

THE DIETRICH W. BOTSTIBER FOUNDATION

FINANCIAL STATEMENTS

& AUDITORS' REPORT

AUGUST 31, 2010 & 2009

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INDEPENDENT AUDITORS' REPORT

To the Trustees of
THE DIETRICH W. BOTSTIBER FOUNDATION

We have audited the accompanying Statement of Financial Position of THE DIETRICH W. BOTSTIBER FOUNDATION as of August 31, 2010 and 2009, along with the related Statement of Activities, and Statement of Cash Flows for the years then ended. These financial statements are the responsibility of The Dietrich W. Botstiber Foundation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position THE DIETRICH W. BOTSTIBER FOUNDATION as of August 31, 2010 and 2009, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Peterson, Fieo & Co.

November 23, 2010

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of FINANCIAL POSITION
as of August 31, 2010 & 2009

| | 2010 | 2009 |
|---|---------------|---------------|
| <u>Assets</u> | | |
| Cash and Cash Equivalents | \$ 946,650 | \$ 1,800,851 |
| Investments, at Fair Value | 24,227,116 | 23,121,323 |
| Prepaid Expenses | 4,009 | - |
| Property & Equipment (<i>net of Depreciation</i>) | 6,004 | 2,239 |
| Total Assets | \$ 25,183,779 | \$ 24,924,413 |
| <u>Liabilities & Net Assets</u> | | |
| <u>Liabilities</u> | \$ - | \$ - |
| <u>Net Assets</u> | | |
| Restricted & Temporarily Restricted Net Assets | - | - |
| Unrestricted | 25,177,775 | 24,922,174 |
| Unrestricted - Fixed Assets | 6,004 | 2,239 |
| <i>subtotal, Unrestricted Net Assets</i> | 25,183,779 | 24,924,413 |
| Total Net Assets | 25,183,779 | 24,924,413 |
| Total Liabilities & Net Assets | \$ 25,183,779 | \$ 24,924,413 |

The accompanying notes are an integral part of these financial statements.

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of ACTIVITIES
for the Years Ended August 31, 2010 & 2009

| | Unrestricted | Restricted | 2010 Total | 2009 Total |
|---------------------------------------|----------------------|-------------|----------------------|----------------------|
| <u>Revenues</u> | | | | |
| Interest Income | \$ 223 | \$ - | \$ 223 | \$ 497 |
| Dividend Income | 583,698 | | 583,698 | 841,097 |
| Gain (Loss) on Sale of Investments | 1,776,079 | | 1,776,079 | (873,636) |
| Partnership Income (Loss) | (42,719) | | (42,719) | - |
| Other Income | 1,530 | | 1,530 | 1,186,855 |
| Total Revenues | 2,318,811 | - | 2,318,811 | 1,154,813 |
| <u>Grants & Related Expenses</u> | | | | |
| Animal Program | 5,231 | - | 5,231 | - |
| Austrian American Studies | 218,145 | | 218,145 | 286,901 |
| International Program | 310,911 | | 310,911 | 297,443 |
| Scholarship Program | 435,310 | | 435,310 | 796,201 |
| Delaware Valley Science Fair | 18,000 | | 18,000 | 36,000 |
| Other Program Expenses | 48,393 | | 48,393 | - |
| Administration | 110,829 | | 110,829 | 167,859 |
| Investment Advisory Fees | 84,455 | | 84,455 | 69,281 |
| Taxes Paid | 11,289 | | 11,289 | 48,828 |
| Decline in Value of Investments | 816,882 | | 816,882 | 4,016,141 |
| Total Expenses | 2,059,445 | - | 2,059,445 | 5,718,654 |
| Change in Net Assets | 259,366 | - | 259,366 | (4,563,841) |
| Net Assets, Beginning of Year | 24,924,413 | - | 24,924,413 | 29,488,254 |
| Net Assets, End of Year | \$ 25,183,779 | \$ - | \$ 25,183,779 | \$ 24,924,413 |

The accompanying notes are an integral part of these financial statements.

