

THE DIETRICH W. BOTSTIBER FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

RIMMER & JENNINGS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
MEDIA, PENNSYLVANIA

THE DIETRICH W. BOTSTIBER FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

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Independent Auditor's Report

To the Trustees of
The Dietrich W. Botstiber Foundation
Media, Pennsylvania

We have audited the accompanying financial statements of The Dietrich W. Botstiber Foundation (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

The Trustees
The Dietrich W. Botstiber Foundation
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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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dietrich W. Botstiber Foundation as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rimmer + Jennings, LLC

June 15, 2015
Media, Pennsylvania

THE DIETRICH W. BOTSTIBER FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014

ASSETS

ASSETS	
Cash and cash equivalents	\$ 654,779
Investments	34,234,578
Accrued dividends	15,485
Prepaid rent	4,158
Furniture and equipment, net	3,079
Beneficial interest in charitable remainder annuity trust	<u>1,875,078</u>
 TOTAL ASSETS	 <u><u>\$36,787,157</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued payroll	\$ 4,122
Federal excise tax payable	1,137
Grants payable	191,745
Deferred federal excise tax	<u>183,964</u>
Total Liabilities	380,968
 NET ASSETS	
Unrestricted	34,531,111
Temporarily restricted	<u>1,875,078</u>
Total Net Assets	<u><u>36,406,189</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$36,787,157</u></u>

See accompanying notes

THE DIETRICH W. BOTSTIBER FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Dividends and interest	\$ 754,694		\$ 754,694
Gain on investments	4,907,018		4,907,018
Other investment income	7,643		7,643
Change in value of charitable remainder annuity trust		384,902	384,902
Total Revenues and Support	<u>5,669,355</u>	<u>384,902</u>	<u>6,054,257</u>
EXPENSES			
Program Services			
Scholarships	484,806		484,806
Austrian-American Studies	271,092		271,092
Humanitarian	218,828		218,828
Animal Protection	17,000		17,000
Other	50,600		50,600
Program management	106,247		106,247
Total Program Services	<u>1,148,573</u>	<u>-</u>	<u>1,148,573</u>
General and administrative	71,647		71,647
Investment advisory fees	144,758		144,758
Federal excise tax	110,560		110,560
Foreign taxes on dividend income	15,847		15,847
Total Expenses	<u>1,491,385</u>	<u>-</u>	<u>1,491,385</u>
CHANGE IN NET ASSETS	\$ 4,177,970	\$ 384,902	\$ 4,562,872
NET ASSETS -			
at beginning of year	<u>30,353,141</u>	<u>1,490,176</u>	<u>31,843,317</u>
at end of year	<u>\$34,531,111</u>	<u>\$1,875,078</u>	<u>\$36,406,189</u>

See accompanying notes

THE DIETRICH W. BOTSTIBER FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 4,562,872
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,408
Gain on investments	(4,907,018)
Change in value of interest in charitable remainder trust	(384,902)
Increase in accrued dividends	(6,589)
Increase in prepaid rent	(149)
Increase in accounts payable and accrued payroll	1,511
Decrease in accrued excise tax	(3,789)
Decrease in grants payable	(286,495)
Increase in deferred federal excise tax	74,349
Net Cash Used by Operating Activities	<u>(948,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investments	(8,324,017)
Sales of investments	7,894,551
Capital gain distributions	240,185
Partnerships distributions and other	159,801
Purchase of equipment	(632)
Net Cash Used by Investing Activities	<u>(30,112)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(978,914)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,633,693</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 654,779</u>

See accompanying notes

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1 ORGANIZATION

The Dietrich W. Botstiber Foundation (the Foundation) is a Pennsylvania Trust formed in September 1995 by Dietrich W. Botstiber 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.

Mr. Botstiber, who died on December 21, 2002, is the sole contributor to the Foundation. Investment earnings are used to support the Foundation's programs which include the Botstiber Scholars Program, the Botstiber Institute for Austrian-American Studies, and the Fund for Food Security. Under the Internal Revenue Code the Foundation is required to distribute for charitable purposes a minimum annual investment return of 5%, as defined in the Code, by the end of its next fiscal year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

Under generally accepted accounting principles (GAAP) the Foundation is required to use the accrual basis of accounting and to report its activities and net assets according to three categories: unrestricted, temporarily restricted and permanently restricted depending on the existence and nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers money market accounts and cash funds held by brokers to be cash equivalents. At August 31, 2014 the Foundation had cash deposit accounts of

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents, continued

\$501,064, which exceeded federal deposit insurance limits. Cash funds and securities held by brokers are not covered by federal deposit insurance.

