



Annual Report 2011

THE SCHMITZ FOUNDATIONS
NON-PROFIT ORGANIZATION FOR DEVELOPMENT AID





We promote projects in deprived development regions with potential in South America, Eastern Europe and South-East Asia.

The Founder

Werner Peter Schmitz-Hille

Werner Peter Schmitz-Hille (1914* – 2008†) was a great philanthropist and above all a friend of the poor.

His wish to extend a “helping hand” to the poor led him to establish two Foundations: the W.P. Schmitz Foundation in Düsseldorf in 1985 and the Schmitz-Hille Foundation in Thun in 1996.

This is how Werner Peter Schmitz-Hille described his aims:

“I set up my Foundations to help people in need. The crucial point for me is reduce hardship and poverty by providing support for the poor to bring them hope, fresh courage to face life and new opportunities for themselves and their families.

I am particularly concerned with the poor and those excluded from society and all-too-often forgotten: the handicapped and disabled, the old and the sick, orphans, dispossessed minorities and other disadvantaged people.

Experience shows that properly structured “help to self-help” is often the best form of aid that we can provide. That we cannot help everyone, everywhere, goes without saying. But together let us try to reach as many people as possible.”

It is in this spirit and on these principles that the staff of the Schmitz Foundations carry forward their founder’s work.

We, the staff of the Schmitz-Hille Foundation (Thun) and the W. P. Schmitz Foundation (Düsseldorf) are totally committed to the aims of our founder and continue with his work in his spirit.

The Board of Trustees,
The Management and Staff of

The Schmitz Foundations





Guiding Principles

For those affected, poverty means not only low income, but also social exclusion and little chance to become involved in political and economic life and additionally an acute danger of exposure to poverty-related risks, such as a disregard for human dignity and human rights as well as a lack of access to resources.

The causes of poverty are manifold. Not least among them are economic and social wrongs and injustices. Fighting poverty is above all a political task.

The essential pre-requisite is a genuine political will and competence of the part of governments and their political institutions to introduce political reform. Here, it is the individual governments that are called upon to create favourable conditions in which projects and developmental programs can achieve long-term effectiveness.

Outside help alone can not eliminate a country's poverty. The poor themselves must be active participants in any solution. Their creativity, their productive and innovative abilities, are essential elements in the fight against poverty. Self-help, self-organisation and participation are the central pillars of a sustainable long-term fight against poverty.

In order to develop and this kind of grass roots dynamic in a country or region, the forces of local political, economic, and civil society must be harnessed and coordinated so that they can act together as a unit.

Fighting poverty is an inter-disciplinary, multi-faceted task. For this reason the work of the Schmitz Foundations is equally based on a multi-sector approach.

The poor, both as individuals and as the members of a group, such as their family or village, form the central focus of the work of the Schmitz Foundations. Our work with these people in their localities is conducted on the basis of a cooperative partnership and built on an open dialogue in which all are encouraged to participate. Its essential aim is to meet the true needs of those involved.

Experience shows that it is often not the material needs of the population that are paramount. Important issues are, for instance, the need for a properly functioning, independent, legal system, access to health-care provision and the banking sector, or participation in social and political life.

The financial volume of a project is a poor indicator of its quality or its effectiveness. More money does not automatically mean more assistance and is no guarantee of the success of a project. The Schmitz Foundations attach great importance to an appropriate level of financing. The assessment of what is appropriate is entirely based on the needs of the group in question.

It is the aim of the Schmitz Foundations to work with effective and sustainable programs in its chosen regions to alleviate poverty. Help for self-help is our guiding principle, one that has characterised the work of the Schmitz Foundations for over 25 years.

Legal and Organisational Structure

The W. P. Schmitz Foundation (WPS) is a private, legally independent Foundation for development aid. It was established in 1985 under the terms of the Foundations' Act of the German State of North-Rhine Westphalia.

The Schmitz-Hille Foundation (SHS) was established in 1996, in accordance with its deed of foundation, and by its listing in the Commercial Register of the Region of Thun, Switzerland, as a private, legally independent foundation for development aid (under the terms of the Swiss ZGB).

