

THE DIETRICH W. BOTSTIBER FOUNDATION

Financial Statements

Years Ended August 31, 2018 and 2017



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 statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

April 14, 2019
Philadelphia, Pennsylvania

The Dietrich W. Botstiber Foundation

Statements of Financial Position

<i>As of August 31, 2018 and 2017</i>	2018	2017
ASSETS		
Cash and cash equivalents	\$ 652,960	\$ 1,020,134
Investments	36,071,795	33,935,225
Accrued dividends	8,603	10,857
Prepaid rent and expenses	14,999	5,860
Prepaid federal excise tax	-	9,362
Prepaid foreign tax	34,110	-
Furniture and equipment, net	26,607	16,128
Beneficial interest in charitable remainder annuity trust	2,090,867	1,957,939
Total Assets	\$ 38,899,941	\$ 36,955,505
LIABILITIES		
Accounts payable and accrued payroll	\$ 19,671	\$ 26,919
Federal excise tax payable	21,079	-
Grants payable, net	1,653,073	1,557,699
Deferred federal excise tax	196,180	86,949
Total Liabilities	1,890,003	1,671,567
NET ASSETS		
Unrestricted	34,919,071	33,325,999
Temporarily restricted	2,090,867	1,957,939
Total Net Assets	37,009,938	35,283,938
Total Liabilities and Net Assets	\$ 38,899,941	\$ 36,955,505

See Accompanying Notes to Financial Statements

The Dietrich W. Botstiber Foundation

Statement of Activities

<i>Year Ended August 31, 2018</i>	2018		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS			
Dividend and interest income	\$ 848,878	\$ -	\$ 848,878
Net realized and unrealized gain on investments	2,778,946	-	2,778,946
Other income	15,652	-	15,652
Change in value of charitable remainder annuity trust	-	132,928	132,928
Total Revenues and Gains	3,643,476	132,928	3,776,404
EXPENSES			
Program Services			
Scholarships	837,609	-	837,609
Austrian-American studies	294,457	-	294,457
Humanitarian	6,762	-	6,762
Animal protection	168,045	-	168,045
Other	81,180	-	81,180
Program management	53,363	-	53,363
Total Program Services	1,441,416	-	1,441,416
General and administrative	250,800	-	250,800
Investment advisory fees	126,227	-	126,227
Federal excise tax	182,361	-	182,361
Foreign taxes on dividend income	49,600	-	49,600
Total Expenses	2,050,404	-	2,050,404
CHANGE IN NET ASSETS	1,593,072	132,928	1,726,000
NET ASSETS - BEGINNING OF THE YEAR	33,325,999	1,957,939	35,283,938
NET ASSETS - END OF THE YEAR	\$ 34,919,071	\$ 2,090,867	\$ 37,009,938

See Accompanying Notes to Financial Statements

The Dietrich W. Botstiber Foundation

Statement of Activities

<i>Year Ended August 31, 2017</i>	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS			
Dividends and interest	\$ 776,954	\$ -	\$ 776,954
Net realized and unrealized gain on investments	2,971,006	-	2,971,006
Other income	163	-	163
Change in value of charitable remainder annuity trust	-	210,349	210,349
Total Revenues and Gains	3,748,123	210,349	3,958,472
EXPENSES			
Program Services			
Scholarships	1,390,775	-	1,390,775
Austrian-American studies	252,140	-	252,140
Humanitarian	23,513	-	23,513
Animal protection	341,727	-	341,727
Other	70,300	-	70,300
Program management	224,680	-	224,680
Total Program Services	2,303,135	-	2,303,135
General and administrative	73,232	-	73,232
Investment advisory fees	159,043	-	159,043
Federal excise tax (benefit)	(40,496)	-	(40,496)
Foreign taxes on dividend income	28,560	-	28,560
Total Expenses	2,523,474	-	2,523,474
CHANGE IN NET ASSETS	1,224,649	210,349	1,434,998
NET ASSETS - BEGINNING OF THE YEAR	32,101,350	1,747,590	33,848,940
NET ASSETS - END OF THE YEAR	\$ 33,325,999	\$ 1,957,939	\$ 35,283,938

See Accompanying Notes to Financial Statements

The Dietrich W. Botstiber Foundation

Statements of Cash Flows

<i>Years Ended August 31, 2018 and 2017</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,726,000	\$ 1,434,998
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,529	2,337
Net realized and unrealized gain on investments	(2,778,946)	(2,971,006)
Change in value of interest in charitable remainder annuity trust	(132,928)	(210,349)
(Increase) decrease in assets:		
Accrued dividends	2,254	1,322
Prepaid rent and expenses	(9,139)	(1,577)
Prepaid federal excise tax	9,362	26,849
Prepaid foreign tax	(34,110)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued payroll	(7,248)	13,938
Federal excise tax payable	21,079	-
Grants payable, net	95,374	801,417
Deferred federal excise tax	109,231	(66,506)
Net Cash Used in Operating Activities	(993,542)	(968,577)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,593,260)	(7,537,851)
Sales of investments	6,235,636	8,431,687
Purchase of furniture and equipment	(16,008)	(12,484)
Net Cash Provided by Investing Activities	626,368	881,352
CHANGE IN CASH AND CASH EQUIVALENTS	(367,174)	(87,225)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	1,020,134	1,107,359
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 652,960	\$ 1,020,134

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. 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, 2018 and 2017.

