

THE DIETRICH W. BOTSTIBER FOUNDATION

FINANCIAL STATEMENTS
& AUDITORS' REPORT

AUGUST 31, 2012 & 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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.
Peterson, Fieo & Co.
4th February 2013

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of FINANCIAL POSITION
as of August 31, 2012 & 2011

	2012	2011
<u>Assets</u>		
Cash and Cash Equivalents	\$1,575,087	\$ 401,602
Investments, at Fair Value	27,496,756	26,821,655
Prepaid Expenses	4,009	4,009
Property & Equipment (<i>net of Depreciation</i>)	4,278	4,071
Total Assets	\$ 29,080,130	\$ 27,231,337
 <u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Payroll & Payroll Taxes Payable	1,975	4,240
Total Liabilities	\$ 1,975	\$ 4,240
 <u>Net Assets</u>		
Restricted & Temporarily Restricted Net Assets	-	-
Unrestricted	29,073,877	27,223,026
Unrestricted - Fixed Assets	4,278	4,071
 <i>subtotal, Unrestricted Net Assets</i>	 29,078,155	 27,227,097
Total Net Assets	29,078,155	27,227,097
Total Liabilities & Net Assets	\$ 29,080,130	\$ 27,231,337

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, 2012 & 2011

	Unrestricted	Restricted	2012 Total	2011 Total
Revenues				
Interest Income	\$ 189	\$ -	\$ 189	\$ 158
Dividend Income	696,572		696,572	617,203
Gain (Loss) on Sales of Securities Held for Investment	1,796,295		1,796,295	2,880,239
Partnership Income (Loss)	164,447		164,447	37,167
Other Income	790,041		790,041	311
Total Revenues	3,447,544	-	3,447,544	3,535,078
Grants & Related Expenses				
Austrian American Studies	222,518		222,518	278,166
International Program	309,791		309,791	402,311
Scholarship Program	843,940		843,940	617,580
Delaware Valley Science Fair	18,000		18,000	18,000
Other Program Expenses	22,600		22,600	5,228
Administration	42,071		42,071	41,524
Investment Advisory Fees	119,209		119,209	111,491
Taxes Paid	18,357		18,357	17,460
Total Expenses	1,596,486	-	1,596,486	1,491,760
Change in Net Assets	1,851,058	-	1,851,058	2,043,318
Net Assets, Beginning of Year	27,227,097	-	27,227,097	25,183,779
Net Assets, End of Year	\$ 29,078,155	\$ -	\$ 29,078,155	\$ 27,227,097

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, 2012 & 2011

	2012	2011
<u>Cash Flows from Operating Activities</u>		
Increase in Net Assets	\$ 1,851,058	\$ 2,043,318
Depreciation	1,602	1,933
Increase (Decrease) in Current Liabilities	(2,265)	4,240
Net Cash Provided by Operating Activities	1,852,660	2,045,251
<u>Cash Flows from Investing Activities</u>		
Net Sale (Purchase) of Investments	(675,101)	(2,594,539)
Sale (Purchase) of Equipment	(1,809)	-
Net Cash Used by Investing Activities	(676,910)	(2,594,539)
<u>Cash Flows from Financing Activities</u>		
	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	1,173,485	(545,048)
Cash & Cash Equivalents - Beginning of Year	401,602	946,650
Cash & Cash Equivalents - End of Year	\$ 1,575,087	\$ 401,602
Interest Paid	\$ -0-	\$ -0-
Income/Excise Taxes Paid	\$ 18,357	\$ 17,460

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

The Dietrich W. Botstiber Foundation
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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.) **Management's Responsibilities.** The Management of the Foundation is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- c.) **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.
- d.) **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

The Dietrich W. Botstiber Foundation
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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.

- e.) 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.
- f.) 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.
- g.) 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.
- h.) 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 described in 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 Section 501(a)*, the Foundation is, however, subject to income taxes on income considered "UBI" (unrelated business income). As of August 31, 2012, approximately 2% of the value of the Foundation's investments provides investment income that is considered UBI. The Income tax presented in the Statement of Activities on the UBI generated by these

* Internal Revenue Code of 1986, as amended.

The Dietrich W. Botstiber Foundation
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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, 2012 & 2011 is \$18,357 & \$17,460, respectively.

- i.) 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 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.
- j.) Cash. The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- k.) Investments. Investments are recorded at fair market value. The Net Increase 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, 2012 & 2011, 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, 2012, prepaid expenses consisted 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, 2012 and 2011 are summarized as follows:

For the Year ended August 31, 2012:

	Balance at			Balance at
	Beginning of Year	Additions	Subtractions	End of Year
Equipment & Furniture	\$ 9,273	\$ 1,809	\$ -	\$ 11,082
Accumulated Depreciation	5,202	1,602	-	6,804
Net Carrying Value	\$ 4,071	\$ 207	\$ -	\$ 4,278

For the Year ended August 31, 2011:

	Balance at			Balance at
	Beginning of Year	Additions	Subtractions	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

The Dietrich W. Botstiber Foundation
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NOTE #6. PROPERTY & EQUIPMENT. Changes in property and equipment values during the fiscal years ended August 31, 2012 & 2011 are illustrated in the table below. Depreciation expense for the years ended August 31, 2012 & 2011 was \$1,602 and \$1,933, respectively.

For the Year ended August 31, 2012:

	Balance at Beginning of Year	Additions	Subtractions	Balance at End of Year
Equipment & Furniture	\$ 9,273	\$ 1,809	\$ -	\$ 11,082
Accumulated Depreciation	5,202	1,602	-	6,804
Net Carrying Value	\$ 4,071	\$ 207	\$ -	\$ 4,278

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

NOTE #7. ACCOUNTS PAYABLE. Accounts payable consist of those obligations of the Foundation which were not paid at year end. As of August 31, 2012 and August 31, 2011, these obligations consisted exclusively of accrued payroll and related payroll taxes.

NOTE #8. OTHER REVENUE. As part of his will, Dietrich Botstiber established a charitable remainder annuity trust ("CRAT") for Ms. Margaretta Walker with the Foundation as the residual beneficiary. This CRAT terminated during the fiscal year ended August 31, 2012, resulting in a distribution to the Foundation of \$790,000.

NOTE #9. 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:

The Dietrich W. Botstiber Foundation
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(NOTE #9, LEASE ARRANGEMENTS – continued)

	Fiscal Year Ended August 31,
2013	\$ 13,450
2014	13,860
2015	11,550
2016	n/a

Actual payments made under this lease totaled \$12,028 and \$12,028 during fiscal years ended August 31, 2012 & 2011, respectively.

NOTE #10. STATEMENT of CASH FLOWS. The Foundation presents its Statement of Cash Flows on the indirect method.

NOTE #11. SUBSEQUENT EVENTS. The Foundation has evaluated all events subsequent to the financial statement date of August 31, 2012 through February 7, 2013, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure under FASB ASC 885-10 Subsequent Events.