It was the specific wish of our founder that the two Foundations should work in close cooperation with each other.

Purpose of the Foundations

Principal among the aims of both Foundations are the promotion of local self-help projects in developing countries, concentrating in particular on ensuring minimum living standards, providing start-up capital, support for small businesses, and practical training for young people and adults in food security, manual trades and small-scale commerce.

Apart from these development aid projects, we also run projects to promote understanding between different groups, and purely charitable projects. Handicapped children and old people are the main focus of our charitable work.

Structure

The bodies of the Foundations are the Board of Trustees, the Directors/the Foundation Board and the Auditors.

Board of Trustees

Prof. Dr. Winfried Pinger (Chairman)
Ute M. Rössing
Martin Wilde

Board/Council

Dr. Erich E. Dumelin (Chairman)
Werner Riebschläger
Peter Schneider

Auditors (SHS)

BDO AG, Bern

Executives

Michael Dirkx

Office Management

Ursula Bonin
Wolfgang Deppen

Office

Erika Monaghan

Tax Recognition

The W. P. Schmitz Foundation, as a non-profit institution serving charitable purposes, is officially exempted from corporation tax and local business tax by the German tax authorities.

Similarly, the Schmitz-Hille Foundation is recognised as a charitable institution by the tax administration of the Canton of Bern, Switzerland, and exempted from all local, regional and national taxes.

Auditing and Reporting

The W. P. Schmitz Foundation has its accounts audited annually by certified public accountants. The auditing of the Schmitz-Hille Foundation is conducted in accordance with the Swiss GAAP FER, in line with the Swiss Standard on modified auditing, by the Swiss auditors BDO AG.

For the reporting year 2011 both Foundations were again accorded an unqualified certification in the independent auditors' report.



Funding Criteria



Ideas and proposals for projects always originate in the countries in which the Schmitz Foundations work. We particularly support manageable small-scale projects, which are planned and developed locally and bring direct benefits to the local population.

We treat our partners and target groups as equals and maintain an honest and open dialogue with them. Mutual trust and honest dealing form the basis of our work.

When assessing project proposals and deciding whether the Schmitz Foundations should offer support, the following constitute our most important criteria:

- The proposed project should focus on a particular target group, reflect the true needs of those it is designed to help, and actively involve the local population in its planning and implementation.
- The proposed project should consist of clearly defined goals to be achieved within specific time limits, so that no lasting dependence ensues.
- Within the scope of what they can manage, the local population is expected to become actively involved and contribute to the project by providing labour or making a very small financial contribution. This increases the target group's identification with the project and boosts their motivation and their own efforts.
- The projects should be structured on the basis of "help to self-help." The funding requested should be regarded as a form of start-up capital to get the project up and running and reinforce and support the efforts of the target group.
- The results of the project should have a lasting and sustainable effect and be so planned that, after the project itself is at an end, it can be continued by the local population without outside support.

Main focus of our work

Direct action, working with the poor in their localities, was of primary importance to our founder in his fight against poverty. From this has grown the guiding principle behind the work of the Schmitz Foundations which can be summed up as „projects designed in response to needs and specific target groups“.

At present the Schmitz Foundations are mainly supporting projects in the following areas:

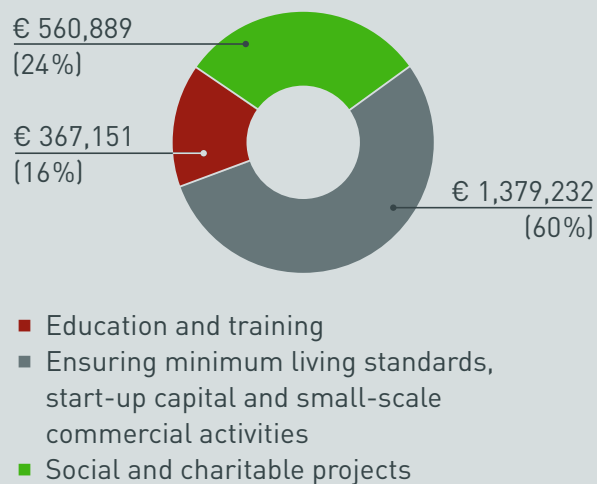
- Projects devoted ensuring minimum living standards, small-scale purchases and commercial activities (for example: micro-credit schemes, including agriculture and food security)
- Basic education and training
- Social and charitable projects (examples: work with the handicapped, care for the elderly, re-habilitation of street children)

To enhance the effectiveness and sustainability of the projects, in addition to a realistic assessment of their needs, aims, and effects, it is important to give sufficient consideration the more general aspects of aid provision.