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"). At certain times during the year, cash balances may be in excess of FDIC or SIPC coverage when the Foundation is anticipating to make distributions to grantees. The Foundation holds cash and cash equivalents, which exceeded insured limits as of August 31, 2018, by approximately \$242,000.

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. Investments in private equity partnerships are valued at the capital balance less subsequent activity which approximates fair value. 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. 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 of 3 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% and 1% as of August 31, 2018 and 2017, respectively, resulting in a deferred tax provision (benefit) of approximately \$109,000 and (\$67,000) for the years ended August 31, 2018 and 2017, respectively. The current provision for excise tax expense was approximately \$47,500 and \$26,000 for the years ended August 31, 2018 and 2017, 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 2017, 2016, and 2015 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 general and administrative expense. As of August 31, 2018, the Foundation believes there are no uncertain tax positions.

The Dietrich W. Botstiber Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

On August 18, 2016, the FASB issued ASU No. 2016-14 (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The guidance in this ASU is effective for the Foundation's year ending August 31, 2019, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Foundation is currently in the process of determining the impact of the new standard, and has not elected to early implement the amendments.

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.

The Dietrich W. Botstiber Foundation

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

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 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, 2018:

As of August 31, 2018	Total Assets at			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual and exchange-traded funds				
Equity	\$ 16,440,760	\$ 16,440,760	\$ -	\$ -
International equity	8,769,051	8,769,081	-	-
Fixed income	5,609,845	5,609,845	-	-
Common stock				
Consumer goods and services	2,144,615	2,144,615	-	-
Energy	1,505,542	1,505,542	-	-
Information technology and telecommunication companies	319,357	319,357	-	-
Real estate	114,789	114,789	-	-
Healthcare	105,690	105,690	-	-
Financial services	110,049	110,049	-	-
Industrials	625,190	625,190	-	-
Other	326,877	326,877	-	-
Total	\$ 36,071,765	\$ 36,071,795	\$ -	\$ -

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, 2017:

As of August 31, 2017	Total Assets at Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual and exchange-traded funds				
Equity	\$ 14,819,878	\$ 14,819,878	\$ -	\$ -
International equity	8,123,438	8,123,438	-	-
Fixed Income	6,134,915	6,134,915	-	-
Common stock				
Consumer goods and services	2,006,907	2,006,907	-	-
Energy	1,244,687	1,244,687	-	-
Information technology and telecommunication companies	578,985	578,985	-	-
Real estate	294,922	294,922	-	-
Healthcare	282,020	282,020	-	-
Financial services	172,606	172,606	-	-
Industrials	153,509	153,509	-	-
Other	123,358	123,358	-	-
Total	\$ 33,935,225	\$ 33,935,225	\$ -	\$ -

Note 3: Furniture and Equipment, Net

A summary of furniture and equipment is as follows as of August 31, 2018 and 2017:

<i>Years Ended August 31, 2018 and 2017</i>	2018	2017
Furniture, fixtures, and equipment	\$ 47,714	\$ 31,706
Less: accumulated depreciation	(21,107)	(15,578)
Furniture and equipment, net	\$ 26,607	\$ 16,128

Depreciation expense was \$5,529 and \$2,337 for the years ended August 31, 2018 and 2017, 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 \$201,000 and \$298,000 at August 31, 2018 and 2017, respectively.

Note 5: Grants Payable, Net

Grants payable, net consisted of the following at August 31:

<i>As of August 31, 2018 and 2017</i>	2018	2017
Payable in less than one year	\$ 136,802	\$ 587,844
Payable in one to five years	1,540,104	982,091
	1,676,906	1,569,935
Less discount on long-term grants payable	(23,833)	(12,236)
Total	\$ 1,653,073	\$ 1,557,699

Grants payable as of August 31, 2018 and 2017 were discounted using the rate of 0.92%.

The Dietrich W. Botstiber Foundation

Notes to Financial Statements

Note 6: Operating Leases

The Foundation leases its office space, located in Media, Pennsylvania, under a noncancelable operating lease expiring in June 30, 2020. Rent paid for the years ended August 31, 2018 and 2017 was \$26,501 and \$14,055, respectively.

Minimum future rental payments under the operating lease for each of the next two years and in the aggregate, as of August 31, 2018, are as follows:

<i>Year Ending August 31,</i>		
2019	\$	35,377
2020		36,161
Total	\$	71,538

Note 7: Subsequent Events

In preparing these financial statements, management of the Foundation has evaluated events and transactions for potential recognition or disclosure through April 14, 2019 the date the financial statements were available to be issued.