



FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SEG Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of SEG Foundation (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEG Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Tulsa, Oklahoma
June 1, 2021

SEG FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 1,264,492	\$ 665,946
Pledges receivable, net	1,130,776	1,510,259
Investments	23,878,353	20,842,476
Exhibits	131,736	131,736
Other assets	17,981	58,001
Total assets	\$ 26,423,338	\$ 23,208,418
 Liabilities and Net Assets		
Liabilities:		
Due to affiliate	\$ 729,773	\$ 1,005,097
Accounts payable and accrued liabilities	1,210	6,452
Total liabilities	730,983	1,011,549
 Net assets:		
Without donor restrictions	5,371,119	4,673,285
With donor restrictions	20,321,236	17,523,584
Total net assets	25,692,355	22,196,869
Total liabilities and net assets	\$ 26,423,338	\$ 23,208,418

SEG FOUNDATION
STATEMENT OF ACTIVITIES
Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 150,641	\$ 571,745	\$ 722,386
Investment income, net	852,990	3,465,565	4,318,555
Loss on bad debts	-	(7,800)	(7,800)
Net assets released from restriction	1,231,858	(1,231,858)	-
Total revenues, gains and other support	2,235,489	2,797,652	5,033,141
Expenses:			
Program services:			
Grant awards to affiliate	1,072,668	-	1,072,668
Supporting services:			
Management and general	276,919	-	276,919
Fundraising	188,068	-	188,068
Total supporting services	464,987	-	464,987
Total expenses	1,537,655	-	1,537,655
Change in net assets	697,834	2,797,652	3,495,486
Net assets, beginning of year	4,673,285	17,523,584	22,196,869
Net assets, end of year	\$ 5,371,119	\$ 20,321,236	\$ 25,692,355

SEG FOUNDATION
STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 133,107	\$ 1,515,172	\$ 1,648,279
In-kind support from affiliate	16,279	-	16,279
Investment income, net	542,098	2,638,130	3,180,228
Loss on bad debts	-	(250,000)	(250,000)
Net assets released from restriction	2,173,499	(2,173,499)	-
Total revenues, gains and other support	2,864,983	1,729,803	4,594,786
Expenses:			
Program services:			
Grant awards to affiliate	2,010,533	-	2,010,533
Supporting services:			
Management and general	214,616	-	214,616
Fundraising	193,335	-	193,335
Total supporting services	407,951	-	407,951
Total expenses	2,418,484	-	2,418,484
Change in net assets	446,499	1,729,803	2,176,302
Net assets, beginning of year	4,226,786	15,793,781	20,020,567
Net assets, end of year	<u>\$ 4,673,285</u>	<u>\$ 17,523,584</u>	<u>\$ 22,196,869</u>

SEG FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 3,495,486	\$ 2,176,302
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions with donor restrictions in perpetuity	(76,380)	(124,478)
Donated stock	(27,954)	-
Net gain on investments	(3,541,739)	(2,366,856)
Loss on bad debt	7,800	250,000
Change in operating assets and liabilities:		
Pledges receivable, net	387,833	(387,826)
Other assets	40,020	(44,845)
Due to affiliate	(275,324)	83,531
Accounts payable and accrued liabilities	(5,242)	(3,268)
	4,500	(417,440)
Net cash provided by (used in) operating activities	4,500	(417,440)
Cash Flows from Investing Activities		
Proceeds from sales of investments	15,375,899	12,191,685
Purchases of investments	(14,842,083)	(12,718,363)
	533,816	(526,678)
Net cash provided by (used in) investing activities	533,816	(526,678)
Cash Flows from Financing Activities		
Proceeds from contributions with donor restrictions in perpetuity	60,230	107,853
	60,230	107,853
Net increase (decrease) in cash	598,546	(836,265)
Cash, beginning of year	665,946	1,502,211
	665,946	1,502,211
Cash, end of year	\$ 1,264,492	\$ 665,946

SEG FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

SEG Foundation (the Foundation), is a not-for-profit corporation affiliated with the Society of Exploration Geophysicists (the Society) (see Note 8). The Foundation encourages and supports scientific, educational and charitable activities of benefit to geophysicists. The Foundation provides funding to the Society, who in turn provides funding directly to students and others. Awards to the Society support major programs including student programs, professional development and digital knowledge support. Awards to students include scholarships and travel grants. The Foundation also provides funding through the Society for grants to other organizations for summer field camps and the Geoscientists *Without Borders* program. Contributions are received primarily from members of the Society and corporations.