Among such aspects are, for example:

- Raising incomes
- Participation and shared decision-making
- Equality and protection for women
- Social involvement of the handicapped
- Protection of the environment and resources
- Climate change
- Effectiveness and sustainability
- Project continuation and follow up costs
- Effects of globalisation

The Schmitz Foundations Project expenditure 2011 by project type



Partner Countries

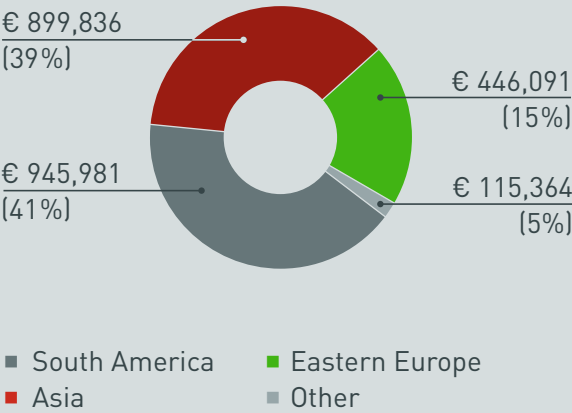
The Schmitz Foundations concentrate their support on projects in selected geographical regions.

This is intended to intensify collaboration with our local partners and target groups and ensure the best possible use of the funds and resources available.

In the report year 2011 projects were supported in the following partner countries:

- Asia:** Indonesia, Cambodia, Laos, Philippines, Sri Lanka, Vietnam
- South America:** Bolivia, Ecuador, Peru
- Eastern Europe:** Russian Federation, Moldavia

The Schmitz Foundations
Project Expenditure 2011 by region



Target Groups

The projects funded by the Schmitz Foundations are addressed to the needs of people who live in poverty and who, among the local population, are to be regarded as especially disadvantaged.

In poor regions there is often no organised supply of drinking water, no sewerage system, no secure accommodation and no access to schools or education. The lives of the poor are marked by the daily struggle for food and survival. Malnutrition and poor states of health are frequent symptoms of poverty.

As a result of their poverty these people are excluded totally or to a very large extent from participation in the social, economic and political life of their communities.

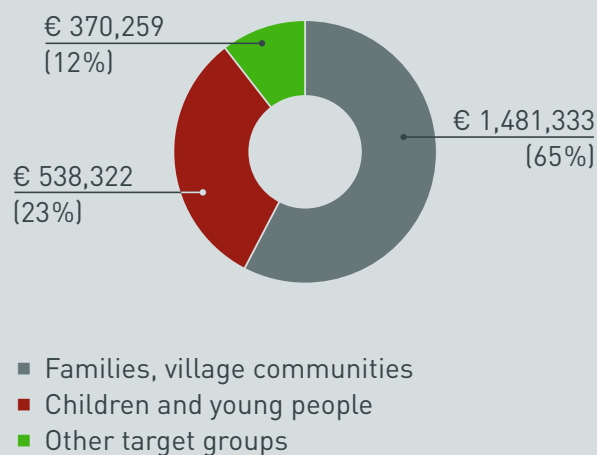
It is the aim of the projects we fund to reach as many people as possible so that aid benefits the maximum possible number of those in need. For this reason we prefer to support groups, such as village communities, cooperatives, or credit circles.

In addition we fund projects intended to bring lasting improvement to the situation of disadvantaged groups on the fringes of society, such as street children or orphans, youngsters from broken or damaged homes, those facing social exclusion, and other disadvantaged groups in the population.

