

AEG Foundation

Financial Statements

Year Ended December 31, 2019



WIPFLI

Independent Accountant's Review Report

To the Board of Directors
AEG Foundation
Oakland, California

We have reviewed the accompanying financial statements of AEG Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

July 14, 2020
Denver, Colorado

AEG Foundation
Statement of Financial Position
December 31, 2019

ASSETS

Assets:

Cash and cash equivalents	\$ 56,567
Prepaid expenses	1,199
Investments	1,049,015

TOTAL ASSETS \$ 1,106,781

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 1,201
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Total Liabilities 1,201

Net Assets:

Without donor restrictions	385,963
With donor restrictions	719,617

Total Net Assets 1,105,580

TOTAL LIABILITIES AND NET ASSETS \$ 1,106,781

See Independent Accountant's Review Report.
See accompanying notes to financial statements.

AEG Foundation
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 9,214	\$ 72,205	\$ 81,419
Net investment income	182,281	-	182,281
Net assets released from restrictions	74,883	(74,883)	-
Total Support and Revenues	266,378	(2,678)	263,700
Expenses			
Program Services:			
Research, education, and public awareness	53,920	-	53,920
Supporting Services:			
General and administrative	51,766	-	51,766
Fundraising	5,459	-	5,459
Total Supporting Services	57,225	-	57,225
Total Expenses	111,145	-	111,145
Change in Net Assets	155,233	(2,678)	152,555
NET ASSETS, Beginning of year	230,730	722,295	953,025
NET ASSETS, End of year	\$ 385,963	\$ 719,617	\$ 1,105,580

See Independent Accountant's Review Report.
See accompanying notes to financial statements.

AEG Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Management and General	Fund Raising	Total
Grants and scholarships	\$ 50,912	\$ -	\$ -	\$ 50,912
Contract services	-	25,462	499	25,961
Professional fees	150	13,437	-	13,587
Fundraisng	-	-	4,140	4,140
Office	1,264	1,853	537	3,654
Information technology	237	2,452	-	2,689
Conferences and meetings	1,357	966	-	2,323
Travel	-	2,147	-	2,147
Insurance	-	2,006	-	2,006
Bank and credit card fees	-	1,749	-	1,749
Dues and subscriptions	-	1,446	283	1,729
Miscellaneous	-	248	-	248
Total Expenses	\$ 53,920	\$ 51,766	\$ 5,459	\$ 111,145

See Independent Accountant's Review Report.
See accompanying notes to financial statements.

AEG Foundation
Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows from Operating Activities:

Change in net assets	\$ 152,555
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net investment income	(182,281)
Increases and decreases in operating assets and liabilities	
Prepaid expenses	(290)
Accounts payable and accrued expenses	(29)

Net cash flows from operating activities (30,045)

Cash Flows from Investing Activities:

Dividend and interest income reinvested	73,660
Proceeds from sale of investments	103,692
Purchases of investments	(181,112)

Net cash flows from investing activities (3,760)

Net change in cash and cash equivalents (33,805)

CASH AND CASH EQUIVALENTS, Beginning of year 90,372

CASH AND CASH EQUIVALENTS, End of year **\$ 56,567**

See Independent Accountant's Review Report.
See accompanying notes to financial statements.

AEG Foundation

Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Organization

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes

The Foundation is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to the Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation's management believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain tax positions, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

AEG Foundation

Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Foundation maintains a bank account at one institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2019, the Foundation's cash deposits did not exceed the FDIC insurance limit.

The Foundation receives substantially all of its revenues from public support. A significant reduction in the level of such support, if it were to occur, may have an adverse effect on the Foundation's programs and activities.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investment purchases are initially recorded at cost or, when contributed to the Foundation, at the fair values of the investment assets received at the date of contribution. Investments are reported at their fair values in the Statement of Financial Position and unrealized gains and losses are included in the Statement of Activities.

Net investment return consists of the Foundation's interest and dividend income, realized and unrealized capital gains and losses generated from the Foundation's investments, less investment management and custodial fees.

The Foundation's investments are made primarily by investment managers engaged by the Foundation and are monitored by the management of the Foundation, in accordance with a board approved Investment Policy. Though the fair values of investments are subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

AEG Foundation

Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Recognition of Revenues and Support

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

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

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

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

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

A. Grant Awards That Are Contributions

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

B. Grant Awards That Are Exchange Transactions

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

Change in Accounting Policy

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and in determining whether a contribution transaction is conditional. The Foundation adopted this guidance as of January 1, 2019, with no effect on its recognition of contributions and grants received.