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of CASH FLOWS
for the Years Ended August 31, 2010 & 2009

| | 2010 | 2009 |
|---|-------------|----------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Increase (decrease) in Net Assets | \$ 259,366 | \$ (4,563,841) |
| Depreciation | 1,571 | 1,338 |
| Decrease (Increase) in Prepaid Expenses | (4,009) | |
| Net Cash Provided by Operating Activities | 256,928 | (4,562,503) |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase/Sale of Investments | (1,105,793) | 5,792,312 |
| Purchase of Equipment | (5,336) | - |
| Net Cash Used by Investing Activities | (1,111,129) | 5,792,312 |
| <u>Cash Flows from Financing Activities</u> | | |
| | - | - |
| <hr/> | | |
| Net Increase in Cash & Cash Equivalents | (854,201) | 1,229,809 |
| Cash & Cash Equivalents - Beginning of Year | 1,800,851 | 571,042 |
| Cash & Cash Equivalents - End of Year | \$ 946,650 | \$ 1,800,851 |
| Interest Paid | \$ -0- | \$ -0- |
| Income/Excise Taxes Paid | \$ -0- | \$ -0- |

The accompanying notes are an integral part of these financial statements.

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2010 & 2009

NOTE #1. PURPOSE & ORGANIZATION. The Dietrich W. Botstiber Foundation (hereafter "The Foundation") was organized on September 29, 1995 by Mr. Dietrich W. Botstiber, an Austrian immigrant to the United States, in order to provide scholarships to talented students of good moral character in the fields of science, technology and commerce; to promote an understanding of the historic relationship between the United States and Austria; to support programs that prevent cruelty to animals and human beings; and to reform education systems in the fields of science, technology and commerce. Presently, the four major programs administered by The Foundation are entitled Animal Program, Austrian-American Studies, International Program, and Scholarship Program. The sole sources of funding for The Foundation are earnings on its investments, the original corpus of which was donated by Mr. Botstiber.

NOTE #2. SUMMARY of SIGNIFICANT ACCOUNTING POLICIES.

- a) **Accounting Principles & Presentation.** In all material respects, these statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), according to the directives of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) #117, "Financial Statements of Not-For-Profit Organizations"; under SFAS #117, The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.
- b) **Measurement Focus.** The Statement of Financial Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.
- c) **Reporting Entity.** In evaluating The Foundation as a reporting entity, The Foundation has addressed all potential component units for which The Foundation may or may not be both financially accountable to and functionally accountable for, and as such, be included within The Foundation's financial statements. The Foundation is financially accountable for an organization if it appoints a voting majority of an organization's governing board and (1) it can impose its will on said organization or (2) there is a potential for said organization to provide specific financial benefit to or impose specific financial burden on The Foundation; likewise, The Foundation is financially accountable to an organization if that organization appoints a voting majority of The Foundation's governing board and (1) that organization can impose its will on The Foundation or (2) there is a potential for that organization to provide specific financial benefit to or impose specific financial burden on The Foundation. Additionally, The Foundation is required to consider other organizations for which the nature and significance of their relationship are such that exclusion would cause either The Foundation's or another reporting entity's financial statements to be misleading or incomplete. There are no entities that meet the above criteria, and therefore, the financial statements of The Foundation consist only of the assets, liabilities, net assets, and activities of The Foundation.

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2010 & 2009

- d) Net Assets: Permanently Restricted, Temporarily Restricted, & Unrestricted. In accordance with SFAS #117, The Foundation's Net Assets must be categorized into the following three categories: (1) Permanently Restricted, (2) Temporarily Restricted, and (3) Unrestricted. Restricted Net Assets, whether Permanent or Temporary, describe allocations of The Foundation's assets to a specific purpose or activity; these restrictions could be the result of specific donations of funds or other resources, or from specific designations approved by The Foundation's board of directors. Further, Unrestricted Net Assets is presented in two categories: (a) Operating and (b) Fixed Assets. "Unrestricted Net Assets – Operating" reflects the amount of Net Assets available for ordinary operation; "Unrestricted Net Assets – Fixed Assets" reflects those amounts, while available for any proper use, that have already been committed to fixed assets and other permanent assets commitments.
- e) Capital Assets. The Foundation defines capital assets as those assets with both (a.) an initial, individual cost of more than \$1,000 and (b.) an estimated useful life in excess of one year. Capital assets of The Foundation are recorded at their actual cost. Donated assets are valued at their estimated fair value on the date donated.
- f) Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with generally accepted accounting principles 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 these estimates.
- g) Income Taxes. The Foundation was organized on September 29, 1995 as a charitable trust; it was granted tax-exempt status by the U.S. Internal Revenue Service (IRS) as an organization categorized under IRC Section 501(c)(3), with said status ruled permanent by the IRS on December 28, 1995, retroactive to September 29, 1995, and is classified as a private foundation. Therefore, no provision has been made for income taxes with respect to this period, nor any prior period, on The Foundation's investment earnings. Contributions to The Foundation qualify as deductible charitable contributions as provided in IRC Section 170(b)(1)(a)(vi).