Priority is given to supporting target groups that had already taken the initiative before the project began, and have, by their own efforts, demonstrated that they are especially interested in 'their' project.

High levels of their motivation, personal commitment and the willingness to share in decision-making during the planning and the implementation phase, are important preconditions for a successful outcome.

**The Schmitz Foundations
Project Expenditure 2011 by target group**



Cooperative Structures

The Schmitz Foundations do not themselves operate in the localities concerned, neither do they maintain their own infrastructure in the various partner countries. For this reason they are dependent on trustworthy and reliable local partner organisations.

With many projects, the Schmitz Foundations work in direct cooperation with NGOs registered as non-profit organisations in the partner country, which then take responsibility for, or carry out the project.

In addition, we number religious orders, local support organisations, small farmers' cooperatives, and village initiatives among our local partners. Our local project partners frequently specialise in a particular aspect or sector of aid work.

Among the Schmitz Foundations' most important partners in the western world are foundations, support agencies, associations and organisations with similar aims. Some of these organisations have their own infrastructures in particular project areas or work in cooperation with a network of local project partners.

For the Schmitz Foundations, major cooperation partners with their own local infrastructure and/or local experts are, for example:

- Association for International Cooperation (GIZ)
- Senior expert service (SES)
- Don Bosco Mondo, e.V., Bonn



Network and Partnership

These numerous forms of cooperation enable the Schmitz Foundations to approach the situation in the partner country and to address the plight and the needs of the local population in a very individual way.

Networks and partnerships create conditions in which to benefit from synergies, and guarantee that funding is properly targeted and used fairly, economically, and in a way that ensures that the aid reaches the target group.

Successful operation and collaboration can only develop if the Schmitz Foundations can thoroughly trust their partners. This requires a mutually respectful, open and honest dialogue on a partnership basis as well as a shared understanding about ways and means of fighting poverty in the area in question.

This is not to say that partnership is seen by the Schmitz Foundations in terms of blind trust. Rather we use references from network partners, efficient project monitoring, reliable and informative documentation reporting project progress and a sound accounting system, coupled with on-site visits, to ensure a basis on which trust and mutual understanding can grow over the course of years.

To ensure better coordination and utilisation of resources in development aid work, the Schmitz Foundations (WPS) are members of the major social and development aid policy associations, such as:

- Association of German NGOs (VENRO)
- German Joint Welfare Association (DPWV)
- Federal Association of German Foundations (BDS)

Effectiveness and Sustainability

For over 25 years the Schmitz Foundations have been playing an active role in helping people in need in selected regions of the developing world.

The Schmitz Foundations promote the efforts being made by the local population themselves in the development regions and support their own local independent activities. The Schmitz Foundations support sustainable self-help projects by providing the necessary impulses and start-up aid.

In over 4000 projects, the Schmitz Foundations have contributed to bringing about an all-round lasting improvement in the living conditions of many people around the globe.

The Schmitz Foundations attach great importance to continuously controlling the effectiveness of their projects in order to improve their quality and sustainability.

To take one example: together with network partners we carry out regular project evaluations and develop methods to assess the effectiveness of our projects.

Working together for development aid



In the future we intend to make the practical experience that the Schmitz Foundations have accumulated over many years available to others. The Schmitz Foundations plan to provide public access to their projects and activities.

We intend to gain new friends and supporters who take pleasure in following and supporting the work of the Foundations or who would like to implement their own projects in cooperation with the Schmitz Foundations.

The Schmitz Foundations see themselves as a bridge between the friends and supporters of the Schmitz Foundations and the people and projects in our partner countries.

As a result of their extensive knowledge and many years of experience in the field of development work, the Schmitz Foundations represent competent and reliable partners who will work side by side with all those who would like to become involved.

At present your involvement may take the following forms:

- Supporting our work by means of a donation or endowment
- Establishing your own foundation under the auspices of the Schmitz Foundations
- Independent service concerning the professional management of projects and foundations (www.projektservice-international.org)

Accounting

Preliminaries

The consolidated balance sheet and the profit and loss account of the the Schmitz Foundations contains, in shortened form, separate balances and profit and loss accounts for the W. P. Schmitz Foundation and the Schmitz-Hille Foundation in order to give a picture of the total assets, financial standing and the results of operations of the two Foundations. These are prepared and presented in accordance with the German and Swiss accounting regulations for non-profit foundations.