See Independent Accountant's Review Report.

AEG Foundation

Notes to Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The statement of functional expenses reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses have been allocated between the program and supporting services benefited. Indirect costs such as office, information technology and contract service expense are allocated based upon time spent and utilization.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

As of December 31, 2019

Cash and cash equivalents	\$	56,567
Investments		1,049,015
		<u>1,105,582</u>
Less: Net assets with donor restrictions		<u>(719,617)</u>
Total Financial Assets Available for General Expenditure	\$	<u>385,965</u>

The Foundation does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately seven to ten months.

Note 3: Investments

Investments are stated at their fair value and consist of the following at December 31, 2019:

As of December 31, 2019,

Equities	\$	574,737
Mutual funds		407,754
Corporate bonds		66,524
		<u>1,049,015</u>
Total Investments	\$	<u>1,049,015</u>

AEG Foundation

Notes to Financial Statements

Note 3: Investments (Continued)

Investment income is comprised of the following for the year ended December 31, 2019:

Year Ended December 31, 2019,

Interest and dividend income	\$	73,660
Realized and unrealized gains (losses), net		108,621
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Total Investment Income	\$	182,281

Note 4: Fair Value Measurements

The Foundation adopted FASB ASC 820-10, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy defined in ASC 820-10 are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity, and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position at fair value on a recurring basis, and the level within the ASC 820-10 fair value hierarchy in which the fair value measurements fall at December 31, 2019:

	<u>Fair Value Measurements Using</u>			Total
	Level 1	Level 2	Level 3	
Investments:				
Equities (2)	\$ 574,737	\$ -	\$ -	\$ 574,737
Mutual Funds (2)	407,754	-	-	407,754
Corporate Bonds (1)	-	66,524	-	66,524
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Total Investments	\$ 982,491	\$ 66,524	\$ -	\$ 1,049,015

See Independent Accountant's Review Report.

AEG Foundation

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

(1) The fair values of investments in debt securities (corporate bonds) are based on current interest rates for debt instruments with similar characteristics, as estimated by the custodians of the securities. Management believes that the pricing models utilized by the custodians provide reasonable estimations of the fair values of the securities.

(2) The fair values of direct investments in equity securities, exchange-traded investment funds, or investments in fixed income and equity mutual funds are based upon quoted market prices for identical securities in active markets, and published redemption values at the close of business at December 31, 2019.

Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2019:

Scholarships:

Marliave Fund	\$ 47,270
Beardsley-Kuper	46,943
Mathewson Fund	47,030
Stout Fund	49,071
Lemke Fund	56,510
Tilford Fund	127,004
West-Gray	23,678
Carolinas	14,572
Cornerstone Fund	8,465
Susan Steel-Weir Fund	34,840
Robert J Watters Fund	8,418

Lecturers/speakers - Jahns Fund

33,653

Education:

Shlemon Funds	118,104
K-12	8,581
Publications - Legget Fund	15,434
Research - Research Fund	80,044

Total	\$ 719,617
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AEG Foundation

Notes to Financial Statements

Note 5: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Scholarships:		
Marliave Fund	\$	4,231
Beardsley-Kuper		10,699
Mathewson Fund		3,324
Stout Fund		5,550
Lemke Fund		3,225
Tilford Fund		7,498
West-Gray		1,762
Carolinas		7,040
John Moylan Fund		100
Cornerstone Fund		18
Susan Steel-Weir Fund		5,273
Robert J Watters Fund		2,504
Lecturers/Speakers - Jahns Fund		6,762
Education:		
Shlemon Funds		3,039
Publications - Legget Fund		45
Research - Research Fund		15
Johnston Operating Fund		13,798
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Total	\$	74,883

Note 6: Related Parties

The Foundation is affiliated with the Association of Environmental & Engineering Geologists (the "Association"), the primary purpose of which is to promote the value and importance of geologic practice in detecting, containing, and remediating contaminated soil and ground water; recognize and mitigate hazardous geologic processes to promote public safety and welfare; and siting, planning, designing, constructing, and maintaining engineered works. The Association remits to the Foundation individual donations collected by the Association on behalf of the Foundation.

AEG Foundation

Notes to Financial Statements

Note 7: Subsequent Events

In accordance with the *Subsequent Events* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Foundation's financial statements were available to be issued on July 14, 2020, and this is the date through which subsequent events were evaluated.

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

COVID-19 will impact various segments of the Foundation's 2020 operations and financial results. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact. However, the full effects of the COVID-19 pandemic is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.