

THE DIETRICH W. BOTSTIBER FOUNDATION

FINANCIAL STATEMENTS
& AUDITORS' REPORT

AUGUST 31, 2013 & 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
THE DIETRICH W. BOTSTIBER FOUNDATION

We have audited the accompanying Statement of Financial Position of THE DIETRICH W. BOTSTIBER FOUNDATION as of 31st August 2013 and 2012, 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.

Auditor's Responsibility. The auditor's responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and 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. Risk assessments involve consideration of 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, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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 31st August 2013 and 2012, 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.
8th February 2014

THE DIETRICH W. BOTSTIBER FOUNDATION

STATEMENT of FINANCIAL POSITION
as of August 31, 2013 & 2012

	2013	2012
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,633,693	\$ 1,575,087
Investments, at Fair Value	29,298,079	27,496,756
Prepaid Expenses	4,009	4,009
Property & Equipment (<i>net of Depreciation</i>)	3,856	4,278
Total Assets	\$ 30,939,637	\$ 29,080,130
 <u>Liabilities & Net Assets</u>		
<u>Liabilities</u>		
Payroll & Payroll Taxes Payable	2,611	1,975
Total Liabilities	\$ 2,611	\$ 1,975
 <u>Net Assets</u>		
Restricted & Temporarily Restricted Net Assets	-	-
Unrestricted	30,933,170	29,073,877
Unrestricted - Fixed Assets	3,856	4,278
 <i>subtotal, Unrestricted Net Assets</i>	 30,937,026	 29,078,155
Total Net Assets	30,937,026	29,078,155
Total Liabilities & Net Assets	\$ 30,939,637	\$ 29,080,130

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, 2013 & 2012

	Unrestricted	Restricted	2013 Total	2012 Total
<u>Revenues</u>				
Interest Income	\$ 343	\$ -	\$ 343	\$ 189
Dividend Income	848,683		848,683	696,572
Gain (Loss) on Sales of Securities Held for Investment	2,517,111		2,517,111	1,796,295
Partnership Income (Loss)	24,539		24,539	164,447
Other Income	5,806		5,806	790,041
Total Revenues	3,396,482	-	3,396,482	3,447,544
<u>Grants & Related Expenses</u>				
Austrian American Studies International Program	270,537		270,537	222,518
Scholarship Program	321,837		321,837	309,791
Delaware Valley Science Fair	673,528		673,528	843,940
Animal Program	23,562		23,562	18,000
Other Program Expenses	15,000		15,000	-
Administration	35,251		35,251	22,600
Investment Advisory Fees	39,486		39,486	42,071
Taxes Paid	129,589		129,589	119,209
	28,821		28,821	18,357
Total Expenses	1,537,611	-	1,537,611	1,596,486
Change in Net Assets	1,858,871	-	1,858,871	1,851,058
Net Assets, Beginning of Year	29,078,155	-	29,078,155	27,227,097
Net Assets, End of Year	\$ 30,937,026	\$ -	\$ 30,937,026	\$ 29,078,155

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, 2013 & 2012

	2013	2012
<u>Cash Flows from Operating Activities</u>		
Increase in Net Assets	\$ 1,858,871	\$ 1,851,058
Depreciation	422	1,602
Increase (Decrease) in Current Liabilities	636	(2,265)
Net Cash Provided by Operating Activities	1,859,929	1,850,395
 <u>Cash Flows from Investing Activities</u>		
Net Sale (Purchase) of Investments	(1,801,323)	(675,101)
Sale (Purchase) of Equipment	-	(1,809)
Net Cash Used by Investing Activities	(1,801,323)	(676,910)
 <u>Cash Flows from Financing Activities</u>	-	-
 Net Increase (Decrease) in Cash & Cash Equivalents	58,606	1,173,485
Cash & Cash Equivalents - Beginning of Year	1,575,087	401,602
Cash & Cash Equivalents - End of Year	\$ 1,633,693	\$ 1,575,087
 Interest Paid	\$ -0-	\$ -0-
Income/Excise Taxes Paid	\$ 28,821	\$ 18,357

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

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2013 & 2012

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
Notes to Financial Statements
August 31, 2013 & 2012

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, 2013 & 2012, approximately 2.0% and 1.4%, respectively, 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

* Internal Revenue Code of 1986, as amended.

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2013 & 2012

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, 2013 & 2012 is \$17,600 & \$18,357, 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 efforts 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, 2013 & 2012, 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, 2013, 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, 2013 and 2012 are summarized as follows:

	August 31, 2013	August 31, 2012
Fair Market Value	\$ 29,298,079	\$ 27,496,756
Carrying Value	29,298,079	27,496,756
Cost	23,825,240	24,104,955
Unrealized Net Increase (Decrease) in Value of Investments - Unrestricted	5,472,839	3,391,801

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2013 & 2012

NOTE #6. PROPERTY & EQUIPMENT. Changes in property and equipment values during the fiscal years ended August 31, 2013 & 2012 are illustrated in the table below. Depreciation expense for the years ended August 31, 2013 & 2012 was \$1,333 and \$1,602, respectively.

For the Year ended August 31, 2013:

	Balance at		Balance at
	Beginning of Year	Additions	End of Year
Equipment & Furniture	\$ 11,082	\$ 910	\$ 11,992
Accumulated Depreciation	6,804	1,333	8,137
Net Carrying Value	\$ 4,278	\$ (423)	\$ 3,855

For the Year ended August 31, 2012:

	Balance at		Balance at
	Beginning of Year	Additions	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

NOTE #7. ACCOUNTS PAYABLE. Accounts payable consist of those obligations of the Foundation which were not paid at year end. As of August 31, 2013 and August 31, 2012, these obligations consisted exclusively of accrued payroll and related payroll taxes.

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,
2014	\$ 13,860
2015	11,550
2016	n/a

Actual payments made under this lease totaled \$12,309 and \$12,028 during fiscal years ended August 31, 2013 & 2012, respectively.

The Dietrich W. Botstiber Foundation
Notes to Financial Statements
August 31, 2013 & 2012

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

NOTE #10. SUBSEQUENT EVENTS. The Foundation has evaluated all events subsequent to the financial statement date of August 31, 2013 through February 8, 2014, 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.