The figures of the previous year are presented correspondently. The consolidated annual accounts are presented in Euros. The balance sheet values of the Schmitz-Hille Foundation have been converted into Euros at the daily rate prevailing on 31.12.2011 (1 Euro = CHF 1.213906).

General Remarks

The annual accounts of the W. P. Schmitz Foundation have been drawn up under the terms of the regulations of the German Commercial Law Code (HGB) and the supplementary regulations for corporate entities in accordance with § 264 ff of the HGB and were adjusted in line with § 265 Section 5 HGB to the particular position of the Foundation.

The Schmitz Hille Foundations' accounts were rendered on the basis of the SWISS GAAP FER accounting recommendations.

Funding and Asset Development

The volume of the Schmitz Foundations' project budget is reconsidered and adjusted annually to take account of the prevailing financial situation.

The Schmitz Foundations' projects are implemented and funded from our own financial resources (from earnings and own assets) as well as from external contributions (external finance, grants, and donations).

An important partner in project funding of the Schmitz Foundations concerning public means is The German Ministry for Economic Cooperation and Development (BMZ).

Auditing and Auditors' Report

Both foundations are externally audited. An unqualified audit certification was issued for the financial reporting in the annual accounts 2011.

The Schmitz Foundations: Consolidated Balance Sheet

Year ending 31.12.2011

ASSETS	2011 Euro	2010 Euro
A Fixed Assets		
I. Intangibles	17,171.00	22,593.00
II. Property and Equipment	4,524,742.67	4,424,492.47
III. Financial Assets	11,704,358.08	13,751,336.89
B Working Assets		
I. Receivables and miscellaneous	154,502.22	228,775.25
II. Securities	779,084.11	777,552.19
III. Cash in hand, bank holdings	785,981.98	131,531.43
C Accruals and Deferrals	8,473.81	7,037.82
	17,974,313.87	19,343,319.05
LIABILITIES	2011 Euro	2010 Euro
A Capital		
I. Foundation Capital	926,045.39	901,964.73
II. Special Assets	556,635.50	564,185.50
III. Restricted reserves	14,536,433.50	15,930,835.66
IV. Unrestricted reserves	268,000.00	253,000.00
	16,287,114.39	17,649,985.89
B Reserves	25,405.44	27,081.31
C Liabilities	1,660,355.71	1,665,608.85
D Accruals and deferrals	1,438.33	643.00
	17,974,313.87	19,343,319.05

The Schmitz Foundations: Consolidated Profit and Loss Account

Reporting period 1st Jan to 31st Dec 2011

		2011		2010
	Euro	Euro	Euro	Euro
1 Revenues			1,564,237.83	1,327,633.97
2 Personnel Costs				
a) Wages and Salaries	279,670.68			285,914.96
b) Social Security	63,351.50	343,022.18		66,725.60
3 Depreciation of fixed assets		21,324.57		21,589.22
4 Other operating expenses				
a) Investment portfolio:				
losses and adjustments		710,742.05		370,236.66
b) Capital expenditure		130,896.46		184,465.55
c) General expenses		100,225.21		96,260.58
d) Public relations and publicity		25,261.92		18,153.46
5 Project finance		2,307,271.59	3,638,743.98	2,343,410.44
			-2,074,506.15	-2,059,122.50
6 Earnings from Investments	284,407.59			343,427.65
7 Interest and similar earnings	548.17	284,955.76		645.57
8 Interest and similar expenses		1,905.90	283,049.86	2,745.69
			-1,791,456.29	-1,717,794.97
9 Withdrawals from restricted reserves		1,806,456.29		1,731,794.97
10 Allocation to unrestricted reserves		15,000.00	1,791,456.29	14,000.00
11 Annual surplus			0.00	0.00

Consolidated Balance: Details

ASSETS

Intangibles (A I)

Refers to software purchased in the year 2010.

