

THE DIETRICH W. BOTSTIBER FOUNDATION

FINANCIAL STATEMENTS

& AUDITORS' REPORT

AUGUST 31, 2011 & 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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.

23rd November 2011

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of FINANCIAL POSITION
as of August 31, 2011 & 2010

	2011	2010
<u>Assets</u>		
Cash and Cash Equivalents	\$ 401,602	\$ 946,650
Investments, at Fair Value	26,821,655	24,227,116
Prepaid Expenses	4,009	4,009
Property & Equipment (<i>net of Depreciation</i>)	4,071	6,004
Total Assets	\$ 27,231,337	\$ 25,183,779
 <u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Payroll & Payroll Taxes Payable	4,240	-
Total Liabilities	\$ 4,240	\$ -
 <u>Net Assets</u>		
Restricted & Temporarily Restricted Net Assets	-	-
Unrestricted	27,223,026	25,177,775
Unrestricted - Fixed Assets	4,071	6,004
<i>subtotal, Unrestricted Net Assets</i>	27,227,097	25,183,779
Total Net Assets	27,227,097	25,183,779
Total Liabilities & Net Assets	\$ 27,231,337	\$ 25,183,779

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, 2011 & 2010

	Unrestricted	Restricted	2011 Total	2010 Total
<u>Revenues</u>				
Interest Income	\$ 158	\$ -	\$ 158	\$ 223
Dividend Income	617,203		617,203	583,698
Recognized Gain on Sales of Investments & Securities Held for Investment	2,880,239		2,880,239	1,776,079
Partnership Income (Loss)	37,167		37,167	(42,719)
Other Income	311		311	1,530
Total Revenues	3,535,078	-	3,535,078	2,318,811
<u>Grants & Related Expenses</u>				
Animal Program	-	-	-	5,231
Austrian American Studies	278,166		278,166	218,145
International Program	402,311		402,311	310,911
Scholarship Program	617,580		617,580	435,310
Delaware Valley Science Fair	18,000		18,000	18,000
Other Program Expenses	5,228		5,228	48,393
Administration	41,524		41,524	110,829
Investment Advisory Fees	111,491		111,491	84,455
Taxes Paid	17,460		17,460	11,289
Net Decrease in Value of Investments	-		-	816,882
Total Expenses	1,491,760	-	1,491,760	2,059,445
Change in Net Assets	2,043,318	-	2,043,318	259,366
Net Assets, Beginning of Year	25,183,779	-	25,183,779	24,924,413
Net Assets, End of Year	\$ 27,227,097	\$ -	\$ 27,227,097	\$ 25,183,779

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, 2011 & 2010

	2011	2010
<u>Cash Flows from Operating Activities</u>		
Increase in Net Assets	\$ 2,043,318	\$ 259,366
Depreciation	1,933	1,571
Decrease (Increase) in Prepaid Expenses		(4,009)
Increase (Decrease) in Current Liabilities	4,240	-
Net Cash Provided by Operating Activities	2,045,251	256,928
<u>Cash Flows from Investing Activities</u>		
Purchase/Sale of Investments	(2,594,539)	(1,105,793)
Purchase of Equipment	-	(5,336)
Net Cash Used by Investing Activities	(2,594,539)	(1,111,129)
<u>Cash Flows from Financing Activities</u>		
	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	(545,048)	(854,201)
Cash & Cash Equivalents - Beginning of Year	946,650	1,800,851
Cash & Cash Equivalents - End of Year	\$ 401,602	\$ 946,650
Interest Paid	\$ -0-	\$ -0-
Income/Excise Taxes Paid	\$ 17,460	\$ 11,289

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

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2011 & 2010

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. Currently, the three major programs administered by The Foundation are the Botstiber Scholars Program, the Botstiber Institute for Austrian-American Studies, and the Fund for Food Security. More information about the programs can be found on The Foundation's website at www.botstiber.org. 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, 2011 & 2010

- 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, 2011, 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 paid (including estimated tax deposits) for fiscal years ended August 31, 2011 & 2010 is \$17,460 & \$11,289, 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 Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2011 & 2010

NOTE #6. PROPERTY & EQUIPMENT. Changes in property and equipment values during the fiscal years ended August 31, 2011 & 2010 are illustrated in the table below. Depreciation expense for the years ended August 31, 2011 & 2010 was \$1,933 and \$1,095, respectively.

For the Year ended August 31, 2011

	Balance at Beginning of Year	Additions	Subtractions	Balance at End of Year
Equipment & Furniture	\$ 9,273		\$ -	\$ 9,273
Accumulated Depreciation	3,269	1,933	-	5,202
Net Carrying Value	\$ 6,004	\$ (1,933)	\$ -	\$ 4,071

For the Year ended August 31, 2010

	Balance at Beginning of Year	Additions	Subtractions	Balance at End of Year
Equipment & Furniture	\$ 4,413	\$ 4,860	\$ -	\$ 9,273
Accumulated Depreciation	2,174	1,095	-	3,269
Net Carrying Value	\$ 2,239	\$ 3,765	\$ -	\$ 6,004

NOTE #7. ACCOUNTS PAYABLE. Accounts payable consist of those obligations of the Foundation which were not paid at year end. As of August 31, 2011, these obligations consisted exclusively of accrued payroll and related payroll taxes.

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2011 & 2010

NOTE #8. 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,
2012	\$ 13,368
2013	13,450
2014	13,860
2015	11,550
2016	n/a

Actual payments made under this lease totaled \$12,028 and \$7,685 during fiscal years ended August 31, 2011 & 2010, respectively.

NOTE #9. STATEMENT of CASH FLOWS. The Foundation presents its Statement of Cash Flows on the indirect method.