

THE DIETRICH W. BOTSTIBER FOUNDATION

Financial Statements

Years Ended August 31, 2016 and 2015



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, 2016 and 2015, 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, 2016 and 2015, 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 25, 2017
Philadelphia, Pennsylvania

The Dietrich W. Botstiber Foundation

Statements of Financial Position

<i>As of August 31, 2016 and 2015</i>	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,107,359	\$ 893,288
Investments	31,858,055	31,202,753
Accrued dividends	12,179	21,278
Prepaid rent	4,283	4,283
Prepaid federal excise tax	36,211	34,840
Furniture and equipment, net	5,981	3,432
Beneficial interest in charitable remainder annuity trust	1,747,590	1,669,399
Total Assets	\$ 34,771,658	\$ 33,829,273
LIABILITIES		
Accounts payable and accrued payroll	\$ 12,981	\$ 36,211
Grants payable, net	756,282	-
Deferred federal excise tax	153,455	121,814
Total Liabilities	922,718	158,025
NET ASSETS		
Unrestricted	32,101,350	32,001,849
Temporarily restricted	1,747,590	1,669,399
Total Net Assets	33,848,940	33,671,248
Total Liabilities and Net Assets	\$ 34,771,658	\$ 33,829,273

See Accompanying Notes to Financial Statements

The Dietrich W. Botstiber Foundation

Statement of Activities

<i>Year Ended August 31, 2016</i>	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS			
Dividend and interest income	\$ 749,070	\$ -	749,070
Net realized and unrealized gain on investments	1,960,070	-	1,960,070
Other income	191	-	191
Change in value of charitable remainder annuity trust	-	78,191	78,191
Total Revenues and Gains	2,709,331	78,191	2,787,522
EXPENSES			
Program Services			
Scholarships	998,250	-	998,250
Austrian-American studies	305,274	-	305,274
Humanitarian	26,713	-	26,713
Animal protection	758,500	-	758,500
Other	63,000	-	63,000
Program management	192,579	-	192,579
Total Program Services	2,344,316	-	2,344,316
General and administrative	57,456	-	57,456
Investment advisory fees	146,889	-	146,889
Federal excise tax	42,270	-	42,270
Foreign taxes on dividend income	18,899	-	18,899
Total Expenses	2,609,830	-	2,609,830
CHANGE IN NET ASSETS	99,501	78,191	177,692
NET ASSETS - BEGINNING OF THE YEAR	32,001,849	1,669,399	33,671,248
NET ASSETS - END OF THE YEAR	\$ 32,101,350	\$ 1,747,590	\$ 33,848,940

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
REVENUES AND GAINS			
Dividends and interest	\$ 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)
EXPENSES			
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

Statements of Cash Flows

<i>Years Ended August 31, 2016 and 2015</i>	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 177,692	\$ (2,734,941)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,065	1,631
Net realized and unrealized (gain) loss on investments	(1,960,070)	1,698,602
Change in value of interest in charitable remainder annuity trust	(78,191)	205,679
(Increase) decrease in assets:		
Accrued dividends	9,099	(5,793)
Prepaid rent	-	(125)
Prepaid federal excise tax	(1,371)	(34,840)
Increase (decrease) in liabilities:		
Accounts payable and accrued payroll	(23,230)	32,089
Federal excise tax payable	-	(1,137)
Grants payable, net	756,282	(191,745)
Deferred federal excise tax	31,641	(62,150)
Net Cash Used in Operating Activities	(1,086,083)	(1,092,730)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,561,398)	(4,826,473)
Sales of investments	4,686,852	6,053,240
Investment distributions	179,314	106,456
Purchase of furniture and equipment	(4,614)	(1,984)
Net Cash Provided by Investing Activities	1,300,154	1,331,239
CHANGE IN CASH AND CASH EQUIVALENTS	214,071	238,509
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	893,288	654,779
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 1,107,359	\$ 893,288

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, 2016 and 2015.

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, 2016, by approximately \$1,066,000.

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, 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, 2016 and 2015 resulting in a deferred tax provision (benefit) of approximately \$32,000 and (\$62,000) for the years ended August 31, 2016 and 2015, respectively. The current provision for excise tax expense was approximately \$10,000 and \$20,000 for the years ended August 31, 2016 and 2015, 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 2015, 2014 and 2013 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, 2016, 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.

Private equity: Private equity investments are valued based on the ending capital account balance at calendar year end 2014 and 2015 less subsequent activity. The amounts recorded approximate fair value. The Foundation has \$69,300 of unfunded commitments at August 31, 2016 and 2015.

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, 2016:

As of August 31, 2016	Total Assets at			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual and exchange-traded funds				
Equity	\$ 15,157,839	\$ 15,157,839	\$ -	-
Fixed income	6,077,699	6,077,699	-	-
International equity	5,776,175	5,776,175	-	-
Common stock				
Consumer goods and services	1,965,427	1,965,427	-	-
Energy	1,252,419	1,252,419	-	-
Information technology and telecommunication companies	776,984	776,984	-	-
Healthcare	83,731	83,731	-	-
Other	457,590	457,590	-	-
Real Estate	298,287	298,287	-	-
Private equity partnerships	11,904	-	-	11,904
Total	\$ 31,858,055	\$ 31,846,151	\$ -	11,904

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)
Mutual and exchange-traded funds				
Equity	\$ 13,990,010	\$ 13,990,010	\$ -	-
Fixed income	6,593,741	6,593,741	-	-
International equity	5,645,665	5,645,665	-	-
Common stock				
Consumer goods and services	2,642,980	2,642,980	-	-
Energy	958,783	958,783	-	-
Information technology and telecommunication companies	528,020	528,020	-	-
Energy	461,990	461,990	-	-
Healthcare	125,600	125,600	-	-
Other	64,746	64,746	-	-
Private equity partnerships	191,218	-	-	191,218
Total	\$ 31,202,753	\$ 31,011,535	\$ -	\$ 191,218

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, 2016 and 2015:

	Private Equity
Balance at September 1, 2014	\$ 297,674
Distributions	(106,456)
Balance at August 31, 2015	191,218
Distributions	(179,314)
Balance at August 31, 2016	\$ 11,904

The Dietrich W. Botstiber Foundation

Notes to Financial Statements

Note 3: Furniture and Equipment, Net

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

<i>Years Ended August 31, 2016 and 2015</i>	2016	2015
Furniture, fixtures, and equipment	\$ 19,222	\$ 14,608
Less: accumulated depreciation	(13,241)	(11,176)
Furniture and equipment, net	\$ 5,981	\$ 3,432

Depreciation expense was \$2,065 and \$1,631 for the years ended August 31, 2016 and 2015, respectively.

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 \$270,000 and \$333,000 at August 31, 2016 and 2015, respectively.

Note 5: Grants payable, net

Grants payable, net at August 31, 2016 consisted of the following:

<i>As of August 31, 2016</i>	2016
Payable in less than one year	\$ 238,532
Payable in one to five years	524,936
Less discount on long-term grants payable	763,468 (7,186)
Total	\$ 756,282

Grants payable as of August 31, 2016 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 non-cancelable operating lease expiring in June 30, 2020. Rent paid for the years ended August 31, 2016 and 2015 was \$12,958 and \$12,618, respectively.

Minimum future rental payments under the operating lease for each of the next four years and in the aggregate, as of August 31, 2016, are as follows:

<i>Year Ending August 31,</i>	
2017	\$ 14,347
2018	14,704
2019	14,753
2020	12,253
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Total	\$ 56,057

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 25, 2017 the date the financial statements were available to be issued.