

# THE DIETRICH W. BOTSTIBER FOUNDATION

Financial Statements

Years Ended August 31, 2015 and 2014



## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Dietrich W. Botstiber Foundation (the "Foundation"), which comprise the statement of financial position as of August 31, 2015, 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; 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. Those standards require that we 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. 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. In making those risk assessments, the auditor considers 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. 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, 2015, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



**Prior Period Financial Statements**

The financial statements as of August 31, 2014 and for the year then ended, were audited by other auditors, whose report dated June 15, 2015, expressed an unmodified opinion on those statements.

*Wipfli LLP*

October 11, 2016  
Media, Pennsylvania

# The Dietrich W. Botstiber Foundation

## Statements of Financial Position

<i>As of August 31, 2015 and 2014</i>	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 893,288	\$ 654,779
Investments	31,202,753	34,234,578
Accrued dividends	21,278	15,485
Prepaid rent	4,283	4,158
Prepaid federal excise tax	34,840	-
Furniture and equipment, net	3,432	3,079
Beneficial interest in charitable remainder annuity trust	1,669,399	1,875,078
<b>Total Assets</b>		
	<b>\$ 33,829,273</b>	<b>\$ 36,787,157</b>
<b>LIABILITIES</b>		
Accounts payable and accrued payroll	\$ 36,211	\$ 4,122
Federal excise tax payable	-	1,137
Grants payable	-	191,745
Deferred federal excise tax	121,814	183,964
<b>Total Liabilities</b>		
	<b>158,025</b>	<b>380,968</b>
<b>NET ASSETS</b>		
Unrestricted	32,001,849	34,531,111
Temporarily restricted	1,669,399	1,875,078
<b>Total Net Assets</b>		
	<b>33,671,248</b>	<b>36,406,189</b>
<b>Total Liabilities and Net Assets</b>		
	<b>\$ 33,829,273</b>	<b>\$ 36,787,157</b>

See Accompanying Notes to Financial Statements.

# The Dietrich W. Botstiber Foundation

## Statement of Activities

<i>Year Ended August 31, 2015</i>	2015		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND GAINS</b>			
Dividend and interest income	\$ 838,585	\$ -	838,585
Net realized and unrealized loss on investments	(1,698,602)	-	(1,698,602)
Other income	5,226	-	5,226
Change in value of charitable remainder annuity trust	-	(205,679)	(205,679)
Total Revenues and Gains	(854,791)	(205,679)	(1,060,470)
<b>EXPENSES</b>			
Program Services			
Scholarships	566,923	-	566,923
Austrian-American studies	242,263	-	242,263
Humanitarian	287,699	-	287,699
Animal protection	145,541	-	145,541
Other	65,600	-	65,600
Program management	129,059	-	129,059
Total Program Services	1,437,085	-	1,437,085
General and administrative	89,282	-	89,282
Investment advisory fees	161,464	-	161,464
Federal excise tax (benefit)	(42,627)	-	(42,627)
Foreign taxes on dividend income	29,267	-	29,267
Total Expenses	1,674,471	-	1,674,471
CHANGE IN NET ASSETS	(2,529,262)	(205,679)	(2,734,941)
NET ASSETS - BEGINNING OF THE YEAR	34,531,111	1,875,078	36,406,189
NET ASSETS - END OF THE YEAR	\$ 32,001,849	\$ 1,669,399	\$ 33,671,248

See Accompanying Notes to Financial Statements.

# The Dietrich W. Botstiber Foundation

## Statement of Activities

<i>Year Ended August 31, 2014</i>	2014		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND GAINS</b>			
Dividends and interest	\$ 754,694	\$ -	\$ 754,694
Net realized and unrealized gain on investments	4,907,018	-	4,907,018
Other income	7,643	-	7,643
Change in value of charitable remainder annuity trust	-	384,902	384,902
<b>Total Revenues and Gains</b>	<b>5,669,355</b>	<b>384,902</b>	<b>6,054,257</b>
<b>EXPENSES</b>			
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
<b>Total Program Services</b>	<b>1,148,573</b>	<b>-</b>	<b>1,148,573</b>
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
<b>Total Expenses</b>	<b>1,491,385</b>	<b>-</b>	<b>1,491,385</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,177,970</b>	<b>384,902</b>	<b>4,562,872</b>
<b>NET ASSETS - BEGINNING OF THE YEAR</b>	<b>30,353,141</b>	<b>1,490,176</b>	<b>31,843,317</b>
<b>NET ASSETS - END OF THE YEAR</b>	<b>\$ 34,531,111</b>	<b>\$ 1,875,078</b>	<b>\$ 36,406,189</b>

See Accompanying Notes to Financial Statements.

