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk are The Foundation places its cash in the bank that are insured in a limited amount by the Federal Deposit Insurance Corporation.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported in the accompanying statements of financial position at their fair values based on quoted market prices. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Fair Value Measurements

The Foundation reports its fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting standards, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 - Unobservable inputs for assets or liabilities. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and is exempt from California franchise taxes under Section 23701d of the Revenue and Taxation Code. It is the opinion of management that all income earned has been related to the Foundation's tax-exempt status and there has been no unrelated business income.

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on the management's analysis of the Foundation's tax positions, the accounting for any uncertainty in the Foundation's tax positions is not expected to have a material impact on the financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through August 23, 2022, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of novel strain of coronavirus (COVID 19) was identified and had since spread to many countries including the U.S. In response to COVID 19, The Foundation had continued business with no interruptions to its operations and programs through August 23, 2022.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using the allocation method. Indirect costs such as office, information technology, and contract service expenses are allocated based on time spent and utilization.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. These presentation changes include: 1) Present contributed nonfinancial assets as a separate line item in the statement of activities, a part from contributions of cash and other financial assets and 2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets with additional disclosures for each category presented. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. Revenue from contributions and investment income are not impacted by this new standard.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2021:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 43,873
Investments	<u>1,341,362</u>
Total Financial Assets	1,385,235
Less: Amounts Not Available To Be Used Within One Year:	
Net Assets with Donor Restrictions	<u>(911,165)</u>
Financial Assets Available To Meet General Expenditures	
Over The Next Twelve Months	\$ <u>474,070</u>

The Foundation's goal is generally to maintain financial assets to meet not less than 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

4. INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 72,861	\$ 78,097	Level 1
Exchange Traded Products	141,294	136,739	Level 1
Stocks	898,279	921,953	Level 1
Bonds	15,000	19,185	Level 2
Other Fund	<u>164,396</u>	<u>185,388</u>	Level 1
Total	\$ <u>1,291,830</u>	\$ <u>1,341,362</u>	

As discussed in Note 2 to the financial statements, the Foundation is required to report its fair value measurements of investments in one of three levels.

The following schedule summarizes the investment returns on investments and cash and cash equivalents, which were all unrestricted, in the statements of activities for the year ended December 31, 2021:

Interest and Dividend Income	\$ 74,116
Capital Gain on Investments	10,672
Unrealized Gain on Investments	<u>101,652</u>
Total	\$ <u>186,440</u>

5. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated \$25,000 of the Foundation's unrestricted net assets for operating reserve at December 31, 2021.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the year ended December 31, 2021:

Scholarships:	
Marliave Fund	\$ 50,408
Beardsley-Kuper Fund	52,798
Mathewson Fund	53,280
Stout Fund	47,474
Lemke Fund	59,137
Tilford Fund	130,206
West-Gray Scholarship Fund	56,306
Carolinas Scholarship Fund	24,126
Cornerstone Fund	9,253
Susan Steel-Weir Scholarship Fund	29,002
Robert J. Watters Great Basin Chapter Scholarship Fund	25,621
Diversity Scholarship Fund	28,141
John Moylan Student Chapter Grant Fund	(2,864)
Stephen H. Evans Floating Fund	50,655
Lectures/Speakers-Jahns Fund	57,554
Education:	
Shlemon Distinguished Mentor Fund	1,732
Shlemon Specialty Conference Fund	(1,456)
Shlemon Specialty Conference Fund - Endowment Fund	50,000
Shlemon Continuing Education Fund	16,602
Shlemon Quaternary Engineering Geology Fund	63,197
K-12 Education Fund	9,522
Publications - Legget Fund	16,188
Research - Research Fund	<u>84,283</u>
Total	\$ <u>911,165</u>

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2021, as follows:

Scholarships:	
Marliave Fund	\$ 119
Beardsley-Kuper Fund	3,869
Mathewson Fund	4,353
Stout Fund	4,383
Lemke Fund	3,148
Tilford Fund	7,630
West-Gray Scholarship Fund	5,142
Carolinas Scholarship Fund	50
Cornerstone Fund	12
Susan Steel-Weir Scholarship Fund	5,261
Robert J. Watters Great Basin Chapter Scholarship Fund	1,993
Diversity Scholarship Fund	1,006
John Moylan Student Chapter Grant Fund	1,020
Stephen H. Evans Floating Fund	1,500
Lectures/Speakers-Jahns Fund	1,084
Education:	
Shlemon Distinguished Mentor Fund	35
Shlemon Specialty Conference Fund	30
Shlemon Continuing Education Fund	110
Shlemon Quaternary Engineering Geology Fund	43
K-12 Education Fund	22
Research - Research Fund	<u>18</u>
Total	\$ <u>40,828</u>

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2021

8. ENDOWMENT FUND

The Foundation’s endowment fund consists of \$50,000 of a donor restricted fund received in 1997. The donor requested that the Foundation should set up an endowment account and use the income from the endowment account for the Roy J. Shlemon Specialty Conference Fund Program.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the year ended December 31, 2021 consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets As of December 31, 2020	\$ -	\$ 50,000	\$ 50,000
Appropriation of Endowment Assets for Expenditure	_____ -	_____ -	_____ -
Endowment Net Assets As of December 31, 2021	\$ <u>_____ -</u>	\$ <u>50,000</u>	\$ <u>50,000</u>