Property and Equipment (A II)

Refers to a property owned by the Schmitz Foundation which is rented out in Mönchengladbach. The scheduled depreciation for the building is 2% p.a. Additionally there are rents from parcels of land owned by the Schmitz-Hille Foundation (Switzerland). Both these items of real estate are externally managed.

Further the value and status of office equipment as listed in the inventory are shown.

Financial Assets (A III)

Consists of the value of the deposits and portfolios of the W. P. Schmitz Foundation (Deutsche Bank and Stadsparkasse Düsseldorf) and the Schmitz-Hille Foundation (Credit Suisse).

Receivables and Miscellaneous (B I)

Consists essentially of rent receivable, withholding tax, accrued interest and receivables from promised external funding (project costs provided)

Securities (B II)

Concerns securities held by the W. P. Schmitz Foundation, which, in accordance with a condition imposed by their donor at the time of their donation, are to be used for the work of the W. P. Schmitz Foundation within 15 to 20 years following their donation.

LIABILITIES

Foundation Capital (A I)

Consists of the Foundation Capital of the W. P. Schmitz Foundation (€ 102 K) and that of the Schmitz-Hille Foundation (CHF 1 million). The deviation to the previous year results from currency exchange rate changes.

Special Assets (A II)

The acquisition of the item of real estate in Mönchengladbach was made with the aim of securing the long-term work of the Foundation and hence was entered in the balance sheet as special assets.

Restricted reserves (A III)

The appropriate level of funding was earmarked for projects in the planning and pre-planning stage. The funds donated by the Founder are to be used for the purposes of the Foundation over a specified long-term period.

Unrestricted reserves (A IV)

The W. P. Schmitz Foundation, in accordance with §58 Section 7a of the German Fiscal code, has allocated, from the surplus of earnings over costs from the administration of the item of real estate in Mönchengladbach, a total sum of € 268 K to its unrestricted reserves. In the reporting year a sum for the amount of € 15 K has been allocated.

Reserves (B)

Reserves for accounting, the annual report, and auditing, outstanding staff vacation entitlements, office utility costs.

Liabilities (C)

Principally concerns outstanding payments for legally bindingly approved projects (€ 0.993 million) and funding for the real estate in Münsingen (CHF 800 K).

Consolidated Profit and Loss Account: Details

Profit and Loss Account

Revenues (1)

Are primarily composed of revenues from the the sale and appreciation of securities (ca. € 276 K). Grants from the German Ministry for Economic Cooperation and Development (ca. € 939 K) and surpluses from the renting out of real estate in Münsingen (CHF 221 K) and Mönchengladbach (ca. € 56 K) as well as donations earmarked to specific projects and open donations (ca. € 72 K).

Personnel Costs (2)

It should be noted that the overwhelming proportion of expenses for staff and other operating expenses directly concern appropriate and professional project management.

Depreciation of fixed assets (3)

Comprises the depreciation of the rented property in Mönchengladbach (ca. € 7.5 K) and of fixed assets and office equipment (ca. € 14 K). As stipulated in the Swiss accounting regulations no depreciation was entered for the real estate in Münsingen.

Other operating expenses (4)

Concerns reporting date adjustments on the basis of the lowest value principle to the securities portfolio (€ 604 K) and the loss incurred through sales (€ 107 K) plus portfolio management costs (€ 131 K), general expenses (premises and equipment € 100 K) as well as PR and publicity (€ 25 K).

Project finance (5)

This item concerns the expenditure (ca. € 2.31 million) through the bank accounts of the Schmitz Foundations as well as liabilities for projects already approved and confirmed by the Executive and/or Board of Trustees.

Earnings from Investments (6)

Interest and dividends from the security portfolios of the W.P.Schmitz Foundation and the Schmitz-Hille Foundation.

Interest and similar expenses (8)

Concerns accrued interest paid, and interim earnings from the fixed-interest securities purchased during the reporting period.

Withdrawals from restricted reserves (9)

Withdrawals from earmarked reserves for the purpose of project funding.



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