# The Dietrich W. Botstiber Foundation

## Statements of Cash Flows

<i>Years Ended August 31, 2015 and 2014</i>	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,734,941)	\$ 4,562,872
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,631	1,408
Net realized and unrealized (gain) loss on investments	1,698,602	(4,907,018)
Change in value of interest in charitable remainder annuity trust	205,679	(384,902)
(Increase) decrease in assets:		
Accrued dividends	(5,793)	(6,589)
Prepaid rent	(125)	(149)
Prepaid federal excise tax	(34,840)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued payroll	32,089	1,511
Federal excise tax payable	(1,137)	(3,789)
Grants payable	(191,745)	(286,495)
Deferred federal excise tax	(62,150)	74,349
<b>Net Cash Used in Operating Activities</b>	<b>(1,092,730)</b>	<b>(948,802)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,826,473)	(8,324,017)
Sales of investments	6,053,240	8,134,736
Investment distributions	106,456	159,801
Purchase of furniture and equipment	(1,984)	(632)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,331,239</b>	<b>(30,112)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>238,509</b>	<b>(978,914)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>	<b>654,779</b>	<b>1,633,693</b>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<b>\$ 893,288</b>	<b>\$ 654,779</b>

See Accompanying Notes to Financial Statements.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies**

This summary of significant accounting policies of The Dietrich W. Botstiber Foundation (the "Foundation") is presented to assist in understanding the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity.

#### **Organization and Activities**

The Foundation is a Pennsylvania Trust founded 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, was 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.

#### **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

#### **Basis of Presentation**

The Foundation's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that require the net assets to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets as of August 31, 2015 and 2014.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Concentration of Credit Risk**

The Foundation's principal financial instruments subject to credit risk are its cash, cash equivalents and investments. The Foundation maintains cash and cash equivalents at financial institutions located in the Philadelphia, Pennsylvania area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") or by the Securities Investor Protection Corporation ("SIPC"). The Foundation holds cash and cash equivalents, which exceeded insured limits as of August 31, 2015, by approximately \$618,000.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Historically, the Foundation has not incurred any significant credit-related losses and believes it is not exposed to any significant risk on its concentrations.

#### **Cash and Cash Equivalents**

The Foundation considers all short-term debt securities with an original maturity of three months or less to be cash equivalents.

#### **Investment Valuation and Income Recognition**

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value based on quoted market prices. Other investments consist of alternative investments which include limited partnerships invested in private equity investment funds. As there is no ready market for alternative investments, they are valued at net asset value. The Foundation reviews and evaluates the values provided by the general partner or investment manager and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Unrealized gains and losses on investments resulting from market fluctuations are reported in the statement of activities in the period that such fluctuations occur.

The Foundation uses the specific identification method in determining realized gains or losses reported on the statement of activities. Unrealized gains and losses on investments resulting from market fluctuations are reported in the statement of activities in the period that such fluctuations occur. Dividends are recorded on the ex-dividend date. All gains and losses and investment income are unrestricted.

#### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, otherwise known as the "exit price" in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurement.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Furniture and Equipment**

Furniture and equipment are stated at cost and are depreciated using the straight-line method of depreciation over the estimated useful lives, ranging from 5 to 7 years.

#### **Grants**

Grants are recognized when they are approved by the Board of Trustees for payment, provided the grant is not subject to future contingencies. Grants payable represents all unconditional grants that have been authorized prior to year end, but remain unpaid as of the statement of financial position date. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

#### **Income Taxes**

The Foundation is exempt from federal income taxes and is classified as a private foundation under Section 501(c)(3) of the Internal Revenue Code. It is subject to a 2% (or 1% if certain criteria are met) federal excise tax on net investment income, including net realized gains, as defined by the IRS. The deferred provision for federal excise tax represents the projected future tax liability on the temporary difference caused by the unrealized appreciation (depreciation) on investments. Deferred excise taxes were provided at 2% as of August 31, 2015 and 2014 resulting in a deferred tax provision (benefit) of approximately (\$62,000) and \$74,000 for the years ended August 31, 2015 and 2014, respectively. The current provision for excise tax expense was approximately \$20,000 and \$36,000 for the years ended August 31, 2015 and 2014, respectively.

In addition, income from certain investment activities not directly related to the Foundation's tax-exempt purpose is subject to federal income tax as unrelated business income.