Basis of presentation

The Foundation's information regarding its financial position and changes in net assets according to two classes of net assets based on the existence or absence of donor-imposed restrictions, is as follows:

Without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. See Note 6 for more information on the composition of net assets without donor restrictions.

With donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting SEG Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. See Note 6 for more information on the composition of net assets with donor restrictions.

The Foundation maintains a pool of investment funds for net assets without donor restrictions and net assets with donor restrictions. Investment returns are allocated to net asset classifications based upon the percentage of the balance of net assets held in each classification. Investment returns on net assets with donor restrictions and board-designated matching funds are restricted for the purposes stipulated by donors. Investment returns on board-designated funds that are not associated or matched with a restricted gift are unrestricted. Investment losses on net assets with donor restrictions in excess of accumulated nonexpended returns are allocated to net assets without donor restrictions. Recoveries of such losses are first allocated to net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of deposit balances maintained at high quality financial institutions. Typically, cash exceeds federally insured limits, but management believes any possible risk of loss is minimal.

Contributions and pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the estimated present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Management determines the allowance for doubtful accounts based on periodic assessment of outstanding pledges, particularly those pledges which are past due, as well as consideration of historical experience on collection of pledges. Pledge receivables are written off when deemed uncollectible.

Investments

Investments are carried at estimated fair value as reported by the asset custodians. See Note 4 for a description of the fair value inputs and methodologies utilized.

Income tax status

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is considered an organization that is not a private foundation. As a result, as long as the Foundation maintains its tax exemption, it will not be subject to income taxes.

Subsequent events

Management has evaluated subsequent events through June 1, 2021, the date the financial statements were available to be issued.

Note 2 – Financial Assets and Liquidity Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures as of December 31, are as follows:

	2020	2019
Assets:		
Cash	\$ 1,264,492	\$ 665,946
Pledge receivables due within one year	422,800	473,600
Investments	23,878,353	20,842,476
Interest receivable	17,981	23,113
Total financial assets available within one year	25,583,626	22,005,135

Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(6,247,963)	(3,709,405)
Restricted by donors in perpetuity	(13,361,798)	(12,766,019)
Amounts unavailable to management without Board's approval	<u>(2,771,587)</u>	<u>(2,771,587)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,202,278</u>	<u>\$ 2,758,124</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation follows the practice of maintaining a cash reserve of 90% of its current year operating budget, pass thru donations and the annual spending rate and annual management fee. In addition, the Foundation has approximately \$2.8 million of Board Designated assets without donor restrictions. While the Foundation does not intend to spend these for purposes other than as identified, the amounts could be made available for current operations if necessary and upon Board approval. Additionally, the Foundation expects to collect pledges of \$422,800 during 2021.

Note 3 – Pledges Receivable

Pledges receivable consist of the following unconditional promises to give at December 31:

	2020	2019
Due in less than one year	\$ 422,800	\$ 473,600
Due in one to five years	731,300	1,097,500
	<u>1,154,100</u>	<u>1,571,100</u>
Allowance for doubtful accounts	(3,500)	(11,500)
Unamortized discount	(19,824)	(49,341)
	<u>(23,324)</u>	<u>(60,841)</u>
	<u>\$ 1,130,776</u>	<u>\$ 1,510,259</u>

Note 4 – Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The quality and reliability of the information used to determine fair values is prioritized into three broad categories, with the highest priority given to Level 1 inputs and the lowest to Level 3 inputs. These inputs are summarized in three broad levels:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; 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 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.

There were no investment transfers due to changes in the observability of significant inputs between Level 1, Level 2 and Level 3 assets during the years ended December 31, 2020 or 2019.

Investments measured at fair value on a recurring basis consisted of the following:

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 13,476,160	\$ -	\$ -	\$ 13,476,160
Corporate fixed income	-	1,091,344	-	1,091,344
Government securities	-	1,898,500	-	1,898,500
Mutual funds	6,177,316	-	-	6,177,316
Exchange-traded funds	1,235,033	-	-	1,235,033
Total investments at fair value	\$ 20,888,509	\$ 2,989,844	\$ -	\$ 23,878,353

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 8,568,108	\$ -	\$ -	\$ 8,568,108
Corporate fixed income	-	1,055,814	-	1,055,814
Government securities	-	1,908,106	-	1,908,106
Mutual funds	3,036,984	-	-	3,036,984
Exchange-traded funds	6,273,464	-	-	6,273,464
Total investments at fair value	\$ 17,878,556	\$ 2,963,920	\$ -	\$ 20,842,476

Investment income consists of the following for the year ended December 31:

	2020	2019
Interest and dividends	\$ 943,691	\$ 959,522
Realized and unrealized gains	3,541,739	2,366,856
Investment expenses	(166,875)	(146,150)
	\$ 4,318,555	\$ 3,180,228

Note 5 – Exhibits

Exhibits consist of historical geophysical equipment and a "Doodlebugger" statue commemorating the geophysical tradition.