Investments

Investments in equities and fixed income securities are carried at fair value based on quoted market prices in active markets, which has the highest priority under the fair value hierarchy and is categorized as Level 1. Investments in private equity partnerships are carried at the amount reported by the partnership at December 31, 2013 using generally accepted accounting principles increased by capital contributions and decreased by partner withdrawals since December 31, 2013. Gain on investments includes both realized and unrealized gains, and capital gain distributions.

Due to overall volatility risk associated with investments, it is reasonably possible that changes in the value of assets will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Furniture and Equipment

Furniture and equipment are valued at cost, if purchased or fair value, if donated. The Foundation's furniture and equipment is depreciated over five to seven years using the straight line method of depreciation. Assets purchased with a life expectancy greater than one year are capitalized. At August 31, 2014 the cost of furniture and equipment was \$12,624 and accumulated depreciation was \$9,545.

Commitments

The Foundation has formally agreed to pay grants to a University to fund tuition and related expenses for undergraduate programs which were not funded at year-end. It was determined these commitments were also present at the beginning of the Foundation's fiscal year and required a prior period adjustment (Note 8).

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Taxes

The Foundation is a tax exempt private foundation under Section 501c(3). However, the Foundation is subject to income tax on unrelated business income and pays a 2% excise tax on its net realized investment income. The Foundation accounts for excise taxes on the accrual method of accounting, however taxes on unrelated income are not material and are recorded when paid.

Deferred excise taxes arise from unrealized gains and other income recognition timing differences between financial statement and tax reporting.

The Foundation's tax returns are generally subject to examination by the Internal Revenue Service for a period of three years.

Use of Estimates

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 those estimates.

Subsequent Events

The Foundation has evaluated all events subsequent to the balance sheet date of August 31, 2014 through June 15, 2015, which is the date the financial statements were available to be issued, and has determined there are no subsequent events that require disclosure under the Subsequent Events Topic of the FASB ASC.

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 3 INVESTMENTS

Investments at August 31, 2014, are held at brokerage firms under managed account agreements and consist of the following:

Mutual funds	\$ 21,997,622
Exchange-traded funds	6,102,894
Common stock	5,515,997
Real estate investment trusts	320,391
Private equity partnerships	297,674
Total	<u>\$ 34,234,578</u>

NOTE 4 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation is the remainder beneficiary of a charitable remainder annuity trust established by Mr. Botstiber in September 1995 and funded upon his death in December 2002 with assets of \$2,667,000. The Trust provides the lifetime beneficiary with an annual annuity of \$133,350, 5% of the assets placed in trust.

The Foundation values its beneficial interest at the net present value of its expected future benefit based upon the actuarially determined life expectancy of the income beneficiary and a discount rate of 2.2%.

The beneficial interest is included in temporarily restricted net assets due to the time restriction associated with a future benefit.

Additionally, the Foundation is the remainder beneficiary of another trust established by Mr. Botstiber. However, the beneficial interest has not been recorded as the trustees have discretionary power to spend all assets of the trust. The estimated value of the trust was approximately \$400,000 at August 31, 2014.

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 5 GRANTS PAYABLE

The following summarizes grants payable for the year ended August 31, 2014:

Balance, at beginning of year	\$ 478,240
Grants appropriated, net of cancellations	963,505
Grants paid	<u>(1,250,000)</u>
Balance, at end of year	<u>\$ 191,745</u>

NOTE 6 OPERATING LEASE

The Foundation leases its office space, located in Media, Pennsylvania, under a non-cancellable operating lease expiring in June 30, 2020. Rent expense for the year ending August 31, 2014 was \$12,459. Future minimum rental payments due under the lease for the years ending August 31 are as follows:

2015	\$ 8,378
2016	12,848
2017	12,913
2018	13,234
2019	13,278
2020	<u>11,028</u>
	<u>\$71,679</u>

NOTE 7 FEDERAL TAXES

The Foundation's federal excise tax expense for the year ended August 31, 2014 consisted of current excise tax expense of \$36,211 and deferred excise tax of \$74,349 for unrealized gain on investments.

The Foundation had unrelated business income arising from a private equity partnership interest for the year ended August 31, 2014 and the liability is estimated to be approximately \$500.

THE DIETRICH W. BOTSTIBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 8 PRIOR PERIOD ADJUSTMENTS

The Foundation's financial statements as of August 31, 2013 contained the following errors: (1) a beneficial interest in a charitable remainder annuity trust in the amount of \$1,490,176 was not recorded, (2) grants payable in the amount of \$478,240 were not recorded, (3) federal excise tax liabilities of \$114,541 were not recorded, and (4) accrued dividend income of \$8,896 was not recorded. To correct the aggregate effect of the errors beginning net assets as of September 1, 2013 have been increased by \$906,291 (temporarily restricted net assets increased by \$1,490,176, and unrestricted net assets decreased by \$583,885).