The Foundation accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of "more-likely-than-not" to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met.

The Foundation's federal tax returns of Private Foundation for fiscal 2014, 2013 and 2012 remain subject to examination by the Internal Revenue Service.

The Foundation's policy is to recognize interest and penalties, if any, related to taxes in interest expense. As of August 31, 2015, the Foundation believes there are no uncertain tax positions.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### Note 2: Fair Value Measurements

The Foundation uses the three tier fair value hierarchy as a basis for its assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted market prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds and Exchange traded funds:* Valued based on quoted market prices in active markets.

*Common stock:* Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

*Private equity:* Private equity investments are valued based on the ending capital account balance at calendar year end 2013 and 2014 less subsequent activity. The amounts recorded approximate fair value. The Foundation has \$69,300 of unfunded commitments at August 31, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

### Note 2: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets measured at fair value on a recurring basis as of August 31, 2015:

As of August 31, 2015	Total Assets at Fair Value	(Level 1)	(Level 2)	(Level 3)
<b>Mutual and exchange-traded funds</b>				
Equity	\$ 13,990,010	\$ 13,990,010	\$ -	-
Fixed income	6,593,741	6,593,741	-	-
International equity	5,645,665	5,645,665	-	-
<b>Common stock</b>				
Consumer goods and services	2,642,980	2,642,980	-	-
Energy	958,783	958,783	-	-
Information technology and telecommunication companies	528,020	528,020	-	-
Real Estate	461,990	461,990	-	-
Healthcare	125,600	125,600	-	-
Other	64,746	64,746	-	-
Private equity partnerships	191,218	-	-	191,218
<b>Total</b>	<b>\$ 31,202,753</b>	<b>\$ 31,011,535</b>	<b>\$ -</b>	<b>\$ 191,218</b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets measured at fair value on a recurring basis as of August 31, 2014:

As of August 31, 2014	Total Assets at Fair Value	(Level 1)	(Level 2)	(Level 3)
<b>Mutual and exchange-traded funds</b>				
Equity	\$ 16,267,854	\$ 16,267,854	\$ -	-
Fixed income	6,810,218	6,810,218	-	-
International equity	5,022,443	5,022,443	-	-
<b>Common stock</b>				
Consumer goods and services	2,217,096	2,217,096	-	-
Information technology and telecommunication companies	969,701	969,701	-	-
Healthcare	680,981	680,981	-	-
Energy	620,291	620,291	-	-
Gold/silver	347,508	347,508	-	-
Real estate	320,391	320,391	-	-
Industrials	306,602	306,602	-	-
Materials	262,717	262,717	-	-
Other	111,102	111,102	-	-
Private equity partnerships	297,674	-	-	297,674
<b>Total</b>	<b>\$ 34,234,578</b>	<b>\$ 33,936,904</b>	<b>\$ -</b>	<b>\$ 297,674</b>

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### Note 2: Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended August 31, 2015 and 2014:

	Private Equity
Balance at September 1, 2013	\$ 380,674
Distributions	(83,000)
Balance at August 31, 2014	297,674
Distributions	(106,456)
Balance at August 31, 2015	\$ 191,218

### Note 3: Furniture and Equipment, Net

A summary of furniture and equipment is as follows as of August 31:

<i>Years Ended August 31, 2015 and 2014</i>	2015	2014
Furniture, fixtures, and equipment	\$ 14,608	\$ 12,624
Less: accumulated depreciation	(11,176)	(9,545)
Furniture and equipment, net	\$ 3,432	\$ 3,079

Depreciation expense was \$1,631 and \$1,408 for the years ended August 31, 2015 and 2014, respectively.

# The Dietrich W. Botstiber Foundation

## Notes to Financial Statements

---

### 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 \$333,000 and \$400,000 at August 31, 2015 and 2014, respectively.

### Note 5: Operating Leases

The Foundation leases its office space, located in Media, Pennsylvania, under a non-cancelable operating lease expiring in June 30, 2020. Rent paid for the years ended August 31, 2015 and 2014 was \$12,618 and \$12,459, respectively.

Minimum future rental payments under the operating lease for each of the next five years and in the aggregate, as of August 31, 2015, are as follows:

<i>Year Ending August 31,</i>	
2016	\$ 14,276
2017	14,347
2018	14,704
2019	14,753
2020	12,253
Total	\$ 70,333

### Note 6: Subsequent Events

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through October 11, 2016, the date the financial statements were available to be issued.