Note 6 – Net Assets

Without donor restrictions

Net assets without donor restrictions are comprised of the following at December 31:

	2020	2019
General operating fund	\$ 2,599,532	\$ 1,901,698
Board-designated funds	2,771,587	2,771,587
	\$ 5,371,119	\$ 4,673,285

In previous years, contributions of \$2,771,587 were designated by the Board to match permanently restricted contributions received from donors. The Board has designated these funds for investment and is obligated to use the returns in compliance with donor restrictions for the matched gift. No contributions were designated by the Board for the years ended 2020 or 2019.

With donor restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

Program	For a Specific Purpose/Time	Held in Perpetuity	Total
General	\$ 696,622	\$ 1,567,140	\$ 2,263,762
Geoscientists <i>Without Borders</i>	1,082,377	1,789,537	2,871,914
Professional development	690,440	562,543	1,252,983
Student support	1,584,201	2,065,157	3,649,358
Scholarships	2,509,116	6,608,069	9,117,185
Field Camps and Travel Grants	332,798	716,804	1,049,602
Near surface	8,559	52,548	61,107
Other	55,325	-	55,325
	<u>\$ 6,959,438</u>	<u>\$ 13,361,798</u>	<u>\$ 20,321,236</u>

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

Program	For a Specific Purpose/Time	Held in Perpetuity	Total
General	\$ 359,456	\$ 1,495,000	\$ 1,854,456
Geoscientists <i>Without Borders</i>	898,376	1,715,287	2,613,663
Professional development	743,650	541,495	1,285,145
Student support	1,277,467	1,968,421	3,245,888
Scholarships	1,213,302	6,333,210	7,546,512
Field Camps and Travel Grants	188,185	679,145	867,330
Near surface	3,749	33,461	37,210
Other	73,380	-	73,380
	<u>\$ 4,757,565</u>	<u>\$ 12,766,019</u>	<u>\$ 17,523,584</u>

Note 7 – Endowment Funds

The Foundation's endowment consists of 14 individual programs established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Board to function as endowments.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) for Oklahoma as requiring the preservation of the fair value of the original gift as of 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 permanently 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) excess accumulated investment earnings in accordance with the applicable donor gift instruments and policy.

Accumulated earnings on the endowment are held as net assets with donor restrictions until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those investment earnings over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix that is intended to produce a target return, net of fees, of at least 5% per annum. Actual returns in any given year may vary from this amount.

Spending policy

The Foundation's spending policy is consistent with its investment objective of achieving long-term real growth in its assets. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate, which is consistent with the Foundation's objective to maintain the purchasing power as well as to provide additional real growth through new gifts and investment returns. The annual spending rate is approved annually by the board. The spending rate was set at 3.2% for the years ended December 31, 2020 and 2019.

Annual fees cannot exceed 25% of the designated spending rate set by the Board of Directors. Annual management fee for the years ended December 31, 2020 and 2019, was 0.80%. Total amount of these fees was \$89,800 and \$122,797 for the years ended December 31, 2020 and 2019, respectively.

In addition to approved spending policy amounts and the annual management fees, the Foundation also appropriates funds for investment fees and other expenses directly related to the endowment assets. Total amounts appropriated for these purposes were \$145,318 and \$139,697 for the years ended December 31, 2020 and 2019, respectively.

Donor agreements allow for a portion of the donor restricted contributions to be used for management, administration and development expenses. The development fee is 5% of the restricted contribution.