Although an organization exempt from income taxes under IRC Section 501(c)(3), The Foundation is, however, subject to income taxes on income considered "UBI" (unrelated business income). As of August 31, 2010, approximately 3% of the value of The Foundation's investments are considered such UBI. The Income tax presented in the Statement of Activities on the UBI generated by these investments is not calculated according to GAAP, but rather reflects the amount actually self-assessed and reported to the IRS. It is management's opinion that this presentation more accurately reflects this expense (as opposed to a GAAP calculation) to the readers of these financial statements. The actual income tax expense as reported to the IRS for fiscal years ended August 31, 2010 & 2009 is \$11,289 & \$48,828, respectively.

- h) Donated Services & Materials. From time to time, The Foundation receives donated services from volunteers assisting it in its mission. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2010 & 2009

volunteer effort under SFAS No. 116 "*Contributions Received and Contributions Made*" have not been satisfied. Donated materials, supplies, and other items have however, been recognized in the financial statements at an arms length cost.

- i) Cash. The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- j) Investments. Investments are recorded at fair market value. The Net Decline in Value of Investments is recorded in the statement of activities.

NOTE #3. CONCENTRATION of CREDIT RISK. The Foundation maintains accounts at a local bank and at several financial services firms. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 as of the balance sheet date. For brief periods during both fiscal years ended August 31, 2010 & 2009, the balances in these accounts exceeded the federally insured limits. Investments held at financial services firms are insured by the Security Investors Protection Corporation (SIPC) up to \$500,000. Balances at each financial service firms consistently exceeded the insured limit.

NOTE #4. PREPAID EXPENSES. Prepaid expenses reflect amounts paid for services to be received within one year. As of August 31, 2010, prepaid expenses consisted exclusively of prepaid rent on The Foundation's administrative office suite.

NOTE #5. INVESTMENTS. Investments are held at financial services firms under managed account agreements. Investments as of August 31, 2010 and 2009 are summarized as follows:

| | Fiscal Year Ended | |
|-------------------------------------|-------------------|---------------|
| | 2010 | 2009 |
| | <u>2010</u> | <u>2009</u> |
| Fair Market Value | \$ 24,227,116 | \$ 23,121,323 |
| Carrying Value | 24,227,116 | 23,121,323 |
| Cost | 25,043,998 | 27,137,464 |
| Net Decline in Value of Investments | (816,882) | (4,016,141) |

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2010 & 2009

NOTE #6. PROPERTY & EQUIPMENT. Changes in property and equipment values during the fiscal years ended August 31, 2010 & 2009 are illustrated in the table below. Depreciation expense for the years ended August 31, 2010 & 2009 was \$1,095 and \$1,338, respectively.

For the Year ended August 31, 2010

| | Balance at | | Balance at |
|--------------------------|-------------------|-----------|--------------|
| | Beginning of Year | Additions | Subtractions |
| | End of Year | | |
| Equipment & Furniture | \$ 4,413 | \$ 4,860 | \$ - |
| Accumulated Depreciation | 2,174 | 1,095 | - |
| Net Carrying Value | \$ 2,239 | \$ 3,765 | \$ - |

For the Year ended August 31, 2009

| | Balance at | | Balance at |
|--------------------------|-------------------|------------|--------------|
| | Beginning of Year | Additions | Subtractions |
| | End of Year | | |
| Equipment & Furniture | \$ 4,413 | \$ - | \$ - |
| Accumulated Depreciation | 836 | 1,338 | - |
| Net Carrying Value | \$ 3,577 | \$ (1,338) | \$ - |

NOTE #7. LEASE ARRANGEMENTS. Commencing December 1, 2007, The Foundation has been leasing space for its administrative activities at 200 E. State Street in Media, Pennsylvania. The lease was modified effective July 1, 2010 to reflect The Foundation's move to suite 306-A. This lease amendment provides for a new term of five years with fixed lease payments of \$1,114 per month, to be increased on July 1, 2013 to \$1,155 per month. Further, this lease amendment provides for a discount of ten percent (10%) for lease payments paid in advance. Expected future lease payments are:

| Fiscal Year | Ended August 31, |
|-------------|------------------|
| 2011 | \$ 13,368 |
| 2012 | 13,368 |
| 2013 | 13,450 |
| 2014 | 13,860 |
| 2015 | 11,550 |

Actual payments made under this lease, and the lease in effect prior to July 1, 2010, totaled \$7,685 and \$2,781 during fiscal years ended August 31, 2010 & 2009, respectively.

NOTE #8. STATEMENT of CASH FLOWS. The Foundation presents its Statement of Cash Flows on the indirect method.