

**AEG FOUNDATION
FINANCIAL STATEMENTS**

Year Ended December 31, 2022

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Year Ended December 31, 2022**

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Independent Accountant's Review Report

To the Board of Directors of
AEG Foundation
Oakland, California

I have reviewed the accompanying financial statements of AEG Foundation, a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities 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 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, I 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 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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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 of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of AEG Foundation and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am 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 of America.

Oakland, California
August 17, 2023

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AEG FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022

Assets

Current Assets:

Cash and Cash Equivalents	\$ 34,752
Prepaid Expenses	1,123
Investments	<u>1,056,100</u>
Total Current Assets	<u>1,091,975</u>
Total Assets	<u>\$ 1,091,975</u>

Liabilities and Net Assets

Net Assets:

Without Donor Restrictions:	
Undesignated	\$ 142,260
Board Designated	<u>25,000</u>
Total Without Donor Restrictions	<u>167,260</u>
With Donor Restrictions:	
Purpose Restricted	874,715
Endowment Fund	<u>50,000</u>
Total Donor Restrictions	<u>924,715</u>
Total Net Assets	<u>1,091,975</u>
Total Liabilities and Net Assets	<u>\$ 1,091,975</u>

See accompanying notes and independent accountant's review report.

AEG FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 7,027	\$ 59,350	\$ 66,377
In-kind Contributions	22,202	-	22,202
Investment Income	(299,455)	86,021	(213,434)
Net Assets Released from Restrictions	<u>131,821</u>	<u>(131,821)</u>	<u>—</u>
 Total Revenue and Support	 <u>(138,405)</u>	 <u>13,550</u>	 <u>(124,855)</u>
 Expenses			
Program Services	95,674	-	95,674
General and Administrative	72,318	-	72,318
Fundraising	<u>1,447</u>	<u>—</u>	<u>1,447</u>
 Total Expenses	 <u>169,439</u>	 <u>—</u>	 <u>169,439</u>
 Change in Net Assets	 (307,844)	 13,550	 (294,294)
 Net Assets, Beginning of the Year	 <u>475,104</u>	 <u>911,165</u>	 <u>1,386,269</u>
 Net Assets, End of the Year	 <u>\$ 167,260</u>	 <u>\$ 924,715</u>	 <u>\$ 1,091,975</u>

See accompanying notes and independent accountant's review report.

AEG FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants and Scholarships	\$ 67,050	\$ -	\$ -	\$ 67,050
Bank and Credit Card Fees	1	1,870	-	1,871
Board Expenses	2,936	-	-	2,936
Contract Services	9,000	47,243	-	56,243
Dues and Subscriptions	-	1,568	-	1,568
Information Technology	3,594	2,271	-	5,865
Insurance	1,122	1,034	-	2,156
Licenses and Permits	8,193	-	-	8,193
Postage and Shipping	1,911	405	585	2,901
Printing and Copying	-	750	862	1,612
Travel	-	17,166	-	17,166
Office Expenses	<u>1,867</u>	<u>11</u>	<u>-</u>	<u>1,878</u>
Total	\$ <u>95,674</u>	\$ <u>72,318</u>	\$ <u>1,447</u>	\$ <u>169,439</u>

See accompanying notes and independent accountant's review report.

**AEG FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022**

Cash Flows From Operating Activities:

Change in Net Assets	\$ (294,294)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized and Unrealized Losses on Investments	299,454
Changes in Operating Assets and Liabilities:	
Increase in prepaid Expenses	<u>(89)</u>
Net Cash Provided by Operating Activities	5,071

Cash Flows From Investing Activities:

Purchase of Investments	(62,197)
Proceeds from Sale of Investments	<u>48,005</u>
Net Cash Used in Investing Activities	<u>(14,192)</u>
Net Change in Cash and Cash Equivalents	(9,121)
Cash and Cash Equivalents, Beginning of Year	<u>43,873</u>
Cash and Cash Equivalents, End of Year	\$ <u>34,752</u>

See accompanying notes and independent accountant's review report.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2022

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, 2022

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, 2022

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 17, 2023, which is the date the financial statements were available to be issued.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

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.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

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.