Endowment net asset composition by type of fund as of December 31, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2020			
Donor restricted - in perpetuity	\$ -	\$ 13,361,798	\$ 13,361,798
Donor restricted - unappropriated earnings	-	4,697,040	4,697,040
Board restricted	2,771,587	-	2,771,587
	<u>\$ 2,771,587</u>	<u>\$ 18,058,838</u>	<u>\$ 20,830,425</u>
2019			
Donor restricted - in perpetuity	\$ -	\$ 12,766,019	\$ 12,766,019
Donor restricted - unappropriated earnings	-	2,232,047	2,232,047
Board restricted	2,771,587	-	2,771,587
	<u>\$ 2,771,587</u>	<u>\$ 14,998,066</u>	<u>\$ 17,769,653</u>

Changes in endowment net assets for the years ended December 31, is as follows:

2020	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 2,771,587	\$ 14,998,066	\$ 17,769,653
Investment return:			
Interest and dividends	-	741,079	741,079
Net realized and unrealized gains on long-term investments	-	2,705,948	2,705,948
Total investment return	-	3,447,027	3,447,027
Contributions	-	76,380	76,380
Appropriation of endowment assets for expenditure	-	(462,635)	(462,635)
Endowment net assets, end of year	<u>\$ 2,771,587</u>	<u>\$ 18,058,838</u>	<u>\$ 20,830,425</u>
2019	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 2,771,587	\$ 12,906,403	\$ 15,677,990
Investment return:			
Interest and dividends	-	621,132	621,132
Net realized and unrealized gains on long-term investments	-	1,870,862	1,870,862
Total investment return	-	2,491,994	2,491,994
Contributions	-	124,476	124,476
Appropriation of endowment assets for expenditure	-	(524,807)	(524,807)
Endowment net assets, end of year	<u>\$ 2,771,587</u>	<u>\$ 14,998,066</u>	<u>\$ 17,769,653</u>

Note 8 – Society of Exploration Geophysicists

The Society is the sole corporate member of the Foundation and appoints the Board. The Foundation supports the Society with contributions and the Society provides services for which it is partially reimbursed by the Foundation. Those transactions for the years ended December 31, are as follows:

	2020	2019
Cash contributions from the Society	\$ -	\$ -
In-kind support from the Society	-	16,279
Total support from the Society	<u>\$ -</u>	<u>\$ 16,279</u>
Grant awards to the Society	<u>\$ 1,072,668</u>	<u>\$ 2,010,533</u>
Reimbursement to the Society for fundraising expenses	\$ 144,800	\$ 138,043
Reimbursement to the Society for administration expenses	198,734	101,515
Total reimbursements to the Society	<u>\$ 343,534</u>	<u>\$ 239,558</u>

In-kind support from the Society consists of indirect cost allocation (IDC) and is reflected in the Foundation's financial statements as both revenue and expense, with no net overall financial impact to the statements of activities.

The Foundation began reimbursing the Society on January 1, 2016, for 20% of allocated indirect costs. An additional 20% requirement was added each year, and in 2020, the Foundation is fully reimbursing the Society for allocated indirect costs.

Note 9 – Grant Awards and Functional Expenses

As disclosed in Note 1, the Foundation generally carries out its purpose by providing financial support solely to the Society for specific programs. Expenses directly attributable to a specific functional area of SEG Foundation are reported as expenses of those functional areas.

Expenses by function and natural classification for the years ended December 31, are as follows:

2020	Management and General	Fundraising	Total
Expense category:			
Professional development	\$ 78,277	\$ 113,806	\$ 192,083
Meeting expense	201	1,000	1,201
Supplies	141	98	239
Facilities rental	1,301	8,908	10,209
Travel	967	275	1,242
Professional fees	30,156	54,544	84,700
IDC allocation (see Note 8)	143,341	-	143,341
Depreciation	8,659	-	8,659
Other	13,876	9,437	23,313
	<u>\$ 276,919</u>	<u>\$ 188,068</u>	<u>\$ 464,987</u>
2019	Management and General	Fundraising	Total
Expense category:			
Professional development	\$ 58,277	\$ 81,612	\$ 139,889
Meeting expense	421	33,409	33,830
Supplies	2,162	14	2,176
Facilities rental	-	4,320	4,320
Professional fees	4,303	3,619	7,922
Travel	31,931	62,887	94,818
IDC allocation (see Note 8)	109,251	-	109,251
Depreciation	5,475	-	5,475
Other	2,796	7,474	10,270
	<u>\$ 214,616</u>	<u>\$ 193,335</u>	<u>\$ 407,951</u>

Note 10 – Commitments and Contingencies

The Foundation has committed approximately \$450,000 to the Society for Geoscientists *Without Borders* awards and grants to various universities as of December 31, 2020. The ultimate amount funded for each award and grant is based on the respective project's performance and actual expenditures. No amounts have been accrued in the accompanying financial statements for these commitments.