Analysis of these provisions resulted in no significant changes in the way the Foundation recognizes leases on equipment or in the way the Foundation recognizes contributions of nonfinancial assets, therefore no changes to the previously issued financial statements are required on a retrospective basis.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

3. INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level of Inputs</u>
Mutual Funds	\$ 56,683	\$ 38,977	Level 1
Exchange Traded Products	141,294	106,130	Level 1
Stocks	1,000,861	832,636	Level 1
Bonds	15,000	14,777	Level 2
Other Fund	<u>109,024</u>	<u>63,580</u>	Level 1
 Total	 <u>\$ 1,322,862</u>	 <u>\$ 1,056,100</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, 2022:

Interest and Dividend Income	\$ 86,020
Unrealized Losses on Investments	<u>(299,454)</u>
 Total	 <u>\$ (213,434)</u>

4. 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, 2022.

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the year ended December 31, 2022:

Scholarships:

Marliave Fund	\$ 55,220
Beardsley-Kuper Fund	91,166
Mathewson Fund	55,382
Stout Fund	45,183
Lemke Fund	59,780
Tilford Fund	178,294
West-Gray Scholarship Fund	61,672
Carolinas Scholarship Fund	25,062
Susan Steel-Weir Scholarship Fund	26,485
Robert J. Watters Great Basin Chapter Scholarship Fund	27,435
Diversity Scholarship Fund	26,607
Stephen H. Evans Floating Fund	52,750
 Lectures/Speakers-Jahns Fund	 58,438

Education:

Shlemon Distinguished Mentor Fund	2,817
Shlemon Specialty Conference Fund	2,248
Shlemon Specialty Conference Fund - Endowment Fund	50,000
Shlemon Continuing Education Fund	18,648
Shlemon Quaternary Engineering Geology Fund	60,384
K-12 Education Fund	10,223

Publications - Legget Fund	<u>16,921</u>
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Total	\$ <u>924,715</u>
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AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

6. 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, 2022, as follows:

Scholarships:

Marliave Fund	\$ 11
Beardsley-Kuper Fund	(33,106)
Mathewson Fund	2,188
Stout Fund	7,387
Lemke Fund	3,055
Tilford Fund	(34,128)
West-Gray Scholarship Fund	3,444
Carolinas Scholarship Fund	3,988
Cornerstone Fund	9,253
Susan Steel-Weir Scholarship Fund	5,248
Robert J. Watters Great Basin Chapter Scholarship Fund	1,856
Diversity Scholarship Fund	9,573
John Moylan Student Chapter Grant Fund	(2,477)

Lectures/Speakers-Jahns Fund

6,220

Education:

Shlemon Distinguished Mentor Fund	30
Shlemon Specialty Conference Fund	30
Shlemon Continuing Education Fund	40
Shlemon Quaternary Engineering Geology Fund	7,271
K-12 Education Fund	10

Research - Research Fund

88,205

Foundation Support - Floyd T. Johnston Operations Fund

53,723

Total

\$ 131,821

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

7. 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, 2022 consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets			
As of December 31, 2021	\$ -	\$ 50,000	\$ 50,000
Appropriation of Endowment Assets for Expenditure	_____-	_____-	_____-
Endowment Net Assets			
As of December 31, 2022	\$ _____-	\$ <u>50,000</u>	\$ <u>50,000</u>

AEG FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2022

8. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2022:

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 34,752
Investments	<u>1,056,100</u>
Total Financial Assets	1,090,852

Less: Amounts Not Available To Be Used Within One Year:

Net Assets with Donor Restrictions	<u>(924,715)</u>
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Financial Assets Available To Meet General Expenditures

Over The Next Twelve Months	\$ <u>166,137</u>
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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.